

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL
COMMUNITY-TECHNICAL COLLEGES
CHRISTA MCAULIFFE PLANETARIUM**

**AUDIT REPORT
FOR THE NINE MONTHS ENDED MARCH 31, 1999**

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES
CHRISTA MCAULIFFE PLANETARIUM**

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES
CHRISTA MCAULIFFE PLANETARIUM**

Reporting Entity

The reporting entity of this audit and audit report is the Christa McAuliffe Planetarium (Planetarium), established under RSA 188-F:58, within the Office of the Commissioner, Department of Regional Community–Technical Colleges (RCTC). The Planetarium’s business functions include the presentation of planetarium shows, the operation of a gift shop, exhibits, workshops, and special events.

The Planetarium is located on the grounds of the New Hampshire Technical Institute, at 3 Institute Drive, Concord.

Organization

The Planetarium was opened in June 1990 as a memorial to Sharon Christa McAuliffe, a Concord teacher who lost her life in 1986 aboard the space shuttle Challenger. The Planetarium is managed by the fifteen-member Christa McAuliffe Planetarium Commission. The day to day operations and financial management of the Planetarium is under the supervision of a Director, who serves at the pleasure of the Commission. At March 31, 1999, there were 10 full-time and 10 part-time employees at the Planetarium.

Responsibilities

Pursuant to RSA 188-F:57-a, the mission of the Planetarium “is to educate, incite, and entertain learners of all ages in the sciences and humanities by actively engaging them in the exploration of astronomy and space.”

Pursuant to RSA 188-F:62, some of the general duties and responsibilities of the Commission are to:

- I. Oversee the administration of the Planetarium and ensure that its mission is achieved.
- II. Set and collect all fees generated by the Planetarium, such fees to be used by the Commission in its duties and for its expenses.
- III. Cooperate and consult with the Director concerning the daily operation of the Planetarium, as well as integrated educational programs.

Funding

The Planetarium is funded by State General Fund appropriations. Revenues are received from Planetarium show admissions; private function, membership, and workshop fees; gift shop sales; donations; and grants. Fiscal year 1999 appropriations combined with supplemental warrants, balances forward, and transfers resulted in a spending authority of \$904,321. Estimated restricted revenue combined with supplemental warrants and balances forward resulted in anticipated fiscal year 1999 restricted revenue of \$875,644. The actual financial activity of the Planetarium as reported in the General Fund for the nine months ended March 31, 1999, is summarized in the following table.

Summary Of Revenues And Expenditures Nine Months Ended March 31, 1999	General Fund
Total Revenues	\$ <u>262,213</u>
Total Expenditures	\$ <u>563,104</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>\$ (300,891)</u>

Forty-seven percent of the Planetarium's expenditures for the nine months ended March 31, 1999, were offset by show admission, private function, membership, workshop, gift shop, donation, and grant revenues. The Planetarium's restricted revenues received by type for the nine months ended March 31, 1999 are presented graphically on page 4.

A comparison of revenues and expenditures over the last five fiscal years is shown graphically on page 3.

Prior Audit

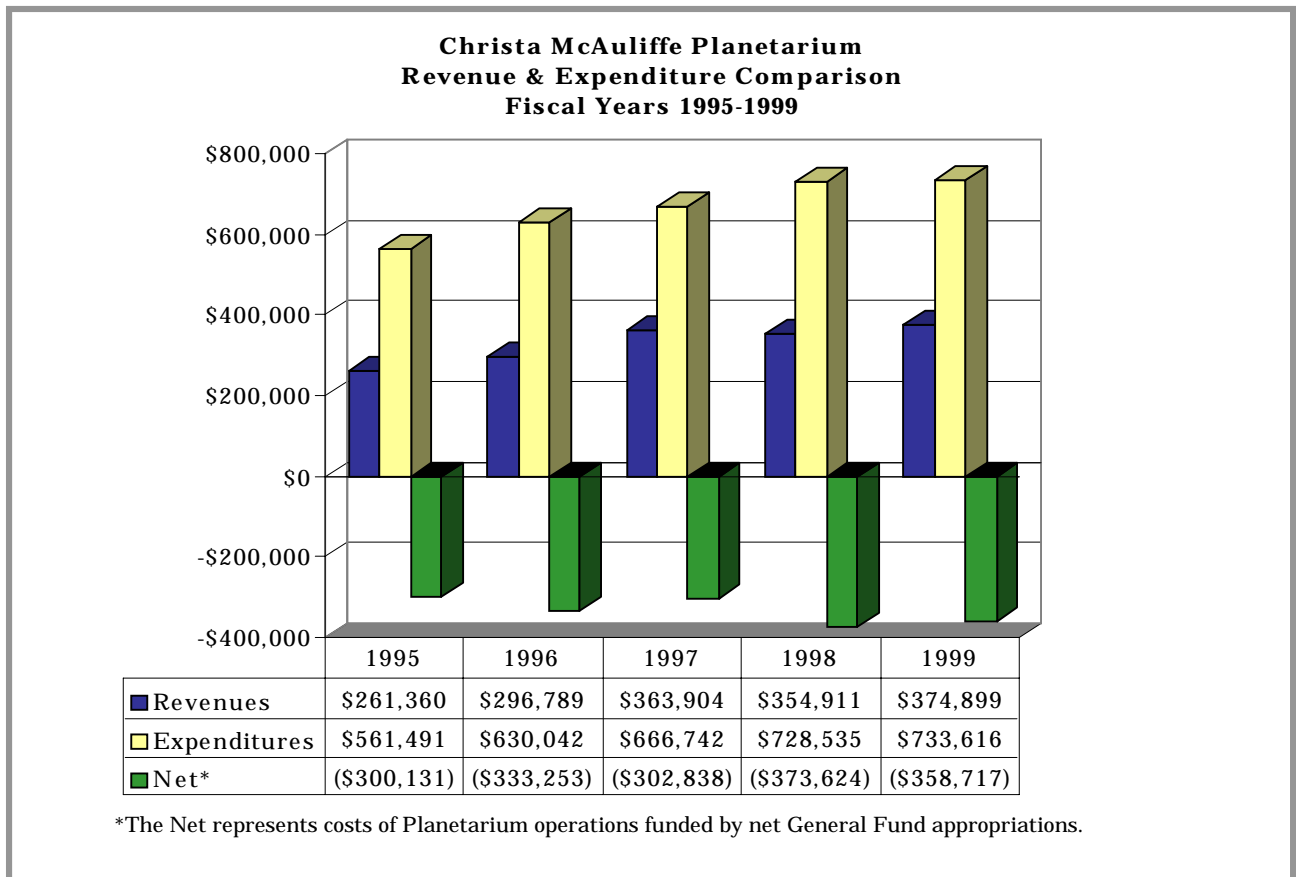
The most recent prior financial and compliance audit of the Planetarium was performed for the eighteen months ended December 31, 1992, when the Planetarium was administratively attached to the Department of Cultural Affairs. The appendix to this report, found on page 43, contains a summary of the current status of the observations contained in that report that were applicable to the Planetarium. Copies of the prior audit report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301-4906.

Audit Objectives And Scope

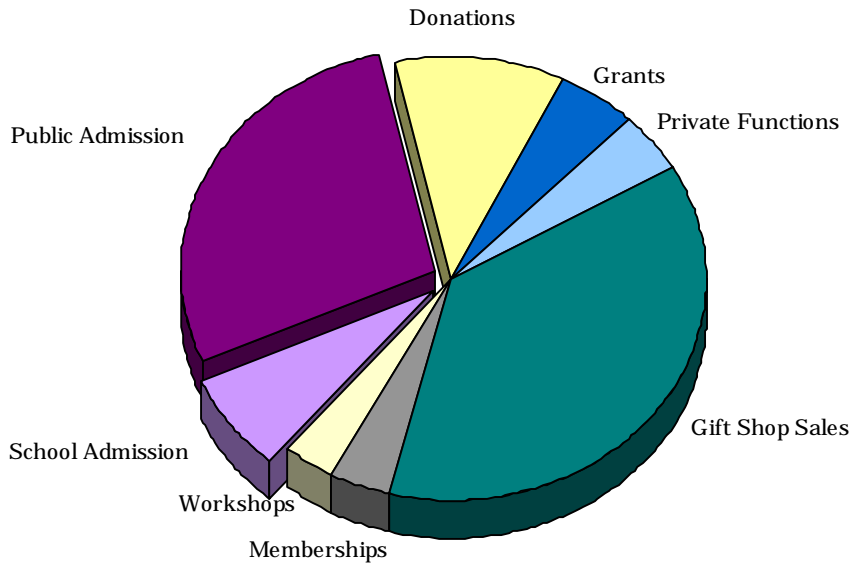
The primary objective of our audit is to express an opinion on the fairness of the presentation of the financial statement. As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we considered the effectiveness of the internal controls in place at the Planetarium and tested the Planetarium's compliance with certain provisions of applicable laws, rules, regulations, contracts, and grants. Major accounts or areas subject to our examination included, but were not limited to, the following:

- Internal controls,
- Revenues and appropriations,
- Expenditures and encumbrances,
- Inventory, and
- Real property and equipment.

