



GREENE FINNEY & HORTON

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

October 18, 2010

Ms. Marcia Adams
South Carolina Department of Motor Vehicles
10311 Wilson Blvd.
Blythewood, SC 29016

Dear Ms. Adams:

We are pleased to confirm our understanding of the terms and objectives of the agreed upon procedures we are to provide for the South Carolina Department of Motor Vehicles ("DMV").

We will perform the following agreed upon procedures:

1. We will conduct the following meetings throughout the project:
 - An entrance conference with the Executive Director and Chief of Staff of DMV at the beginning of the project.
 - Periodic progress meetings with appropriate DMV personnel, including those necessary to review drafts of the report for each functional area.
 - An exit conference to review the final report with the Executive Director and Chief of Staff of DMV at the end of the project.
2. Review the following processes and procedures of DMV Capital Improvements and Facilities Management, identify the significant controls and test the effectiveness of the controls
 - Construction and award processes.
 - Approval process over requisitions and purchase orders for construction and maintenance work.
 - Use and control of "Indefinite Delivery" contracts.
 - Approval for work completion prior to vendor payments.
3. Review the following processes and procedures of DMV General Accounting, identify the significant controls and test the effectiveness of the controls
 - Reconciliation process over cash, revenues, and expenditures.
 - Initiating and approving journal entries.
4. Review the following processes and procedures of DMV Revenue Accounting, identify the significant controls and test the effectiveness of the controls
 - Recording cash receipts.
 - Reconciling subsidiary ledgers to SCEIS.
 - Distributing revenue.
 - Accounting for returned checks.
 - Preparing bank deposits.
 - Customer billing.

5. Review the following processes and procedures of DMV Accounts Payable, identify the significant controls and test the effectiveness of the controls
 - Capital projects reconciliation process between SCEIS, STARS and SPIRS.
 - Initiating, reviewing and processing cash disbursements.
 - Ensuring that expenditures are in compliance with State laws, rules and regulations.
 - Ensuring that federal expenditures are in compliance with applicable federal regulations (allowable costs, eligibility, matching, period of availability, etc.).
6. Review the following processes and procedures of DMV Grants Accounting, identify the significant controls and test the effectiveness of the controls
 - Ensuring that federal expenditures are in compliance with applicable federal regulations (allowable costs, eligibility, matching, period of availability, etc.).
7. Review the following processes and procedures of DMV Procurement, identify the significant controls and test the effectiveness of the controls
 - Initiating, approving and awarding contracts.
 - Initiating and approving change orders.
 - Closing out projects.
 - Adding vendors to the statewide vendor file.
 - Record-keeping processes to ensure that contracts are maintained in an orderly manner, expiration dates are tracked and reported to management in a timely manner.
8. Review the following processes and procedures of DMV Warehouse Management, identify the significant controls and test the effectiveness of the controls
 - Account for the purchase and sales of items purchased for resale (e.g., driver's licenses stock, registration cards, title paper, etc).
 - Maintaining accountability and control over inventory.
 - Account for surplus, damaged, or returned inventory.
9. Evaluate the current roles assigned to DMV staff for initiating and approving accounting transactions on SCEIS.
10. Prepare a report addressed to the Governor and the Executive Director of the DMV that includes recommendations for improving the internal controls of the identified functional areas of DMV.

Our report we will issue at the completion of the engagement will read similar to the following:

“At your request and as summarized in our engagement letter dated October 18, 2010, we have performed the procedures enumerated below, which were agreed to by the South Carolina State Department of Motor Vehicles (“DMV”), solely to provide DMV with independently evaluated information and recommendations regarding the internal controls of Capital Improvements and Facilities Management, General Accounting, Revenue Accounting, Accounts Payable, Grants Accounting, Procurement and Warehouse Management. This agreed-upon-procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

[We will list the individual agreed upon procedures and our recommendations.]

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on the above information. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Governor’s Office and the South Carolina Department of Motor Vehicles, and is not intended to be, and should not be used by anyone other than these specified parties without the consent of these parties.”

Our fee for the services performed above, will be \$27,970. No additional work will be performed without first receiving the consent of the Executive Director or Chief of Staff of the South Carolina Department of Motor Vehicles and then approved in writing by the Office of the State Auditor.

The above fee anticipates the full cooperation of the DMV personnel in providing all necessary information and documents, including updated copies of internal control narratives for each functional area. If we have any problems or issues regarding this work, we will notify you immediately. Our invoices for the services performed will be rendered each month as work progresses and are payable upon receipt by DMV.

We appreciate the opportunity to be of service to DMV and believe this letter accurately summarizes the significant terms of our engagement. If you have questions, please let us know. If you agree with the terms of our engagement as described in this letter, please execute this letter and return it to us.

Very truly yours,

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of the South Carolina Department of Motor Vehicles.

Officer Signature: _____

Title: _____

Date: _____