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**COMMONWEALTH OF PENNSYLVANIA**  
***PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION***  
**HARRISBURG, PENNSYLVANIA**

**AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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**BACKGROUND**

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The Pennsylvania Historical and Museum Commission (commission), created in 1945 to consolidate the functions of the Pennsylvania Historical Commission, the State Museum, and the State Archives, is an independent administrative board consisting of the Secretary of the Department of Education; two Senators, one appointed by the President Pro Tempore and one by the Minority Leader; two House of Representatives members, one appointed by the Speaker and one by the Minority Leader, and nine citizens of the Commonwealth appointed by the Governor.

The powers and duties of the commission are:

- . to serve as the official agency of the Commonwealth for the conservation of its cultural heritage through historic building and museum resources, exhibitions, archival material, manuscripts, and collections;
- . to preserve public records, historical documents and objects of historical interest in the possession and custody of the commission;
- . to initiate, encourage, support, coordinate and carry out historic preservation efforts; and
- . to provide historical research, interpretation and public access to Pennsylvania's heritage.

The commission operates through an executive office and five bureaus: The Bureau of Archives and History, the Bureau of Historic Sites and Museums, the Bureau for Historic Preservation, the Bureau of The State Museum, and the Bureau of Management Services.



**FINANCIAL SECTION**



## **Independent Auditor's Report**

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

Dear Governor Rendell:

We have audited the Status of Appropriations by Fund-Budgetary Basis, Statement of Revenue and Receipts by Fund-Budgetary Basis and Status of Allotments by Major Object by Fund-Budgetary Basis of the Pennsylvania Historical and Museum Commission for the fiscal year ended June 30, 2002. These financial statements are the responsibility of the Pennsylvania Historical and Museum Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 discussed in Note A, the Pennsylvania Historical and Museum Commission's financial statements are on a prescribed basis of accounting that demonstrates compliance with the budget laws of the Commonwealth of Pennsylvania, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As further discussed in Note A, the financial statements of the Pennsylvania Historical and Museum Commission are intended to present the status of appropriations, revenue and receipts, and expenditures of only that portion of the funds of the Commonwealth of Pennsylvania attributable to the transactions of the Pennsylvania Historical and Museum Commission.



In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of each fund of the Pennsylvania Historical and Museum Commission as of June 30, 2002, or changes in financial position or, where applicable, its cash flows for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the status of appropriations, revenue and receipts, and expenditures of the Pennsylvania Historical and Museum Commission for the fiscal year ended June 30, 2002, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2006, on our consideration of the Pennsylvania Historical and Museum Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management of the Pennsylvania Historical and Museum Commission, the Pennsylvania Senate, and the Pennsylvania House of Representatives, and is not intended to be and should not be used by anyone other than these parties.

Sincerely,

January 5, 2006

JACK WAGNER  
Auditor General



**STATUS OF APPROPRIATIONS BY FUND-BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

	Balance June 30, 2001	Appropriations	Augmentations
<u>General Fund</u>			
Current appropriations-state	\$ -	\$ 33,963,000	\$ 554,985
Prior appropriations-state	3,003,685	-	-
Restricted revenue-state	403,388	-	169,762
Current appropriations-federal	-	3,500,000	-
Current executive authorizations-federal	-	1,714,000	-
Prior appropriations-federal	34,574	-	-
Prior executive authorizations-federal	35,869	-	-
Restricted receipts-federal	23,072	-	83,459
Total	<u>\$ 3,500,588</u>	<u>\$ 39,177,000</u>	<u>\$ 808,206</u>
<u>Historical Preservation Fund</u>			
Restricted revenue-state	<u>\$ 488,839</u>	<u>\$ -</u>	<u>\$ 8,219</u>
Nonbudgeted appropriations	<u>\$ *</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Pennsylvania Historical and Museum Commission Trust Fund</u>			
Nonbudgeted appropriations	<u>\$ *</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Keystone Recreation, Park and Conservation Fund</u>			
Current executive authorizations-state	\$ -	\$ 13,452,000	\$ -
Prior executive authorizations-state	7,866,412	-	-
Total	<u>\$ 7,866,412</u>	<u>\$ 13,452,000</u>	<u>\$ -</u>