Our reports on compliance and on internal control over financial reporting, and on management issues, the related observations and recommendations, our independent auditor's report, and the financial statement of the Christa McAuliffe Planetarium are contained in the report that follows.



**Christa McAuliffe Planetarium
Revenue By Type
9 Months Ended March 31, 1999**



Type	Amount	% of Total
Gift Shop Sales	\$97,497	37%
Public Admission	73,574	28%
Donations	27,988	11%
School Admission	19,037	7%
Grants	13,060	5%
Private Functions	11,788	4%
Memberships	10,081	4%
Workshops	9,188	4%
Total	\$262,213	100%



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Auditor's Report On Compliance And On Internal Control Over Financial Reporting

To The Fiscal Committee Of The General Court:

We have audited the accompanying financial statement of the Christa McAuliffe Planetarium for the nine months ended March 31, 1999, and have issued our report thereon dated May 20, 1999, which was qualified with respect to the lack of presentation of the financial position of the Planetarium in the General Fund, and with respect to the Planetarium's general fixed assets. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Christa McAuliffe Planetarium's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in observations No. 9 through No. 11 of this report.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Christa McAuliffe Planetarium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Planetarium's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in observations No. 3 through No. 8 of this report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Material weaknesses are described in observations No. 1 and No. 2 of this report.

This auditor's report on compliance and on internal control over financial reporting is intended solely for the information and use of the management of the Christa McAuliffe Planetarium and the Fiscal Committee of the General Court and is not intended to be and should not be used by anyone other than these specified parties.

Office of Legislative Budget Assistant

Office Of Legislative Budget Assistant

May 20, 1999

Internal Control Comments
Material Weaknesses

Observation No. 1 – Lack Of Controls Over Planetarium Ticketing And Admission Process

Observation:

The Planetarium's current ticketing and admissions procedures do not include sufficient controls and management information reporting to ensure that all receipts are properly deposited and reported.

The Planetarium uses a VISTA ticketing system to process and record admission, workshop, and membership fees, as well as grants and donations. The State's accounting system, NHIFS, reported \$164,716 of revenue from these sources for the nine months ended March 31, 1999.

We noted the following concerns in our review of the Planetarium's ticketing system and admission receipt process.

1. The ticketing system, as it is currently configured, does not automatically issue a numerically-controlled ticket for each seat sold to a show. If several seats are sold to one person for a performance, a single ticket number is assigned by the ticketing system. The actual ticket(s) may or may not be printed. There is no receipt given to the purchaser unless requested and the admission price of the ticket is not printed on the ticket. Management information reporting from the system is also limited. Because the current configuration of the Planetarium's ticketing system does not include a receipting process, utilize a numeric control over tickets issued or provide adequate management information, there is little likelihood that an error or a fraud in the ticket sale process would be detected.
2. There is a lack of an audit trail to document/support transactions where membership cards and library passes are used to obtain free tickets or purchase tickets at discounts. Ticket sellers do not require members and library pass users to sign-in on a log sheet or otherwise evidence their use of the pass to receive a ticket discount. Because the Planetarium does not attempt to verify that the cashier's processing of a free or discounted ticket is appropriate, a ticket seller has the ability to sell an admission ticket, collect the money, post the ticket in the ticketing system as having been issued to a member or library pass user, and pocket the money collected.
3. There is a lack of control over the sale and redemption of gift certificates. Gift certificates are not pre-numbered and the Planetarium does not account for or track gift certificates issued and redeemed. The ticket seller/cashier has the ability to sell a gift certificate and pocket the money or put an unsold gift certificate into the cash drawer to replace cash that has been removed, without significant risk of detection.

Observation No. 1 – Lack Of Controls Over Planetarium Ticketing And Admission Process (Continued)

Observation (Continued):

4. The Planetarium does not regularly perform reconciliations between admission revenue per its ticketing system and revenue recorded in NHIFS. We performed a reconciliation of the revenue recorded in NHIFS to the revenue recorded in the ticketing system for the nine months ended March 31, 1999 and noted the following.
 - A. The revenue reconciliation process is cumbersome because the revenue accounts in the ticketing system do not correspond to the revenue accounts in NHIFS. For example, General Public Gate receipts in NHIFS correspond to at least 12 different program account types (i.e. Gift Certificates, Destination Mars, Eyes of Hubble, etc.) in the ticketing system. In addition, some program accounts (i.e. school shows) in the ticketing system may be recorded as either School Gate Receipts or General Public Gate receipts in NHIFS.
 - B. There is a lack of consistency in recording grant/donation revenue. A \$10,000 grant was posted as a donation in NHIFS and as a grant in the ticketing system.
 - C. The ticketing system showed a balance forward in the “Corporate Development” Account of \$5,000 at July 1, 1998. The system is supposed to close or “zero-out” revenue accounts at year-end. The Planetarium was not aware of the improper posting of the balance forward amount and does not know how to clear the amount from the system.

As noted in Observation No. 3, there are also segregation of duties concerns related to the Planetarium’s revenue process.

Recommendation:

The Planetarium needs to improve its ticketing and admission procedures to provide better control over admission receipts and better management reporting and information.

1. The Planetarium should research whether its ticketing system has the capabilities to better document ticket sales. All tickets should be numerically controlled and identified by ticket price. If the ticket price can not be printed on the ticket, the ticket sellers should be required to provide ticket purchasers with a separate receipt for the cost of the ticket. Reports of ticket sales by type and price should be available for both revenue control and management information and marketing purposes. If the current ticketing system is unable to provide these types of controls and management information, the Planetarium should consider obtaining a system that could better control and report ticket revenue and related information.

Observation No. 1 – Lack Of Controls Over Planetarium Ticketing And Admission Process (Continued)

Recommendation (Continued):

2. Ticket sellers/cashiers should be provided a mechanism to document the propriety of tickets sold at a discount or issued without a fee collected. Tickets issued to presenters of membership cards, library passes, and gift certificates should be sufficiently documented to allow a reviewer to determine the validity of the transaction. This documentation should be reviewed and approved as part of the daily cash-out processing.
3. The Planetarium should use pre-numbered gift certificate documents and monitor gift certificate transactions. The blank gift certificate documents should be numerically controlled and access to the documents should be limited.
4. The Planetarium should establish procedures to periodically reconcile the ticketing system to NHIFS. An individual who is otherwise independent of the admissions receipt process should perform a reconciliation of total receipts per the ticketing system to the revenue recorded in NHIFS. In establishing these procedures, the Planetarium should evaluate the programming of its current ticketing system versus the management/reporting needs of the Planetarium. Changes should be implemented to provide better management reporting and information for reconciliation of the cash/ticket sales receipts.

Auditee Response:

We concur. The Planetarium has invested over \$10,000 in its VISTA system, and it has served us well compared to prior systems. We do not anticipate replacing the system in the near future. We have scheduled installation of a Y2K compatible upgrade of VISTA in November 1999, and look forward to some system improvements.

As we understand it, the system improvements will not include being able to individually number tickets or put individual prices on tickets. We plan to purchase a new receipt printer by March 2000 so that customers may receive a receipt with their purchase.

It is possible to utilize VISTA to report on types and price of tickets sold. The executive director currently utilizes VISTA reporting on a monthly basis for attendance numbers and geographical distribution. Staff training on the new upgrade in November will allow for better utilization of VISTA's reporting systems.

Regarding tickets issued on a no charge basis – by September 30, 1999, we will have instituted a new procedure similar to the ones in place at state parks: there will be a sign-in sheet at the front desk, and all visitors who use a library pass, gift certificate, or membership card will need to sign the sheet. This sheet will become part of the daily reconciliation process.

