

**SOUTH CAROLINA DEPARTMENT OF PARKS,
RECREATION, AND TOURISM**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2008

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State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 24, 2009

The Honorable Mark Sanford, Governor
and
Mr. Chad Prosser, Director
South Carolina Department of Parks, Recreation,
and Tourism
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Department of Parks, Recreation, and Tourism (the Department) solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2008, in the areas addressed. The Department's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. **Cash Receipts and Revenues**

- We inspected selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations.
- We inspected selected recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.

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- We compared current year recorded revenues at the subfund and object code level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$4,600 – general fund, \$114,800 – earmarked fund, \$18,000 – restricted fund, and \$31,600 – federal fund) and ± 10 percent.
- We made inquiries of management pertaining to the agency's policies for accountability and security over permits, licenses, and other documents issued for money. We observed agency personnel performing their duties to determine if they understood and followed the described policies.

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

2. **Non-Payroll Disbursements and Expenditures**

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations, were bona fide disbursements of the Department, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded expenditures were in agreement.
- We compared current year expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$204,300 – general fund, \$115,700 – earmarked fund, \$18,900 – restricted fund, and \$27,100 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Object Codes in the Accountant's Comments section of this report.

3. **Payroll Disbursements and Expenditures**

- We inspected selected recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements and processed in accordance with the agency's policies and procedures and State regulations.
- We inspected selected payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS.

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- We inspected payroll transactions for selected new employees and those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the agency's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement.
- We compared current year payroll expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$204,300 – general fund, \$115,700 – earmarked fund, \$18,900 – restricted fund, and \$27,100 – federal fund) and ± 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of ± 5 percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

4. **Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected selected recorded journal entries and all operating and appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the agency's policies and procedures and State regulations.

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

5. **General Ledger and Subsidiary Ledgers**

- We inspected selected entries and monthly totals in the subsidiary records of the Department to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and selected entries were processed in accordance with the agency's policies and procedures and State regulations.

The transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

6. **Reconciliations**

- We obtained all monthly reconciliations prepared by the Department for the year ended June 30, 2008, and inspected selected reconciliations of balances in the Department's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if accounts reconciled. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amounts to the Department's general ledger, agreed the applicable amounts to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Department's accounting records and/or in STARS.

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

7. **Appropriation Act**

- We inspected agency documents, observed processes, and/or made inquiries of agency personnel to determine the Agency's compliance with Appropriation Act general and agency specific provisos.

We found no exceptions as a result of the procedures.

8. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2008, prepared by the Department and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements and if the amounts reported in the closing packages agreed with the supporting workpapers and accounting records.

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

9. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2008, prepared by the Department and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

Our findings as a result of these procedures are presented in Schedule of Federal Financial Assistance in the Accountant's Comments section of this report.

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Mr. Chad Prosser, Director
South Carolina Department of Parks, Recreation,
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10. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Department resulting from our engagement for the fiscal year ended June 30, 2007, to determine if the Department had taken corrective action.

Our findings as a result of these procedures are presented in Revenue Cutoff and Object Codes in the Accountant's Comments section of this report.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor and of the management of the Department of Parks, Recreation, and Tourism and is not intended to be and should not be used by anyone other than these specified parties.



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

ACCOUNTANT'S COMMENTS

SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

OBJECT CODES

During our test procedures, we noted the following object code errors:

1. Journal Entry 245 charged the purchase of bricks for the walkway project at Legare Waring House to object code 0723 – Other Capital Outlays but should have charged object code 0710 – Depreciable Land Improvements.
2. Journal Entry 250 charged deferred revenue to object code 7411 – Rent – Camping Sites rather than to object code 7410 – Rent – Cabins and Lodges.
3. Numerous cash transfers between subfunds were recorded to object code 4848 – User Fee – State Parks and State Forests rather than to object code 7221 – Miscellaneous Transfers – Other Fund.
4. Voucher 6080 charged the purchase of a chainsaw and safety supplies to object code 0723 – Other Capital Outlays but should have charged object code – 0704 – Basic Equipment.
5. The Department noted two object code errors on its capital asset additions reconciliation in which capitalizable equipment recorded under object codes 0306 – Household, Laundry, Grounds Maintenance, Janitorial, and Security Supplies and object code 5006 - Household, Laundry, Grounds Maintenance, and Janitorial Equipment (Non-Capitalizable) should have been recorded under object code 0606 – Household, Laundry, Grounds Maintenance, and Janitorial Equipment (Capitalizable).