\* Nonbudgeted

-The notes to the financial statements are an integral part of this statement.-

<u>Total Sources of Funds</u>	<u>Lapsed/ Expired</u>	<u>Encumbered</u>	<u>Expended</u>	<u>Total Applications of Funds</u>	<u>Balance June 30, 2002</u>
\$ 34,517,985	\$ 723,340	\$ 3,048,583	\$ 30,746,062	\$ 34,517,985	\$ -
3,003,685	25,708	24,683	2,953,294	3,003,685	-
573,150	-	17,443	205,556	222,999	350,151
3,500,000	2,158,113	367,289	974,598	3,500,000	-
1,714,000	428,387	319,092	966,521	1,714,000	-
34,574	-	-	34,574	34,574	-
35,869	-	-	35,869	35,869	-
106,531	-	97,592	106,531	204,123	(97,592)
<u>\$ 43,485,794</u>	<u>\$ 3,335,548</u>	<u>\$ 3,874,682</u>	<u>\$ 36,023,005</u>	<u>\$ 43,233,235</u>	<u>\$ 252,559</u>
<u>\$ 497,058</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,814</u>	<u>\$ 12,814</u>	<u>\$ 484,244</u>
<u>\$ *</u>	<u>\$ -</u>	<u>\$ 2,451,366</u>	<u>\$ 3,635,573</u>	<u>\$ 6,086,939</u>	<u>\$ *</u>
<u>\$ *</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ *</u>
\$ 13,452,000	\$ 3,569,459	\$ 5,743,044	\$ 4,139,497	\$ 13,452,000	\$ -
7,866,412	6,355,484	-	1,510,928	7,866,412	-
<u>\$ 21,318,412</u>	<u>\$ 9,924,943</u>	<u>\$ 5,743,044</u>	<u>\$ 5,650,425</u>	<u>\$ 21,318,412</u>	<u>\$ -</u>



**STATEMENT OF REVENUE AND RECEIPTS BY FUND-BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

	<u>Actual</u>	<u>Revenue Estimates</u>	<u>Over (Under) Revenue Estimates</u>
<b>General Fund</b>			
Miscellaneous revenue	\$ 46,726	\$ -	\$ 46,726
Revenue augmenting current appropriations-state	554,985	760,000	(205,015)
Restricted revenue-state	169,762	*	*
Federal funds-current appropriations	944,054	3,251,000	(2,306,946)
Federal funds-current executive authorizations	557,352	1,705,000	(1,147,648)
Federal funds-prior appropriations	28,632	28,632	-
Federal funds-prior executive authorizations	122,141	122,141	-
Restricted receipts-federal	83,459	*	*
	<u>\$ 2,507,111</u>		
Total	<u>\$ 2,507,111</u>		
<b>Historical Preservation Fund</b>			
Licenses and fees	\$ 952,282	\$ 1,000,000	\$ (47,718)
Unclassified general revenue	2,867,176	3,000,000	(132,824)
Miscellaneous revenue	7,301	*	*
Restricted revenue-state	8,219	*	*
	<u>\$ 3,834,978</u>		
Total	<u>\$ 3,834,978</u>		