Observation No. 1 – Lack Of Controls Over Planetarium Ticketing And Admission Process (Continued)

Auditee Response (Continued):

Effective August 31, 1999, gift certificates are numbered and issued by the gift shop manager for the gift shop and the visitor services manager for planetarium show admission as part of the daily bank. They will be kept in the money envelope for each cash draw in the respective safes, and will be treated the same as cash.

The account clerk will perform a reconciliation on a monthly basis of the VISTA and Filemaker Pro [membership database] systems with the revenues posted in NHIFS, to be reviewed and approved by the executive director each month.

In October 1999, before training begins on the new VISTA upgrade, the executive director will review the VISTA deposit categories vs. the NHIFS deposit categories, and implement appropriate changes to ensure that VISTA reporting serves the needs of the planetarium.

Observation No. 2 – Controls Over Equipment Need Strengthening

Observation:

There are significant weaknesses in the Planetarium's controls over its equipment. The Planetarium does not: 1) maintain documentation on file to support the reported cost of its equipment inventory, 2) have policies and procedures to surplus equipment identified as obsolete or unusable, 3) ensure that all of its equipment is identified as State-owned through the use of inventory identification tags, and consistently update its equipment records in a timely manner for equipment purchases, or 4) consistently perform annual equipment inventories.

As of March 31, 1999, the Planetarium reported \$673,141 in equipment to the Department of Administrative Services. The Department's Fixed Asset Policies and Procedures Manual gives agencies guidance on the proper accounting and reporting of fixed assets. As described in more detail below, the Planetarium's controls and procedures over equipment need to be strengthened.

1. Policy M, of the Fixed Asset Policies and Procedures Manual, requires agencies to keep documentation to support the recorded cost of equipment items. Documentation may include invoices, contracts, deeds, purchase orders, etc., or methods used to document estimated costs.
 - The Planetarium did not have documentation on file to support the cost of 21 out of 25 (84%) of the equipment items tested.

Observation No. 2 –Controls Over Equipment Need Strengthening (Continued)

Observation (Continued):

2. RSA 21-I:12 and N.H. Admin. Rules, Adm 607 describe the Department of Administrative Services' surplus property program. According to N.H. Admin. Rules, Adm 607.01, all governmental units shall dispose of all surplus or unused items. All replaced or surplus items shall immediately be declared surplus on a declaration of surplus Form P-11.
 - The Planetarium has not surplused any equipment since it opened in 1990. Six out of 25 (24%) of the equipment items tested, valued at \$39,253, were identified as obsolete or unusable by the Planetarium. These items were included in a room full of obsolete equipment; the value of the items in the room total at least \$53,810.
3. Policy O, of the Department of Administrative Services, Fixed Asset Policies and Procedures Manual, requires agencies to establish effective controls over fixed assets. Chapter 7 of the State of New Hampshire, Internal Controls Tool Kit, recommends assets be affixed with a State identification tag when acquired.
 - The Regional Community-Technical College – System Office, which maintains the equipment inventory database for the Planetarium, retagged the Planetarium's equipment during November 1997. The effort was incomplete, leaving some equipment untagged. The System Office did note a list of 75 equipment items valued at \$37,587 that could not be located at the time of the retagging. As of March 1999, \$16,166 of the missing items had been located, and \$21,421 of the missing equipment remains unaccounted for.
 - The Planetarium did not tag new equipment items purchased during the period July 1998 through December 1998 in a timely manner. The March 1999 equipment adjustment report included the addition of \$15,531 of equipment to the inventory records. Some of the equipment reported in March 1999 had been purchased a year earlier. An additional \$3,377 of equipment, purchased by the Planetarium as far back as August 1998, remained untagged and unrecorded in the Planetarium's equipment inventory records at March 31, 1999.
4. Policy N, of the Department of Administrative Services, Fixed Asset Policies and Procedures Manual, requires agencies to complete a physical inventory of their fixed assets at the end of each fiscal year. Such inventory shall be reconciled annually with the records maintained by the agency.
 - The Planetarium did not perform a fiscal year 1998 physical inventory of equipment.

Our prior audit of the Department of Cultural Affairs, for the eighteen months ended December 31, 1992, also noted the Planetarium had not systematically affixed its equipment with inventory tags or updated its equipment records in a timely manner for newly purchased equipment.

Observation No. 2 –Controls Over Equipment Need Strengthening (Continued)

Recommendation:

The Planetarium should adhere to the Fixed Asset Policies and Procedures Manual and the Internal Controls Tool Kit and establish controls over its equipment. Controls should include: maintaining documentation to support the recorded cost of its equipment; surplusizing items as appropriate; identifying all state owned equipment with an identification tag; updating equipment records timely; and completing an annual physical inventory.

Auditee Response:

We concur. The fixed asset inventory appears to be an issue from the early days of the Planetarium. We recognize that the discrepancies, prior groupings of individual pieces of equipment, overvaluation of donated items, lack of fixed asset tags on some items of equipment and double tags on other pieces of equipment will be a challenge to correct. As of March 1, 1999, the account clerk is in charge of inventorying, documenting, and tagging all equipment. All current purchases and receipt of donated equipment are carefully documented. The value assigned by donors to equipment donated to the Planetarium will be checked by the Planetarium engineer to ensure accuracy.

The Planetarium is currently in the process of completing an accurate inventory, identifying all equipment in the Planetarium and matching it to the inventory list, and locating all inventory items in the Planetarium. Items that cannot be located will be officially removed from the Planetarium's inventory. Our hope is, that in surplusizing no longer useful items, we will reconcile many of the fixed asset discrepancies. We anticipate completion of this process by June 2000.

We are in the process of identifying and finding documentation on all past equipment purchases and donations. We anticipate completion of this process by the end of Fiscal Year 2000; items that cannot be located by that time will be officially removed from the Planetarium's inventory, and items determined to be not useful to the Planetarium will be surplusized to White Farm.

All current purchases of equipment are carefully documented, appropriately inventoried and tagged. Equipment removed from service will be analyzed for usefulness to the Planetarium, and surplusized to White Farm if it is not deemed useful.

An annual physical inventory was completed in June, 1999. An annual physical inventory will be completed each year in June.

Other Reportable Conditions

Observation No. 3 – Controls Not Established To Mitigate Segregation Of Duties Risks Over Revenue

Observation:

The limited number of staff available at the Planetarium to process revenue contributes to a general lack of segregation of duties over the collection of receipts from the sale of admission tickets and memberships. The Planetarium has not established controls to mitigate the risk caused by a lack of segregation of duties in this area.

During our review of the ticket and membership sales process at the Planetarium, we noted the following segregation of duties problems that would allow employees to be in a position to both cause and be responsible for identifying errors or frauds in the transactions they create.

1. Checks received through the mail for the purchase of memberships and library passes are not initially recorded by the individual who opens the mail.
2. The daily front-desk cashier reconciliation process is only a minimal control as the cashiers are aware of the total receipts they are accountable for when they count and reconcile their cash drawers. Also, the individual who performs the secondary reconciliation of all of the cash, checks, and credit card amounts collected for the day, to the supporting records, does not evidence the review by initialing or signing the reconciliation.
3. The Supervisor I and Program Assistant I(s) have complete access to the ticketing system, reconcile the cash, checks and credit card receipts collected for the day to the reports generated from the ticketing system, and prepare the deposit slip and Cash Receipt Form (A-17). Two of these individuals also have bank deposit responsibilities.

Recommendation:

The Planetarium needs to increase controls over its ticket and membership revenue procedures to mitigate the risk resulting from the limited number of staff available to process revenue. Control procedures could include:

1. Having the individual who opens the mail prepare an initial recording of all checks received through the mail and using that recording to ensure all checks are included in subsequent deposits.
2. Strengthening the reconciliation process by having the front-desk clerks perform a blind cash out and having the preparer of the secondary reconciliation sign the reconciliation to evidence its completion.

Observation No. 3 – Controls Not Established To Mitigate Segregation Of Duties Risks Over Revenue (Continued)

Recommendation (Continued):

3. Having an individual who is independent of the show admission receipt process perform a reconciliation of total receipts per the VISTA Ticketing System to the State accounting system (NHIFS). This reconciliation should be reviewed and approved by management.