The Comptroller General's Statewide Accounting and Reporting Manual (STARS) provides definitions of object codes to help agencies properly classify expenditures.

We recommend that Department personnel who assign account classification to receipt, voucher, and journal entry documents, as well as those who review and approve those documents, be knowledgeable of STARS object code definitions.

REVENUE CUTOFF

We tested twenty-five receipt transactions for proper fiscal year-end cutoff and found that one receipt, dated July 16, 2008, was recorded in fiscal month 13, fiscal year 2008. The receipt should have been recorded to fiscal month 1, fiscal year 2009.

This condition is in violation of the State Treasurer’s Office fiscal year-end requirements which state “Effective Tuesday July 1, 2008, please identify all fiscal year 2008-2009 (cash received after June 30, 2008) deposit slips as fiscal month 01.”

We recommend the Department establish procedures to ensure that receipts are recorded to the proper fiscal year.

PETTY CASH AUTHORIZATION

We tested the Department’s fifty petty cash accounts to determine that the established funding level was authorized by the State Auditor’s Office and found that thirteen accounts had no authorization and two accounts were funded at a higher level than authorized.

The Comptroller General’s Statewide Accounting and Reporting Manual (STARS) states, “The approval of the State Auditor is required to establish a petty cash fund.”

We recommend that the Department request authorization from the State Auditor’s Office for the petty cash accounts that have not been authorized and for the accounts that have higher funding levels than authorized. In addition, the Department should establish procedures to ensure that authorization is requested any time petty cash accounts are established or funding levels are changed.

CLOSING PACKAGES

Introduction

The Office of the Comptroller General (CG) obtains certain generally accepted accounting principles (GAAP) data for the State’s financial statements from agency prepared closing packages. To accurately report the Office’s and the State’s assets, liabilities, and current year operations, the GAAP closing packages must be complete and accurate. Furthermore, Reference 1.7 of the Comptroller General’s GAAP Closing Procedures Manual (GAAP Manual) states that “The accuracy of closing package data is extremely important.

Large errors jeopardize the accuracy of the State's financial statements. The existence of even "small" errors tends to cast doubt on the State internal control structure's ability to detect and correct errors. Reference 1.7 further states that a supervisory employee should perform a review that includes tracing all amounts from the appropriate agency accounting records or other original sources to the working papers and finally to the closing package itself. The following describes the errors noted on certain fiscal year 2008 closing packages:

Accounts Payable Closing Package

We found that the Department included on its accounts payable closing package four disbursement vouchers each having a total voucher amount of less than \$5,000.

The GAAP Manual, section 3.12 states, "Determine which items to report on Accounts Payable Summary Forms (GAAP Forms 3.12.1 through 3.12.3) by ... Reviewing voucher packets for vouchers paid in STARS FM 01 and FM 02 of the new fiscal year and invoices your agency plans to pay in the new fiscal year. Exclude from this review vouchers with a total voucher amount of less than \$5,000."

Operating Lease Closing Package

We reviewed the operating lease closing package and determined that the Department made the following errors in its calculation of future minimum lease payments:

- Excluded sales tax on one lease.
- Calculated the lease payment on a monthly rather than a quarterly basis for two leases.
- Included lease payments for three leases twice – once at the original rate and again at the new rate.

The errors resulted in a net understatement of \$19,980 in reported future minimum lease payments.

Recommendations

We recommend that the Department implement procedures to ensure that all closing packages contain accurate and complete information in accordance with the GAAP Manual requirements and instructions. The procedures should include an independent review of each closing package by an individual knowledgeable of closing package instructions to ensure the accuracy of the closing package and adequacy of documentation supporting the closing package.

SECTION B - OTHER WEAKNESSES

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

JOURNAL ENTRIES

We tested 25 journal entries and noted eight did not include a signature evidencing review and approval.

Effective internal controls require that transactions be independently reviewed and approved to prevent errors or unauthorized transactions from occurring.