\* Nonbudgeted

-The notes to the financial statements are an integral part of this statement.-

**STATUS OF ALLOTMENTS BY MAJOR OBJECT BY FUND-BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

	Applications of Funds	
	Encumbered	Expended
<u>General Fund</u>		
Personnel services	\$ 725,447	\$ 18,774,417
Operational expenses	2,720,238	8,996,615
Fixed assets	62,636	115,650
Subsidies and grants	366,361	8,136,323
Unrealized allotments	-	-
Total	<u>\$ 3,874,682</u>	<u>\$ 36,023,005</u>
<u>Historical Preservation Fund</u>		
Budgeted appropriations:		
Operational expenses	\$ -	\$ 2,686
Fixed assets	-	10,128
Unrealized allotments	-	-
Total	<u>\$ -</u>	<u>\$ 12,814</u>
Nonbudgeted appropriations:		
Personnel services	\$ -	\$ 1,397,491
Operational expenses	1,539,004	1,447,065
Fixed assets	899,080	334,404
Subsidies and grants	13,282	241,613
Nonexpense items	-	215,000
Total	<u>\$ 2,451,366</u>	<u>\$ 3,635,573</u>
<u>Pennsylvania Historical and Museum Commission Trust Fund</u>		
Operational expenses	<u>\$ 40,000</u>	<u>\$ -</u>
<u>Keystone Recreation, Park and Conservation Fund</u>		
Operational expenses	\$ 1,707,042	\$ 3,015,351
Fixed assets	-	203,458
Subsidies and grants	4,036,002	2,101,616
Nonexpense items	-	330,000
Total	<u>\$ 5,743,044</u>	<u>\$ 5,650,425</u>

\* Nonbudgeted

-The notes to the financial statements are an integral part of this statement.-

<u>Lapsed</u>		<u>Total</u>	<u>Budgeted Allotments</u>	<u>(Over) Under Budgeted Allotments</u>
\$ -	\$ 19,499,864	\$ 19,896,188	\$ 396,324	
25,113	11,741,966	12,132,989	391,023	
595	178,881	199,944	21,063	
-	8,502,684	8,099,668	(403,016)	
-	-	(2,979,929)	(2,979,929)	
<u>\$ 25,708</u>	<u>\$ 39,923,395</u>	<u>\$ 37,348,860</u>	<u>\$ (2,574,535)</u>	
\$ -	\$ 2,686	\$ -	\$ (2,686)	
-	10,128	-	(10,128)	
-	-	497,058	497,058	
<u>\$ -</u>	<u>\$ 12,814</u>	<u>\$ 497,058</u>	<u>\$ 484,244</u>	
\$ -	\$ 1,397,491	\$ *	\$ *	
-	2,986,069	*	*	
-	1,233,484	*	*	
-	254,895	*	*	
-	215,000	*	*	
<u>\$ -</u>	<u>\$ 6,086,939</u>	<u>\$ *</u>	<u>\$ *</u>	
<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ *</u>	<u>\$ *</u>	
\$ 5,047,420	\$ 9,769,813	\$ 9,769,813	\$ -	
272,233	475,691	475,691	-	
4,604,518	10,742,136	10,742,136	-	
-	330,000	330,000	-	
<u>\$ 9,924,171</u>	<u>\$ 21,317,640</u>	<u>\$ 21,317,640</u>	<u>\$ -</u>	



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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Basis of Presentation:** The Pennsylvania Historical and Museum Commission (commission) receives and expends monies from the General Fund and various other funds. The accompanying financial statements report, by fund, the revenue, receipts and expenditures for which the commission has been designated as the receiving or disbursing agency, and do not report all transactions of those funds. Accordingly, the accompanying financial statements report the budgetary operations and conditions at the commission level which differs significantly from the reporting model required by accounting principles generally accepted in the United States applicable to governments.

**Budgetary Accounting:** The Constitution of Pennsylvania requires an annually balanced operating budget. Therefore, a budget is legally adopted each year. The budget is prepared on a budgetary basis which is a regulatory basis of accounting. Operating budget appropriations may not exceed the actual and estimated revenue and surplus. Budgetary control occurs at the appropriation level; this is the lowest level of legislative spending control. After an appropriation has been made, it is allocated to various subcategories by major object. These allocation amounts are approved by the Office of the Budget. The commission is responsible for operating its programs within these allocation amounts.

The accounting records of the commission are maintained in accordance with the various budgetary, constitutional and statutory provisions. The accounting system provides a means to record the budget plan and related financial transactions. Accordingly, the commission's financial statements report the projected financial program, as reflected in the revenue estimates and expenditure authorizations, and the financial program ultimately carried out, as reflected in the actual revenue and expenditure accounts for the period.

The commission's annual budget represents appropriations authorized by the General Assembly in the form of appropriation acts and executive authorizations issued by the Governor. A single appropriation is normally made to the commission for salaries, wages and other necessary expenses. This appropriation covers normal operating expenses of subordinate departmental units carrying on the programs assigned to the commission. Separate appropriations are normally made for other specific purposes, including grants and subsidies, fixed charges, and miscellaneous special programs and purposes.