Auditee Response:

We concur. We have instituted the following procedures:

1. All checks received by mail are immediately recorded on the log by the person opening the mail.
2. While a blind cash out is not currently possible because of our computerized cash intake system, the cashier who performs the receipt reconciliation is now required to sign the daily reconciliation reports and the VISTA sheet; the reconciliation is reviewed the following business day by the Supervisor I, Account Clerk III, or Program Assistant I.
3. Planetarium management is in the process of reorganizing the staff to include an account clerk position. The account clerk has been working as a cashier 20% of her time during the transition, but will be entirely relieved of that duty by October 31, 1999 to devote more time to bookkeeping/accounting. The account clerk will perform reconciliations of total planetarium revenues, including show admission revenues, per the VISTA system with the revenues posted in NHIFS on a monthly basis, to be reviewed and approved by the executive director each month.

Observation No. 4 – Controls Over Gift Shop Operations Need Strengthening

Observation:

The Planetarium's management has delegated significant responsibilities for control procedures over gift shop operations to the person responsible for performing these duties. While management is provided with monthly revenue figures of gift shop sales, management does not: 1) require that sales journals and other management reports from the computerized Point of Sale (POS) system be produced and reviewed; 2) review inventory pricing, including sales policies; and 3) review inventory adjustments. This lack of management involvement in the control procedures over the gift shop operation is especially significant given the segregation of duties problems that arise due to the small number of staff in the gift shop. The gift shop employs one full-time and several part-time employees and volunteers.

Observation No. 4 – Controls Over Gift Shop Operations Need Strengthening (Continued)

Observation (Continued):

During our review of gift shop operations, we noted the following segregation of duties issues.

- The one full-time employee is responsible for ordering and receiving goods, entering and pricing inventory in the POS system, determining sale items, taking year-end physical inventory, performing the inventory reconciliation, and making inventory adjustments in the POS system. This same individual has complete access to the POS system; reconciles the cash, checks, and credit card receipts collected for the day to the reports generated from the POS system; and prepares the deposit slip, Form A-15 (Record of Daily Receipts), and Form A-17 (Cash Receipt).
- The other gift shop employees who work as cashiers are responsible for reconciling their cash, check, and credit card receipts collected for the day to the total collected per the POS system.

Recommendation:

Limited opportunities for adequate segregation of duties at the Planetarium gift shop necessitates management becoming more involved in the oversight of the gift shop control processes.

Management oversight should include utilizing available POS system reports to review operations of the gift shop, reviewing reconciliations prepared by staff, and implementing adequate control policies including:

- Having the Retail Store Manager print out and review the POS Daily Sales Journal Report as part of the daily reconciliation process. Planetarium management should also periodically review these journals.
- Having an individual who is independent of the gift shop operation perform reconciliations of total shop revenue per the POS system to revenue posted in the State accounting system (NHIFS). These reconciliations should be reviewed and approved by the Planetarium management.
- Having an individual who is independent of gift shop operations periodically check the cost of inventory recorded in the POS system.
- Having all significant inventory adjustments be reviewed by an individual independent of gift shop operations.

**Observation No. 4 – Controls Over Gift Shop Operations Need Strengthening
(Continued)**

Auditee Response:

We concur. The gift shop manager now runs daily sales journals to review and reconcile. All discounted transactions are reviewed and labeled according to the type of discount given.

As noted in our response to observation No. 3, Planetarium management is in the process of reorganizing the staff to include an account clerk position. The account clerk has been working as a cashier 20% of her time during the transition, but will be entirely relieved of that duty by October 31, 1999 to devote more time to bookkeeping/accounting. This individual, who is independent of gift shop operations, will be assigned to: (a) perform reconciliations of total shop revenues per the RetailPro [POS] system with the revenues posted in NHIFS on a monthly basis, to be reviewed and approved by the executive director each month; (b) check the cost of inventory recorded in the RetailPro System and report this information to the executive director each month; and (c) review all significant inventory adjustments as they occur, and report findings to the executive director. The account clerk and executive director will spot check the inventory adjustment log and the daily sales journals at least six times/year.

Observation No. 5 – Gift Shop Policies And Procedures Manual Needed

Observation:

The Planetarium does not have a comprehensive set of policies and procedures covering its gift shop operations. While a limited number of policies have been set by the Planetarium, currently, the Store Manager is responsible for essentially all aspects of the shop's operations including: determining the types of items to be sold; vendor selection; pricing of inventory including mark-ups/downs, sales, promotions, and discounts; and the use of shop inventory for administrative purposes.

The Celestial Treasures Gift Shop opened for business in January 1997. The shop offers approximately 1,200 educational and novelty items for sale including toys, games, books, jewelry, clothing, and small gifts. Sales for the nine months ended March 31, 1999 totaled \$97,497. Because so much of the responsibility for the gift shop operations rests with the Store Manager, if the Store Manager was to leave employment, it is questionable whether another current or new Planetarium employee would be able to operate the shop without a significant period of disruption. Also, operational policy guidance on product selection and pricing determinations are being made without review by other levels of management. These determinations may more appropriately belong with a policy setting body such as the Director and or the Commission.

Observation No. 5 – Gift Shop Policies And Procedures Manual Needed (Continued)

Observation (Continued):

During our testing of gift shop operations we noted the following instances where either there were no policies, or established policies were not adhered to:

- The Planetarium does not have written policies regarding inventory price setting including calculating mark-ups/downs. As a general rule, the Store Manager reports inventory is marked up 100% to arrive at a selling price. The Store Manager also reports that shipping charges are included in the determination of the cost of the inventory. However, during the nine months ended March 31, 1999, approximately \$2,100 of shipping charges were not included in the weighted average cost of the inventory and therefore were not recovered in the price set for the items. This error resulted from a programming oversight in the computerized point of sale (POS) system.
- There are no written policies and procedures related to discounts, and discounts (with the exception of marked-down sales items) are not programmed into the POS system. Discounts are granted to employees, volunteers, management for administrative use of inventory, sale of broken or shop-worn inventory, etc. For one out of 27 gift shop receipts tested (4%), we noted a 35% manager discount was given by a cashier. Per conversation with the Store Manager, it is the shop's policy for only the manager to give a manager discount. The Store Manager stated that she was aware of and told the cashier to process a 35% manager discount for the damaged item. However, there was no documentation to support the 35% manager discount.

Recommendation:

The Planetarium management should develop and implement a written policies and procedures manual covering the gift shop operations. The manual should include policies and procedures for determining the types of items to be sold; vendor selection; pricing of inventory including mark-ups/downs, sales, promotions, and discounts; and the use of shop inventory for administrative purposes.

Describing gift shop operations, including policies and procedures, in a manual will clarify the operations of the shop for the current employees and also for any new employees in the future. The Planetarium should also consider additional staff training on the POS system and cross-training of the Planetarium employees in the shop's operations so that the operation of the shop is not overly dependent on one person's continued employment.

Auditee Response:

We concur. The gift shop manager and account clerk are currently working on a draft gift shop manual which is targeted to be ready by January 30, 2000 for review by the executive director. A final manual should be approved by the executive director and Planetarium Commission on or before June 30, 2000. The manual will include policies and procedures regarding administration of the gift shop (policies on mark-up, mark-down, discounts, vendor

Observation No. 5 – Gift Shop Policies And Procedures Manual Needed (Continued)

Auditee Response (Continued):

and inventory selection, etc.) as well as day-to-day procedures (operating the cash register, handling sales transactions, etc.)

Via the gift shop manual and attendance at trade show and by assisting in ordering, the gift shop cashiers are being cross trained in full gift shop operations. The technical support specialist, education, administration and gift shop staff will all be cross-trained in RetailPro [POS system] and VISTA [ticketing system] when the new versions are installed in September.

Observation No. 6 – Controls Over Electronic Data Processing Systems Need Strengthening

Observation:

The Planetarium does not require employees to regularly change passwords used to access computer systems. Also, the Planetarium does not periodically review employee computer access for continued appropriateness.

Management of the Planetarium is responsible for establishing and maintaining internal controls over its computerized as well as manual processes. Basic electronic data processing (EDP) access controls used to safeguard systems and data require that access to computer systems and data be restricted and controlled to ensure they are protected from both intentional and unintentional misuse and loss. Only employees with job responsibilities requiring use of the systems and data should be able to access the systems.

We noted the following weaknesses in basic access controls over the Planetariums' EDP systems.