We recommend that the Department implement procedures to ensure that all journal entries are properly reviewed and approved by the appropriate official independent of the preparer. In addition, the journal entries should include the signature of the official to evidence the review and approval.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

We tested the Department's fiscal year 2008 schedule of federal financial assistance (SFFA) and noted the following errors:

1. The program titles for CFDA 15.926 and 97.036 did not agree with the Catalogue of Federal Domestic Assistance.
2. Grant titles for six grants were omitted.
3. The pass-through agency was not shown for two grants.

The State Auditor's Office provides a letter of instructions to each State agency for the proper completion of the SFFA.

We recommend that the Department ensure that the SFFA is prepared and independently reviewed by staff that is knowledgeable of the requirements of the State Auditor's letter of instructions and federal reporting requirements.

SECTION C - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Department for the fiscal year ended June 30, 2007, and dated May 8, 2008. We determined that the Department has taken adequate corrective action on each of the findings except we have repeated the following findings:

<u>2007 Finding</u>	<u>2008 Finding</u>
Cash Receipts and Revenues – Incorrect Object Codes	Object Codes
Cash Receipts Recorded in the Wrong Fiscal Year	Revenue Cutoff

MANAGEMENT'S RESPONSE

South Carolina

Department of Parks, Recreation & Tourism

Mark Sanford
Governor

Chad Prosser
Director

December 4, 2009

Mr. Richard H. Gilbert, Jr., CPA
Interim State Auditor
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

We have reviewed the Accountant's Comments for the year ended June 30, 2008 and herein submit our comments:

Object Codes

The object codes used by SCPRT for all transactions are selected from an approved list from the Comptroller General's Office. In addition, the Comptroller General's Office reviews and approves all of SCPRT documents prior to acceptance into STARS. We do disagree with the statements concerning the use of different object codes since it is a selective process and the staff of SCPRT is knowledgeable of the codes and their purpose and all transactions are approved by the Comptroller General prior to entry into STARS.

Revenue Cutoff

SCPRT did deposit an insurance claim check into the incorrect FY. We will review the process more carefully to ensure the deposits are made to the correct FY at year end.

Petty Cash Authorization

These petty cash accounts which are for the state parks have been established for over 20 years. SCPRT's files go back to the late 1970's. The review of petty cash accounts occurs every year as part of the SAO AUP. We do not agree with or understand why this is the first time this is referenced in an audit and the fact that these accounts have been in existence for more than 20 years. There must be a responsible limit on the retention of such documentation.

Closing Package - Accounts Payable

SCPRT agrees with this finding. SCPRT reviewed all documents processed during FM01 and FM02. SCPRT will ignore the vouchers over \$5,000 in the future to comply with the CG regulations.

Closing Package - Operating Lease

SCPRT agrees with this finding and will work to prevent such mistakes.



Journal Entries

SCPRT disagrees with this finding. The journal entries are prepared/approved by senior staff. In addition, journal entries are used at SCPRT to enter documents previously prepared and processed by the Comptroller General to record certain automatic transactions. SCPRT has to enter this information as journal entries to ensure SCPRT's General Ledger reconciles with STARS. Therefore, the entries at SCPRT are handled by senior staff members. Internal controls are necessary and are taken seriously at SCPRT, but we must also consider the purpose and type of journal entry being processed.

Schedule of Federal Financial Assistance

SCPRT disagrees with the first finding "Program titles did not agree"

- SCPRT Program Title 15.926 on the FFA "American Battlefield Protection Program" CFDA Title of 15.926 "American Battlefield Protection"
- SCPRT Program Title 97.036 "Public Assistance/Disaster Relief" CFDA Title of 97.036 "Disaster Grants - Public Assistance"

SCPRT disagrees with the second finding "Grant Titles for six grants were omitted"

- SCPRT Grants Title for each of these grants were on the FFA as "Recreational Trails (FY####)". SCPRT grants titles are identical to the CFDA Title. We do not use different grant titles for this program.

SCPRT agrees that the FFA did not contain information that two American Teaching Grants (\$2,500 each) were pass-through from local school districts.

We appreciate the assistance that the management letter provides to us in our internal control and fiscal management efforts and hereby give our release authorization. We thank you for all your help and advice during our audit.

Sincerely,



Amy Duffy
Chief of Staff

cc: Chad Prosser
Yvette Sistare

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