Certain appropriations, which are generally in nonspecified amounts, are also made:

- . Certain revenue is appropriated to augment current appropriations. Unencumbered balances of such appropriations lapse at year-end.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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- Certain special types of restricted revenue and receipts are appropriated for purposes unrelated to a specific current or continuing appropriation. Balances of these restricted appropriations are carried forward into the next fiscal year.
- Certain fund resources are appropriated to be used for prescribed purposes. These nonbudgeted appropriations are not of specific amounts, but rather are appropriations of specified fund resources.

***Basis of Accounting:*** The commission uses a prescribed basis of accounting that demonstrates compliance with the budget laws of the Commonwealth of Pennsylvania, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Generally, the commission records revenue and receipts when received and expenditures when documents are submitted to the Treasury Department for payment. Encumbrance accounting is employed as an extension of formal budgetary integration in the accounting system. Purchase orders, contracts, and other commitments are recorded as encumbrances in order to reserve that portion of the applicable appropriation for subsequent expenditure. Lapsable appropriations and executive authorizations that remain unexpended and unencumbered as of the statutory lapse date, usually June 30, are lapsed.

***Fixed Assets and Depreciation:*** Fixed assets are recorded as expenditures when purchased and depreciation is not recorded.

***Compensated Absences:*** Employees earn annual leave based on 2.7 percent to 10 percent of regular hours paid to a maximum of 45 days. Employees are paid for accumulated annual leave upon termination or retirement.

Employees earn sick leave based on 5 percent of regular hours paid to a maximum of 300 days. Retiring employees that meet service or disability requirements are paid between 30 percent and 50 percent of their accumulated unused sick leave depending on the amount accumulated.

Accumulated annual and sick leave liability payable in subsequent fiscal years was \$2,784,694 at June 30, 2002. It is the commission's policy to record the cost of annual and sick leave when paid.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

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**NOTE B - RETIREMENT CONTRIBUTIONS**

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Membership in the State Employees' Retirement System is mandatory for all state employees except: elected officials, appointed heads and deputies of administrative departments, departmental or advisory boards or commissions, legislative employees, Department of Education employees, and school employees. The administering agency is the State Employees' Retirement Board.

Contributions on behalf of active members are required to be made by the Commonwealth or other employers into the State Employees' Retirement Fund. Contributions are also made by active members at the rate of 5 percent or 6.25 percent of employee compensation, depending on the class of service selected. The Commonwealth contributes the additional amount necessary to fund the program. The Commonwealth's composite contribution rate, paid on a percent of employee compensation, was 0.00 percent for the fiscal year ended June 30, 2002. The commission's retirement contribution was \$59,763, which represents employees' purchases of prior qualifying service.

Data with respect to the excess, if any, of the actuarially computed value of vested benefits over the total of the pension fund and any balance sheet pension accruals, less any pension prepayments or deferred charges, is not available on a department basis.

***Postemployment Health Care Benefits:*** In addition to providing pension benefits, the commission provides certain health care benefits for retired employees that meet specified length-of-service and age requirements. These benefits are provided as a result of negotiated union contracts and through administrative policy. The commission recognizes the cost of providing these benefits, which for the fiscal year ended June 30, 2002, totaled \$1,219,613, as paid.

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**NOTE C - CONTINGENT COMMITMENTS**

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During the fiscal year ended June 30, 2002, the commission committed future funds for goods and services to be delivered during subsequent years. These commitments were contingent upon eventual passage of appropriations, and monies could not be paid out or goods and services delivered until such appropriations had been made. Contingent commitments at June 30, 2002, were \$7,273,014.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

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**NOTE D - FEDERAL FUNDS**

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Appropriations of federal funds are subject to budgetary controls and reporting. Expenditures plus encumbrances may not exceed allotments which are limited to actual collections of federal revenue except for reimbursement programs. At year-end, federal appropriation budgetary balances are eliminated (expired) and only encumbered balances are carried forward into the next fiscal year. Revenue collected in excess of expenditures and encumbrances are classified as federal revenue collected in advance. A deficiency is established as a receivable.