- The Planetarium does not have controls in place that require employees to regularly change passwords to access its ticketing, point of sale, and membership database systems.
- The Planetarium does not periodically review employee access to the ticketing system for continued appropriateness. Six former Planetarium employees and a volunteer are still listed as users on the ticketing system, including the Technical Support Specialist who left employment during 1998.

**Observation No. 6 – Controls Over Electronic Data Processing Systems
Need Strengthening (Continued)**

Recommendation:

The Planetarium needs to establish and maintain effective controls over its EDP systems and data. Employees should be required to regularly change passwords used to access the systems. Access should be periodically reviewed for continued appropriateness considering changes in job responsibilities and termination of employees.

Auditee Response:

We concur. A delay in deleting former employees and former volunteers from both the RetailPro [POS] and VISTA [ticketing] systems occurred because of a five-month vacancy in the technical support specialist position. Former employees and former volunteers have now been deleted from both systems. New procedures for system access by employees and password protections will be instituted by November 1999.

Only the retail store manager, technical support specialist, and account clerk have passwords to access transactions in the RetailPro system. These passwords were changed in June 1999, and will be changed every six months, as will cashier codes.

When the new Y2K compliant version of RetailPro and VISTA are installed in November, the technical support specialist will program in an initial log-in to the system with a different password for each employee, to be changed every six months; each password will access the level of programming that is appropriate to the employee's duties.

Observation No. 7 – Facility Maintenance Agreement Needs To Be Documented

Observation:

The Planetarium did not receive documentation from the New Hampshire Technical Institute (NHTI) to support the \$29,355 paid to the NHTI for fiscal year 1999 facility maintenance.

The NHTI invoiced the Planetarium for the entire amount appropriated to the Planetarium for facility maintenance. The Planetarium paid the invoiced amount even though there was no documentation available at either the Planetarium or the NHTI to indicate that the amount paid reasonably reflected the cost of services received by the Planetarium.

Good business practice requires a written contract be agreed to, outlining the work to be performed, cost to be incurred, and proposed payment schedule, prior to engaging services of this nature.

The last written contract between NHTI and the Planetarium covered fiscal 1996 facility maintenance services. The contract has not been updated since that time.

**Observation No. 7 – Facility Maintenance Agreement Needs To Be Documented
(Continued)**

Recommendation:

The Planetarium and the NHTI should enter into a written agreement outlining facility maintenance costs. The agreement should specify the actual services to be performed, the cost for the services, and a payment schedule for when payments are to be made for the actual services rendered.

Auditee Response:

We concur. However, NHTI decided not to provide the Planetarium with maintenance services after June 30, 1999. Written service contracts have been secured for new vendors.

**Observation No. 8 – Policies And Procedures Regarding Changes In Dental
Insurance Coverage Need Improvement**

Observation:

The State and the Planetarium do not have a system in place to periodically review dental insurance coverage status for employees and dependents to determine that the State is paying insurance premiums only for eligible participants.

During our testing of health and dental insurance benefits for Planetarium employees we noted that the Planetarium was paying for family-plan dental coverage and two-person plan medical insurance coverage for one employee. Inquiry determined that the Planetarium had erroneously been paying for family-plan dental coverage for this employee because a dependent, who had become ineligible for coverage in March 1995, had not been removed from the dental insurance records. The total overpayment during the period March 1995 to March 1999 was approximately \$1,300.

According to the Department of Regional Community-Technical Colleges, which performs the payroll benefit functions for the Planetarium, the dental insurance carrier assumes that all dependents of covered employees are eligible for insurance coverage until the age of 23, unless they receive written notice to the contrary. The State's medical insurance provider automatically terminates dependents from coverage when they turn 18 years of age, unless written notice is received that the dependent is a full-time student or otherwise has continued eligibility.

Recommendation:

The State and Planetarium should establish policies and procedures to ensure that State dental insurance premiums are paid only for eligible participants. Procedures could include a periodic review and confirmation with the employees of current insurance status and the use of an automatic challenge to the dependent status at age 18, as is used by the medical insurance provider.

Observation No. 8 – Policies And Procedures Regarding Changes In Dental Insurance Coverage Need Improvement (Continued)

Auditee Response:

We concur. The Planetarium will establish a policy to annually review the appropriateness of Planetarium employee dental and medical coverage. Each October, the Planetarium will require Planetarium staff to complete a form to indicate any changes in marital status, parental status, and ages of dependents; these forms will be reviewed for appropriate action.

Compliance Comments
State Compliance

Observation No. 9 – Administrative Rules Need To Be Adopted

Observation:

The Planetarium has not adopted administrative rules as required by RSA 188-F:62, VII, and RSA 541-A:16, I.

RSA 188-F:62, VII, requires the Christa McAuliffe Planetarium Commission to adopt rules pursuant to RSA 541-A relative to: 1) requirements for use of facilities by outside parties; 2) rights and responsibilities of patrons; and 3) rights and responsibilities of schools utilizing planetarium programs and services.

RSA 541-A:16, I, requires each agency, defined as a state board, commission, department, institution, etc., authorized to make rules or to determine contested cases, to adopt rules: 1) describing its organization, stating the general course and method of its operations and the methods by which the public may obtain information or make submissions or requests; 2) of practice setting forth the nature and requirement of all formal and informal procedures available; 3) setting the format and procedures for submitting, considering, and disposing of rulemaking petitions; and 4) filing petitions for declaratory rulings and their prompt disposition.

We also noted the Planetarium had not adopted required administrative rules in our prior audit for the eighteen months ended December 31, 1992.

Recommendation:

The Planetarium should adopt the rules required by RSA 188-F:62, VII and RSA 541-A:16, I.

Auditee Response:

We concur. A consultant has been retained to assist the Christa McAuliffe Planetarium with the rulemaking process. It is anticipated that the administrative rules will be adopted no later than February 28, 2000.

Observation No. 10 – Information Technology Plan Needs To Be Filed

Observation:

The Planetarium has not submitted an information technology plan to the Director of the Office of Information Technology Management as required by RSA 9:4-b.

RSA 9:4-b requires each executive department, commission, board, institution, etc., to prepare an information technology plan in accordance with the information technology planning process developed by the Director of the Office of Information Technology Management.

As a result of the Planetarium not submitting and receiving approval of an information technology plan, future Planetarium computer purchases may not be consistent with the current Planetarium and State technology, resulting in potential inefficiencies in future efforts to share information within and between State organizations.

Recommendation:

The Planetarium should develop and submit to the Office of Information Technology Management a written information technology plan as required by RSA 9:4-b.

Auditee Response:

We concur. The new technical support specialist is in the process of working with staff at the Planetarium and the Office of Information Technology Management on an Information Technology Plan, which should be in place by December 31, 1999.

Observation No. 11 – Filings Of Statements Of Financial Interests Need To Be Monitored

Observation:

Eight out of eleven Planetarium Commission members did not file statements of financial interests that were due on July 1, 1998. These statements are required by RSA 21-G:5-a.

RSA 21-G:5-a requires that every member of executive branch boards, commissions, advisory committees, boards of directors, and authorities, whether regulatory or administrative, file by July 1 of each year a written statement of financial interests. It further states that members shall not be allowed to enter into or continue their duties unless they file a statement of financial interests.

Observation No. 11 – Filings Of Statements Of Financial Interests Need To Be Monitored (Continued)

Observation (Continued):

The Planetarium Commission members appear to be subject to RSA 21-G:5-a and therefore must file statements of financial interests annually. We reviewed the July 1, 1998 statements on file with the Secretary of State's Office as of April 2, 1999 and noted eight Planetarium Commission members had not filed statements. These members continued with their duties on the Commission apparently in noncompliance with the statute.

Recommendation:

The Planetarium should establish policies and procedures to notify Commission members of the requirements of RSA 21-G:5-a and to monitor the commissioners' adherence to the policy. Commission members who do not comply with the requirements should not be allowed to enter into or continue with their duties on the Commission.

Auditee Response:

We concur. At this time, 12 of the 14 commissioners have filed the statements [due July 1, 1999]; one has just been appointed and has not yet received the paperwork and notice. The executive director has established a policy to inform commission members of their obligation under RSA 21-G:5-a on an annual basis and send out appropriate paperwork, keep track of compliance on an annual basis, and inform the commission chair that non-compliant members' votes may be invalid.



