

THE TECH MUSEUM
OF INNOVATION

Management Comments Letter
June 30, 2008

**To the Audit Committee and Management of
The Tech Museum of Innovation**

In planning and performing our audit of the financial statements of The Tech Museum of Innovation (“The Tech” or the “Organization”) for the year ended June 30, 2008, in accordance with U.S. generally accepted auditing standards, we considered The Tech’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization’s financial statements that is more than inconsequential will not be prevented or detected by the Organization’s internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

During our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions.


This communication is intended solely for the information and use of management, the Audit Committee, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

The Audit Committee and Management
The Tech Museum of Innovation

The Organization's written responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss these matters in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We want to express our sincere appreciation to Terry Boyle and other staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve The Tech Museum of Innovation.

Very truly yours,



San Jose, California
September 11, 2008

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June 30, 2008

CURRENT YEAR MATTERS:

1. Transparency over the approval of expenses for the President

Observation:

For the purposes of ensuring transparency, we recommend enhancing the process for authorization and approval of reimbursing the President's expenses. During our audit, we noticed that, per The Tech's current policy, the Chief Operating Officer approves the President's expense reimbursement requests and corporate credit card expenditures.

Recommendation:

The Organization should authorize the Chairman of the Board of Directors and Chairman of the Audit Committee to examine and approve the President's reimbursement requests, to determine if the items are legitimate expenses incurred in the furtherance of The Tech's business or mission. In addition, the President's business related travel should be conducted in accordance with the Organization's current travel policy; any exception should be pre-approval by one of the Chairmen. All approvals should be documented and retained in the Organization's records.

Response:

Management agrees with this recommendation.

2. Documentation of significant actions during Executive Sessions

Observation:

To document governance and oversight of an organization, the Board of Directors and its committees should document all significant actions timely in minutes that are signed and approved. Per inquiry of management regarding approval of bonuses and compensation of the President, it was noted that the approvals were done by the Executive Committee in an executive session. However, these approvals, as well as the research done in establishing the President's compensation, were not documented in the minutes.

Recommendation:

We recommend that the Organization document significant results of executive sessions in bullet form, stating that items such as bonuses and compensation were approved. In addition, the Organization's Secretary (or other selected officer) should retain research related to officer compensation studies in a confidential manner.

Management Response:

Management agrees with this recommendation.

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CURRENT YEAR MATTERS (CONTINUED):

3. Evaluation of items for proper classification

Observation:

Certificates of Deposit ("CD"), with original maturities of greater than 90 days at the date of purchase are not considered cash equivalents per Statement of Financial Accounting Standard 95. These amounts were reclassified to investments at year end for financial statement disclosure. Accrued income on these CD's was reclassified from cash to receivables. Receivables need to be thoroughly evaluated for collectibility (write-offs should be made as part of the closing process). An evaluation of the current effective rate for the multi-year receivables discount should be performed. A roll-forward of receivables should be reviewed to ensure starting balances agree with the prior year audited balances.

Recommendation:

We recommend as part of the Organization's year-end close process, the evaluation of assets be examined for accuracy, classification, and collectibility.

Management Response:

Management agrees with this recommendation.

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CURRENT YEAR MATTERS (CONTINUED):

4. Accounting Manual

Observation:

The purposes of such a manual are to ensure that proper accounting principles are being applied, that similar transactions are treated consistently, and that financial reports are produced in the form desired by management. A well-written accounting manual will aid in the training of new employees and assist management in delegating and segregating duties. The manual should include:

An organizational chart

Finance department job descriptions, outlining duties and responsibilities

Duties and responsibilities (as contracted) of The Health Trust staff

Descriptions of methods, procedures, and accounting principles to be followed, including explanations and examples of principle transactions

A chart of accounts with detailed explanation of the items to be included therein

Any other documents or forms for which uniformity of use is desired

Recommendation:

We recommend that the Organization develop a comprehensive accounting policies and procedures manual.

Management Response:

Management agrees with this recommendation.

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PRIOR 2007 YEAR MATTERS:

1. Documentation of approval and descriptions for adjusting journal entries

Observation:

As part of the 2007 fiscal year audit, we reviewed The Tech's journal entries and requested hard copy supporting documentation for selected journal entries. During our review, it was noted that the hard copies did not indicate that the entries had been approved and some did not have supporting documentation. Additionally, the electronic version did not provide a detailed description for most of the entries.

Current Status:

With the utilization of The HealthTrust as The Tech's outsourced administrative services provider of general ledger accounting functions – including all journal entries (recurring and non-recurring) – appropriate supporting documentation, approvals and electronic descriptions have all been implemented. Monthly reviews by The Tech's Chief Financial Officer are performed to help ensure control over adjustments to the general ledger.

2. Review “no sales” on cash register tapes

Observation:

Prior to the start of the 2007 fiscal year audit, we were informed of instances in the guest services area where money was missing from the ticket sales. This was identified by management and properly treated. Inquiry was made to determine if management scans or reviews the cash register tapes for excessive “no sale” transactions – there was no such review.

Current Status:

The Tech's Senior Manager of Guest Services, along with the Manager of Guest Services, performs regular reviews of cash register tapes for unusual items, including excessive “no sale” transactions. In addition, the Chief Financial Officer performs periodic reviews of system reports for trend analysis and variances to “norm”.

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PRIOR 2007 YEAR MATTERS (CONTINUED):

3. Review of investment statements

Observation:

During the 2007 fiscal year audit, ISF inquired of management about reviewing The Tech's adherence to its investment policy and whether the investment manager or custodians were being reviewed by anyone. Although review was being conducted by the Finance Committee, it was not documented in the minutes.

Current Status:

During the past year, a comprehensive review of The Tech's investment management providers and support was performed, resulting in a decision to change investment managers, in part to provide The Tech with higher quality services, including adherence to its investment policy. This change of investment managers will be presented at the September 2008 Board of Directors meeting for implementation.

4. Timely bank reconciliations with sign-off

Observation:

During the 2007 fiscal year audit's testing over cash, it was noted that the bank reconciliation review for some of The Tech's accounts was not done in a timely manner. In addition, there was no indication of who performed the reconciliation or when.

Current Status:

With the utilization of The HealthTrust as The Tech's outsourced administrative services provider of general ledger accounting functions, bank reconciliations are being performed by The HealthTrust on a regular, timely basis, with review and approval by The Tech's Chief Financial Officer.

5. Petty cash reconciliations

Observation:

During the 2007 fiscal year audit, ISF noted that there was no reconciliation or review being performed on one of the petty cash accounts.

Current Status:

With the exception of one \$50 petty cash fund, which will be eliminated in fiscal year 2009, all other petty cash accounts are being reconciled on a monthly basis.

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PRIOR 2007 YEAR MATTERS (CONTINUED):

6. Audit committee minutes

Observation:

During the 2007 fiscal year audit, our audit procedures disclosed that minutes of the meetings of the Audit Committee were not maintained. As a result, there was no assurance regarding the discussion that may have taken place at a meeting of the Audit Committee and likewise, no assurance regarding official actions of the Committee that may have had a financial impact.

Current Status:

The Tech's Executive Administrative Assistant maintains and publishes audit committee minutes for all meetings held.

7. Whistleblower policy and new hire packet

Observation:

During the 2007 fiscal year audit, per inquiry of an employee, it was noted that the individual did not receive documentation about a whistleblower policy in their new hire packet.

Current Status:

The Tech's employee policies handbook was updated in April 2008 and is distributed as part of the new hire orientation.