Federal appropriations carried forward into the next fiscal year are reviewed by October 30 in order to bring total charges over the life of each account and the actual collections through October 30 into agreement. This is accomplished through allotment adjustments and corresponding cancellation of encumbrances for which collections have not been made by October 30 or transfer of expenditures to current year accounts. Any excess receipts are transferred to current year revenue.

Allotment adjustments to the commission's prior federal appropriations and executive authorizations for the fiscal year ended June 30, 2002, were \$992,851. This amount represents the difference between previous year-end encumbered balances and carried forward (budgeted allotment) balances in the subsequent year.

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**NOTE E - RECONCILIATION OF THE STATUS OF APPROPRIATIONS BY FUND-BUDGETARY BASIS TO THE STATUS OF ALLOTMENTS BY MAJOR OBJECT BY FUND-BUDGETARY BASIS**

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The following presents a reconciliation of the Status of Appropriations by Fund-Budgetary Basis to the Status of Allotments by Major Object by Fund-Budgetary Basis for the fiscal year ended June 30, 2002:

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

**PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

**NOTE E - RECONCILIATION OF THE STATUS OF APPROPRIATIONS BY FUND-BUDGETARY BASIS TO THE STATUS OF ALLOTMENTS BY MAJOR OBJECT BY FUND-BUDGETARY BASIS**

	<u>TOTAL SOURCES OF FUNDS</u>	<u>TOTAL APPLICATIONS OF FUNDS</u>	<u>BALANCE JUNE 30, 2002</u>
<b><u>GENERAL FUND</u></b>			
<b>STATUS OF APPROPRIATIONS BY FUND-BUDGETARY BASIS:</b>	\$ 43,485,794	\$ 43,233,235	\$ 252,559
Reconciling Items:			
Unrealized federal revenue	(3,454,594)	-	(3,454,594)
Unallotted funds	(2,682,340)	-	(2,682,340)
Lapse of unallotted funds	-	(723,340)	723,340
Expired federal appropriations	-	(2,586,500)	2,586,500
<b>STATUS OF ALLOTMENTS BY MAJOR OBJECT BY FUND-BUDGETARY BASIS:</b>			
Budgeted Allotments	<u>\$ 37,348,860</u>		
Total Applications of Funds		<u>\$ 39,923,395</u>	
(Over) Under Budgeted Allotments			<u>\$ (2,574,535)</u>

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

**PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

**NOTE E - RECONCILIATION OF THE STATUS OF APPROPRIATIONS BY FUND-BUDGETARY BASIS TO THE STATUS OF ALLOTMENTS BY MAJOR OBJECT BY FUND-BUDGETARY BASIS**

	<u>TOTAL SOURCES OF FUNDS</u>	<u>TOTAL APPLICATIONS OF FUNDS</u>	<u>BALANCE JUNE 30, 2002</u>
<b><u>KEYSTONE RECREATION, PARK AND CONSERVATION FUND</u></b>			
<b>STATUS OF APPROPRIATIONS BY FUND-BUDGETARY BASIS:</b>	\$ 21,318,412	\$ 21,318,412	\$ -
Reconciling Items:			
Unallotted funds	(772)	-	(772)
Lapse of unallotted funds	<u>-</u>	<u>(772)</u>	<u>772</u>
<b>STATUS OF ALLOTMENTS BY MAJOR OBJECT BY FUND-BUDGETARY BASIS:</b>			
Budgeted Allotments	<u>\$ 21,317,640</u>		
Total Applications of Funds		<u>\$ 21,317,640</u>	
(Over) Under Budgeted Allotments			<u>\$ -</u>



**COMPLIANCE AND INTERNAL CONTROL SECTION**





**Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

Dear Governor Rendell:

We have audited the financial statements of the Pennsylvania Historical and Museum Commission for the fiscal year ended June 30, 2002, and have issued our report thereon dated January 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Pennsylvania Historical and Museum Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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, with respect to the items tested, no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance, which has been reported in the Status of Prior Years' Finding – Fixed Asset Transactions Were Incorrectly Classified.