State Of New Hampshire

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Auditor's Report On Management Issues

To The Fiscal Committee Of The General Court:

We have audited the accompanying financial statement of the Christa McAuliffe Planetarium for the nine months ended March 31, 1999, and have issued our report thereon dated May 20, 1999, which was qualified with respect to the lack of presentation of the financial position of the Planetarium in the General Fund, and with respect to the Planetarium's general fixed assets. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing our audit of the financial statement of the Christa McAuliffe Planetarium for the nine months ended March 31, 1999, we noted certain issues related to the operation of the Planetarium that merit management consideration but do not meet the definition of a reportable condition as defined by the American Institute of Certified Public Accountants, and were not issues of noncompliance with laws, rules, regulations, contracts, or grants.

Those issues that we believe are worthy of management consideration but do not meet the criteria of reportable internal control or compliance conditions are described in observations No. 12 through No. 14 of this report.

This auditor's report on management issues is intended solely for the information and use of the management of the Christa McAuliffe Planetarium and the Fiscal Committee of the General Court and is not intended to be and should not be used by anyone other than these specified parties.

Office of Legislative Budget Assistant

Office Of Legislative Budget Assistant

May 20, 1999

Management Issues Comments

Observation No. 12 – Business And Disaster Contingency Plan Needed

Observation:

The Planetarium has not prepared a business and disaster contingency plan to properly plan for the future operations of the Planetarium, including safeguarding the Planetarium's operations against natural and manmade disasters. An effective business and disaster contingency plan will allow continuity of the future operations of the organization, even in the event of a future unforeseen change in its operating environment.

The Planetarium operates several different business functions. The primary business function is the presentation of planetarium shows. Secondary operations include a gift shop, exhibits, workshops, special events, rental of function space, etc. A business plan is a written summary of the goals of an organization and how the organization intends to use its resources to meet its goals. It is a road map for operating a business and measuring progress along the way.

During our review of Planetarium operations we noted the Planetarium does not have a written business and disaster contingency plan. Significant operational issues that do or could face the Planetarium that make the need for a business plan imperative include:

- The Planetarium does not have a disaster contingency plan for its Digistar system used to project the planetarium shows; its computerized point of sale (POS) system used to support the gift shop operations; or its ticketing system used for the recording of reservations, selling of tickets, and tracking of receipts other than gift shop revenue. A disaster contingency plan is essential to help ensure the continuity of operations in the event of a disaster.
- The Digistar system was purchased in 1990. The system is generally regarded as having an estimated economic life of 10 years. After that period, the technology becomes dated and the quality of the show becomes less “leading edge”. Also, service for the system becomes more difficult. The Planetarium does not have a long-range plan to replace the Digistar system, even though the system is approaching the end of its economic life. Replacement of the system with a state of the art projection system could cost \$1,000,000 or more.

Recommendation:

The Planetarium should establish and maintain a written business and disaster contingency plan for its operations. The plan should address all Planetarium operations including the anticipated scheduling of the acquisition and development of new shows, acquisition of new equipment and exhibits, utilization of building space, secondary business operations to be offered by the Planetarium, etc. The plan should help the Planetarium to prioritize its operations and understand the resources needed for those

**Observation No. 12 – Business And Disaster Contingency Plan Needed
(Continued)**

Recommendation (Continued):

operations. The plan should also describe steps to be taken to ensure the continuity of operations in the event of a disaster.

The plan should include consideration of off-site back-up for its critical systems and a plan to address the eventual replacement of the current Digistar system.

Auditee Response:

We concur. We are currently in the process of creating a long range plan, to include business and disaster planning. Procedures are in place for temporary disaster, such as show equipment going down for a short time (a few hours to a few days).

With respect to Digistar's eventual replacement, the Planetarium's Fiscal Year 2000-2001 capital budget request for a new Digistar II was not funded. Digistar II will reappear in the Fiscal Year 2002-2003's capital budget request; staff will also investigate alternate sources of funding for this piece of equipment. In order to extend Digistar's life, we have contracted with the manufacturer for support and training, and contracted with a leading expert on Digistar to annually maintain and train staff in maintaining Digistar.

We plan to purchase by November 1999 an internal tape drive for the file server, back-up software, and back-up tape. We will store our back-up tapes off-site to mitigate against loss due to a disaster.

Observation No. 13 – Year 2000 Compliance Status

Observation:

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that make operations beyond the year 1999 troublesome. For many years, programmers eliminated the first two digits from a year when writing programs. For example, programmers would designate January 1, 1965 as "01/01/65" instead of "01/01/1965." On January 1, 2000 at 12:00:01 a.m., the internal clock in computers and other equipment will roll over from "12/31/99" to "01/01/00." Unfortunately, many programs (if not corrected) will not be able to distinguish between the year 2000 and the year 1900. This confusion may cause the programs to process data inaccurately or stop processing data altogether.

Observation No. 13 – Year 2000 Compliance Status (Continued)

Observation (Continued):

It is incumbent upon management to determine the scope of the Year 2000 issue on the operations of the organization and to plan and take steps to make systems and other equipment Year 2000 compliant, as well as develop contingency plans to ensure smooth operations through the turn of the century.

In meeting this responsibility, the Planetarium reports that:

- Key business functions have been identified, and the systems that support these functions have been inventoried and analyzed.
- The internal systems deemed most critical to the Planetarium's continued operations are the Digistar I (used to run shows in the dome theatre), the gift shop's point of sale system, and the ticketing system. The Planetarium has received certification from the vendor that the Digistar I is Year 2000 compliant, and the other systems are currently in the correction phase, with completion anticipated by November 1999.
- All desktops, operating systems, and applications suites which are not Year 2000 compliant will be replaced by November 1999.

While the Planetarium is addressing the Year 2000 issue as noted above, it has not yet developed any contingency plans should any of its internal or vendor systems fail. Failure to have contingency plans in place could have severe implications on continued operations.

Recommendation:

The Planetarium should continue to be aware of the Year 2000 issue and the implications it has on continued operations. It should monitor and test the compliance of its systems to ensure that operations will not be unduly disrupted by the Year 2000 issue. In addition to bringing its essential systems into compliance or replacing these systems, the Planetarium should develop contingency plans to minimize or eliminate any disruption of services caused by the Planetarium's systems or outside systems that prove to be noncompliant.

Auditee Response:

We concur. The Planetarium will continue to monitor and test the compliance of its systems, and is in the process of developing contingency plans to minimize or eliminate any disruption of services caused by internal or external non-compliant systems.

Observation No. 14 – Preparation Of Consumable Inventory Form Should Be Made More Efficient

The Planetarium gift shop's computerized point of sale (POS) system values saleable inventory using the weighted-average inventory costing method. However, every fiscal year end, the shop's manager manually prepares the State's Consumable Inventory Form (Form A-35) on an item-by-item basis using the first-in, first-out (FIFO) inventory costing method.

N.H. Admin. Rules, Adm 307 (expired), requires each agency to submit a Form A-35 for inventory on hand as of June 30, based on average cost. The Form A-35 should categorize inventory into major groups (items for resale, pharmaceuticals, supplies, etc.).

The shop's manager reportedly spends many hours manually preparing the Form A-35 at year end using the FIFO costing method, reporting each of the shop's 1,200 inventory items. The shop's manager mistakenly understood that the State's policies required the Form A-35 to be prepared on an item-by-item basis using the FIFO costing method.

Recommendation:

The Planetarium should prepare the Form A-35 using the weighted-average costing method reported by its computerized POS inventory system. The inventory may be reported as one line item – inventory for resale. Reporting the gift shop inventory in this manner will provide the State with the needed information and also greatly reduce the time required by the shop's manager to complete the Form A-35 at year end.

Auditee Response:

We concur. The Planetarium gift shop staff is delighted with this recommendation, and is now preparing Form A-35 using the weighted average costing method!



State Of New Hampshire

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Independent Auditor's Report

To The Fiscal Committee Of The General Court:

We have audited the accompanying financial statement of the Christa McAuliffe Planetarium for the nine months ended March 31, 1999. The financial statement is the responsibility of the Planetarium's management. Our responsibility is to express an opinion on the financial statement based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully discussed in Note 1, the financial statement referred to above is not intended to present the financial position of the Christa McAuliffe Planetarium in the General Fund.

The Christa McAuliffe Planetarium does not have complete financial records to support amounts included in the General Fixed Asset Account Group, as presented in Note 2. Accordingly, we were unable to examine sufficient evidential matter to support such amounts.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had our audit not been limited in scope as discussed in the fourth paragraph and the matter discussed in the third paragraph, the financial statement referred to above presents fairly, in all material respects, certain financial activity of the Christa McAuliffe Planetarium for the nine months ended March 31, 1999, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statement referred to in the first paragraph. The accompanying Required Supplementary Information presented on page 41 and the Schedule of Budgetary Components – General Fund on page 42 are presented for the purpose of additional analysis and are not a required part of the financial statement of the Christa McAuliffe Planetarium. Such information has been subjected to the auditing procedures applied in our audit of the financial statement referred to in the first paragraph and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 20, 1999 on our consideration of the Christa McAuliffe Planetarium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grants.

Office of Legislative Budget Assistant

Office Of Legislative Budget Assistant

May 20, 1999

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES
CHRISTA MCAULIFFE PLANETARIUM**

**STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 1999**

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
<u>Revenues</u>			
<u>Restricted Revenues</u>			
Admission Fees, Donations, and Grants	\$ 556,757	\$ 164,716	\$ (392,041)
Gift Shop Sales	<u>318,887</u>	<u>97,497</u>	<u>(221,390)</u>
Total Restricted Revenues	<u>\$ 875,644</u>	<u>\$ 262,213</u>	<u>\$ (613,431)</u>
<u>Expenditures</u>			
Salaries And Benefits	\$ 550,287	\$ 373,612	\$ 176,675
Current Expenses	136,696	77,537	59,159
Merchandise For Resale	130,000	49,665	80,335
Transfer To New Hampshire Technical Institute	29,355	29,355	-0-
Equipment	20,775	15,338	5,437
Show And Exhibit Development	12,905	7,856	5,049
Travel	7,600	5,032	2,568
Other	<u>16,703</u>	<u>4,709</u>	<u>11,994</u>
Total Expenditures	<u>\$ 904,321</u>	<u>\$ 563,104</u>	<u>\$ 341,217</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>\$ (28,677)</u>	<u>\$ (300,891)</u>	<u>\$ (272,214)</u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES
CHRISTA MCAULIFFE PLANETARIUM**

**NOTES TO THE FINANCIAL STATEMENT
NINE MONTHS ENDED MARCH 31, 1999**

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the Christa McAuliffe Planetarium has been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

The Christa McAuliffe Planetarium (Planetarium) is an organization of the Department of Regional Community-Technical Colleges and the primary government of the State of New Hampshire. The accompanying financial statement reports certain financial activity of the Planetarium. The financial activity of the Planetarium is accounted for in the General Fund in the State of New Hampshire's Comprehensive Annual Financial Report (CAFR). Assets, liabilities, and fund balances are reported by fund for the State as a whole in the CAFR. The Planetarium, as an organization of the primary government, accounts for only a small portion of the General Fund and those assets, liabilities, and fund balances as reported in the CAFR that are attributable to the Planetarium cannot be determined. Accordingly, the accompanying financial statement is not intended to show the financial position of the Planetarium in the General Fund and the change in this fund balance is not reported on the accompanying financial statement.

B. Basis Of Presentation - Fund Accounting

The State of New Hampshire and the Planetarium use funds and account groups to report on their financial position and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis Of Presentation - Fund Accounting (Continued)

Governmental Fund Types

General Fund

The General Fund accounts for all financial transactions not specifically accounted for in any other fund. By law, and with certain exceptions, all revenues of governmental funds are paid daily into the State Treasury. All such revenues, other than certain designated revenues, are credited to the General Fund. Annual expenditures that are not allocated by law to other funds are charged to the General Fund.

Account Groups

General Fixed Assets

General fixed assets acquired for use by the Planetarium for the performance of its operations are reflected in the General Fixed Assets Account Group at the time of acquisition. As of March 31, 1999, the Planetarium had recorded in the General Fixed Assets Account Group the cost of general fixed assets based on available historical cost records. Donated fixed assets are recorded at fair market value at the time donated.

C. Measurement Focus And Basis Of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds are accounted for using the flow of current financial resources measurement focus and reported on a modified accrual basis of accounting. Accordingly, the State of New Hampshire accounts for its financial transactions relating to the General Fund on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which obligations are incurred as a result of the receipt of goods or services.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data

General Budget Policies

The statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes annual budgets for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs as well as estimating revenues to be received. There is no constitutional or statutory requirement that the Governor propose, or the Legislature adopt, a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary fund types with the exception of the Capital Projects Fund. The Capital Projects Fund budget represents appropriations for individual projects, which extend over several fiscal years. Fiduciary-type funds are not budgeted.

The New Hampshire biennial budget is composed of the initial operating budget, supplemented by additional appropriations. These additional appropriations and estimated revenues from various sources are authorized by Governor and Council action, annual session laws, and existing statutes which require appropriations under certain circumstances. As shown on the Schedule of Budgetary Components - General Fund on page 42, the final budgeted amount includes the initial operating budget plus supplemental appropriation warrants, balances brought forward, and transfers.

Budgetary control is at the department level. All departments are authorized to transfer appropriations within their departments with the prior approval of the Joint Legislative Fiscal Committee and the Governor and Council. Additional fiscal control procedures are maintained by both the Executive and Legislative Branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial system. The Legislative Branch, represented by the Joint Legislative Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or are legally defined as non-lapsing accounts. Capital Projects Fund appropriations are scheduled to lapse two years from the date appropriated unless extended or designated as non-lapsing by law.

A Statement Of Revenues And Expenditures - Budget And Actual - General Fund is presented as the Planetarium's financial statement. The Planetarium has no activity recorded in the Special, Capital Projects, Proprietary, or Fiduciary Funds.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data (Continued)

Variances - Favorable/(Unfavorable)

The variance column on the Statement Of Revenues And Expenditures - Budget And Actual - General Fund highlights differences between budget and actual revenue and expenditures. For revenue, these variances are caused by actual revenue exceeding budget generating a favorable variance or actual being less than budget generating an unfavorable variance. For expenditures, a favorable variance results from actual expenditures being less than the amount budgeted for the fiscal year. The favorable expenditure variances represent a combination of ending available balances and unliquidated encumbrances. Unfavorable expenditure variances represent actual expenditures for the reporting period exceeding the amounts budgeted for the fiscal year.

When a statement is presented at an interim date, a date other than a June 30 fiscal year end, the variance reflects the difference between the budget period amount, twelve months in the case of the General Fund, and a partial year's actual revenue and expenditures. Thus, on the nine month financial statement dated March 31, 1999, unfavorable variances in General Fund revenues are expected because nine months of actual revenues are compared to the amount of revenue expected to be collected in the twelve month period. Similarly, favorable expenditure variances are expected as nine months of expenditures are compared to amounts expected to be expended in the twelve month budget period.

Encumbrances

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services the encumbrance is liquidated and the expenditure and liability are recorded. The Planetarium's General Fund unliquidated encumbrance balance at March 31, 1999 was \$45,476.

E. Fixed Assets - General

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Interest costs incurred during construction are not capitalized. Assets in the General Fixed Assets Account Group are not depreciated.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Interfund And Intrafund Transactions

The State accounts for interfund and intrafund transactions as described below:

Reimbursements - Various departments charge user fees for such services as centralized data processing, accounting and auditing, purchasing, personnel, and maintenance. In addition, the Department of Administrative Services charges rent to those departments that are housed in state-owned buildings. These fees and rent are not considered material and are recorded as revenue by the servicing department and as expenditures by the user department.

NOTE 2 -- GENERAL FIXED ASSETS ACCOUNT GROUP (UNAUDITED)

Fixed assets are recorded at historical cost if known, estimated cost if historical cost is unknown, or fair market value at date of acquisition if the asset is donated.

The following is a schedule of fixed asset balances and activity reported by the Christa McAuliffe Planetarium to the Department of Administrative Services for the nine months ended March 31, 1999. Equipment purchases are funded through budgeted appropriations. Building and building improvements are generally funded through appropriations budgeted in the Capital Projects Fund. Presently, the Planetarium does not have complete financial records to support amounts included in the General Fixed Asset Account Group.