## Internal Control Over Financial Reporting

In planning and performing our audit we considered the Pennsylvania Historical and Museum Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one other matter involving the internal control over financial reporting, which has been reported in the Status of Prior Years' Finding – Fixed Asset Transactions Were Incorrectly Classified.

This report is intended solely for the information and use of management of the Pennsylvania Historical and Museum Commission, the Pennsylvania Senate, and the Pennsylvania House of Representatives, and is not intended to be and should not be used by anyone other than these parties.

Sincerely,

January 5, 2006

JACK WAGNER  
Auditor General

**STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATION**



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**STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATION**

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**PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

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**INTRODUCTION**

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Our prior audit report, dated April 10, 2003, on the Pennsylvania Historical and Museum Commission (commission) for the fiscal years ended June 30, 2001, 2000 and 1999, contained a finding and recommendation identifying instances of noncompliance and a material weakness in the commission's internal control over financial reporting.

During our current audit, we reviewed the commission's response to the finding and recommendation and determined the nature and extent of any corrective action taken by the commission relating to the deficiency noted in our prior audit report. The current status of the finding and recommendation was discussed with representatives of the commission and the Central Services Comptroller's Office at the time of our audit and has not been reviewed subsequent to the date of our report.



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**STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATION**

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**PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

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**FINDING - Fixed Asset Transactions Were Incorrectly Classified**

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Our prior audit found that the commission misclassified certain encumbrances and expenditures as operating costs instead of fixed asset costs. The misclassified encumbrances and expenditures for the three-year fiscal period ended June 30, 2001, amounted to more than \$4.4 million and \$3.2 million, respectively. The commission and Central Services Comptroller's Office agreed to adjust the commission's financial statements.

Our current audit for the fiscal year ended June 30, 2002, found that the commission again misclassified certain encumbrances and expenditures. However, the amounts identified were not material and no adjustment to the financial statement is required.





**DISTRIBUTION**

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**PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
DISTRIBUTION LIST**

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The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Vincent J. Fumo  
Chairman  
Senate Minority Appropriations Committee  
545 Main Capitol Building  
Harrisburg, PA 17120

Chairman  
Senate Majority Appropriations Committee  
281 Main Capitol Building  
Harrisburg, PA 17120

The Honorable Dwight Evans  
Chairman  
House Minority Appropriations Committee  
512-E, Main Capitol Building  
Harrisburg, PA 17120

The Honorable Brett Feese  
Chairman  
House Majority Appropriations Committee  
245 Main Capitol Building  
Harrisburg, PA 17120

The Honorable Robert M. Tomlinson  
Chairman  
Senate Consumer Protection and  
Professional Licensure Committee  
362 Main Capitol Building  
Harrisburg, PA 17120

The Honorable Mark B. Cohen  
C/O Leon Czikowsky  
House of Representatives  
417 Main Capitol Building  
Harrisburg, PA 17120

The Honorable Joseph Martz  
Secretary of Administration  
207 Finance Building  
Harrisburg, PA 17120

Mr. Philip R. Durgin, Executive Director  
Legislative Budget and Finance Committee  
400 Finance Building  
Harrisburg, PA 17120

The Honorable Roger A. Madigan  
Chairman  
Joint State Government Commission  
108 Finance Building  
Harrisburg, PA 17120

The Honorable Donald L. Patterson  
Inspector General  
Executive House  
101 South Second Street, 3rd Floor  
Harrisburg, PA 17101

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State Library of Pennsylvania  
Serials Records Section  
218 Forum Building  
Harrisburg, PA 17120

Ms. Barbara Franco (3)  
Executive Director  
Pennsylvania Historical and Museum Commission  
501 State Museum of Pennsylvania  
300 North Street  
Harrisburg, PA 17120

Mr. John J. Smolock (2)  
Comptroller  
Pennsylvania Historical and Museum Commission  
11th Floor, Strawberry Square  
Harrisburg, PA 17128

The Honorable Robert P. Casey, Jr. (2)  
State Treasurer  
129 Finance Building  
Harrisburg, PA 17120

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