<u>General Fixed Assets</u>	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 1999</u>
Building & Building Improvements	\$ 2,814,008	\$ -0-	\$ -0-	\$ 2,814,008
Equipment	<u>655,069</u>	<u>18,072</u>	<u>-0-</u>	<u>673,141</u>
Total General Fixed Assets	<u>\$ 3,469,077</u>	<u>\$ 18,072</u>	<u>\$ -0-</u>	<u>\$ 3,487,149</u>

NOTE 3 -- EMPLOYEE BENEFIT PLANS

New Hampshire Retirement System

The Planetarium, as an organization of the State government, participates in the New Hampshire Retirement System (Plan). The Plan is a defined benefit plan and covers substantially all full-time employees of the Planetarium. The Plan qualifies as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. RSA 100-A established the Plan and the contribution requirements. The Plan, which is a cost-sharing, multiple-employer Public Employees Retirement System (PERS), is divided into two membership groups. Group I consists of employees and teachers. Group II consists of firefighters and police officers.

Group I - Members contributing through age 60 qualify for a normal service retirement allowance based on years of creditable service. The yearly pension amount is $1/60$ (1.67%) of average final compensation (AFC), multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65, the yearly pension amount is recalculated at $1/66$ (1.5%) of AFC multiplied by years of creditable service. Members in service with ten or more years of creditable service who are between ages 50 and 60 are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service. In addition, any Group I member who has completed at least 20 years of creditable service that, when combined with his or her age equals at least 70, is entitled to retire and have benefits commence immediately at a reduced service retirement allowance.

Group II - After attaining the age of 45, members with 20 years of creditable service qualify to receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members in service at age 60 qualify to receive a prorated retirement allowance.

Members of both groups are entitled to disability allowances and also death benefit allowances subject to various requirements and rates based on AFC or earnable compensation. All covered Planetarium employees are members of Group I.

The Plan is financed by contributions from the members, the State and local employers, and investment earnings. During the nine months ended March 31, 1999, Group I and II members were required to contribute 5% and 9.3%, respectively, of gross earnings. The State funds 100% of the employer cost for all of the Planetarium's employees enrolled in the Plan. The annual contribution required to cover any normal cost beyond the employee contribution is determined every two years based on the Plan's actuary.

NOTE 3 -- EMPLOYEE BENEFIT PLANS (Continued)

New Hampshire Retirement System (Continued)

The Planetarium's payments for normal contribution costs for the nine months ended March 31, 1999 amounted to 3.86% of the covered payroll for its Group I employees. The Planetarium's contributions for the nine months ended March 31, 1999 were \$9,799, equal to the required employer contributions for the period. The Plan does not make separate measurements of assets and pension benefit obligation for individual employers. The New Hampshire Retirement System Comprehensive Annual Financial Report contains detailed information regarding the Plan as a whole, including information on payroll, contributions, actuarial assumptions and funding method, and historical trend data. The New Hampshire Retirement System operates on a fiscal year ending June 30.

Deferred Compensation Plan

The Planetarium, as an organization of the State government, offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all State employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property rights purchased with those amounts, and all income attributable to those amounts, property or rights, are held in trust for the exclusive benefit of participants and their beneficiaries. The Planetarium and the State are not actively involved in managing the Plan's assets.

Postemployment Health Care Benefits

In addition to the benefits described above, the Planetarium, as an organization of the State government, provides postemployment health care benefits, in accordance with RSA 21-I:30, to all retired employees and their spouses on a non-contributory basis, as authorized by State statute.

During the nine months ended March 31, 1999, the State paid for the full cost of health insurance premiums for the retired employees and spouses on a pay-as-you-go basis. The cost of the health insurance for the Planetarium's employees and spouses is a budgeted amount and is paid from an appropriation made to the administrative organization of the New Hampshire Retirement System. Accordingly, the cost of health insurance benefits for the retired Planetarium employees and spouses is not included in the Planetarium's financial statement.

NOTE 4 - COST OF GOODS SOLD

The following is a schedule of the cost of goods sold at the Planetarium Celestial Treasures Gift shop for the nine months ended March 31, 1999.

Cost Of Goods Sold

Beginning Inventory July 1, 1998	\$ 48,369
Add: Purchases	<u>49,665</u>
Goods Available For Sale	98,034
Less: Ending Inventory March 31, 1999	<u>49,867</u>
Cost Of Goods Sold - Nine Months Ended March 31, 1999	<u><u>\$ 48,167</u></u>

Items available for sale at the Celestial Treasures Gift Shop include toys, games, books, jewelry, clothing, and small gift items. All items sold are marked up at least 100%. Each month, a theme of the month discount of 20% is given on selected items depending upon the theme (i.e. Pluto, Mars, Venus, etc.).

REQUIRED SUPPLEMENTARY INFORMATION

YEAR 2000 COMPLIANCE

Year 2000 data processing compliance issues have affected virtually every business including the Planetarium's. Many computer programs have been written using two digits rather than four to define the applicable year. Any computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 instead of year 2000.

The Planetarium maintains various computerized systems that are subject to Year 2000 data processing compliance issues. The Digital Theatre "Digistar I" System; VISTA Ticketing System, and RetailPro Point of Sale System have been deemed the most critical to continued operations and are maintained by the Planetarium.

The Planetarium is confident and has received certification from the vendor that the Digistar I is Year 2000 compliant. Currently, the Planetarium is in the middle of the remediation stage for both the VISTA and RetailPro Systems as they have purchased the applicable software upgrades and are in need of seven new computers to make the systems Year 2000 compliant.

The Planetarium has set a goal of November 1999 for full compliance of all internal systems and will continue to monitor the progress of each stage. Although the Planetarium is highly confident that all internal systems will be compliant by the set goal date, there is no guarantee that all systems and equipment will in fact be compliant.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF REGIONAL COMMUNITY-TECHNICAL COLLEGES
CHRISTA MCAULIFFE PLANETARIUM**

**SCHEDULE OF BUDGETARY COMPONENTS
GENERAL FUND
FOR THE NINE MONTHS ENDED MARCH 31, 1999**

	<u>Operating Budget</u>	<u>Supplemental Appropriation Warrants</u>	<u>Balances Brought Forward</u>	<u>Net Transfers In(Out)</u>	<u>Budget</u>
<u>Revenues</u>					
<u>Restricted Revenues</u>					
Admission Fees, Donations, and Grants	\$ 339,879	\$ 9,855	\$ 207,023	\$ -0-	\$ 556,757
Gift Shop Sales	<u>184,746</u>	<u>-0-</u>	<u>134,141</u>	<u>-0-</u>	<u>318,887</u>
Total Restricted Revenues	<u>\$ 524,625</u>	<u>\$ 9,855</u>	<u>\$ 341,164</u>	<u>\$ -0-</u>	<u>\$ 875,644</u>
<u>Expenditures</u>					
Salaries And Benefits	\$ 527,226	\$ 23,061	\$ -0-	\$ -0-	\$ 550,287
Current Expenses	115,760	5,000	8,451	7,485	136,696
Merchandise For Resale	130,000	-0-	-0-	-0-	130,000
Transfer To New Hampshire Technical Institute	29,355	-0-	-0-	-0-	29,355
Equipment	20,775	-0-	-0-	-0-	20,775
Show And Exhibit Development	-0-	4,855	10,050	(2,000)	12,905
Travel	14,800	-0-	-0-	(7,200)	7,600
Other	<u>9,329</u>	<u>-0-</u>	<u>5,659</u>	<u>1,715</u>	<u>16,703</u>
Total Expenditures	<u>\$ 847,245</u>	<u>\$ 32,916</u>	<u>\$ 24,160</u>	<u>\$ -0-</u>	<u>\$ 904,321</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>\$ (322,620)</u>	<u>\$ (23,061)</u>	<u>\$ 317,004</u>	<u>\$ -0-</u>	<u>\$ (28,677)</u>

APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary, as of May 20, 1999, of the status of the observations **applicable to the Planetarium** contained in the audit report of the Department of Cultural Affairs for the eighteen months ended December 31, 1992. A copy of the prior report can be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, NH 03301-4906.

	Status
Internal Control Structure	
<i>Material Weakness</i>	
1. Christa McAuliffe Planetarium (CMP) Sales Operations (See Current Observation No. 1)	● ● ○
<i>Reportable Conditions</i>	
4. Consolidation Of Business Offices	● ● ●
6. Equipment Inventory Process (See Current Observation No. 2)	○ ○ ○
7. Christa McAuliffe Planetarium Inventory	● ● ○
State Compliance	
15. Administrative Rules (See Current Observation No. 9)	○ ○ ○
16. Untimely Deposits	● ● ●

Status Key

Fully Resolved	● ● ●
Partially Resolved	● ● ○
Unresolved	○ ○ ○

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