

SOUTH CAROLINA SEA GRANT CONSORTIUM
CHARLESTON, SOUTH CAROLINA

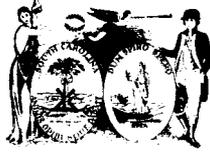
STATE AUDITOR'S REPORT

JUNE 30, 2001

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State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 25, 2002

The Honorable Jim Hodges, Governor
and
Members of the Board of Directors
South Carolina Sea Grant Consortium
Charleston, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Sea Grant Consortium (the Consortium), solely to assist you in evaluating the performance of the Consortium for the fiscal year ended June 30, 2001, in the areas addressed. The Consortium'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. We tested selected recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the tested receipt transactions were adequate. We also tested 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. We compared current year recorded revenues from sources other than State General Fund appropriations to those of the prior year and we used estimations and other procedures to test the reasonableness of collected and recorded amounts by revenue account. Our findings as a result of these procedures are presented in Cash Receipts and Deposits, Accountability Over Promotional Items, and Posting of Transactions in the Accountant's Comments section of this report.

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2. We tested selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records, were bona fide disbursements of the Consortium, 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; and if internal controls over the tested disbursement transactions were adequate. We also tested 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 to those of the prior year to determine the reasonableness of amounts paid and recorded by expenditure account. The individual transactions selected for testing were chosen randomly. Our findings as a result of these procedures are presented in Error Detection and Correction in the Accountant's Comments section of this report.
3. We tested selected recorded payroll disbursements to determine if the tested 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 internal controls over the tested payroll transactions were adequate. We tested 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. We also tested payroll transactions for all new employees and all those who terminated employment to determine if internal controls over these transactions were adequate. 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 performed other procedures such as comparing current year recorded payroll expenditures to those of the prior year; comparing the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computing the percentage distribution of recorded fringe benefit expenditures by fund source and comparing the computed distribution to the actual distribution of recorded payroll expenditures by fund source to determine if recorded payroll and fringe benefit expenditures were reasonable by expenditure account. The individual transactions selected for testing were chosen randomly. Our findings as a result of these procedures are presented in Employer Contributions and Error Detection and Correction in the Accountant's Comments section of this report.
4. We tested selected recorded journal entries and all recorded interagency appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct; and the internal controls over these transactions were adequate. The individual journal entry transactions selected for testing were chosen randomly. Our findings as a result of these procedures are presented in Posting of Transactions in the Accountant's Comments section of this report.

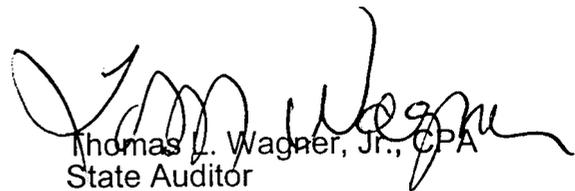
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5. We tested selected entries and monthly totals in the subsidiary records of the Consortium to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and the internal controls over the tested transactions were adequate. The transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
6. We obtained all monthly reconciliations prepared by the Consortium for the year ended June 30, 2001, and tested selected reconciliations of balances in the Consortium's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if they were accurate and complete. 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 Consortium'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 Consortium's accounting records and/or in STARS. The reconciliations selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
7. We tested the Consortium's compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 2001. Our findings as a result of these procedures are presented in Cash Receipts and Deposits, Employer Contributions, and Equipment Inventory in the Accountant's Comments section of this report.
8. We reviewed the status of the deficiencies described in the findings reported in the Accountant's Comments section of the State Auditor's Report on the Consortium resulting from our engagement for the fiscal year ended June 30, 2000, to determine if adequate corrective action has been taken. 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.
9. We obtained copies of all closing packages as of and for the year ended June 30, 2001, prepared by the Consortium and submitted to the State Comptroller General. We reviewed them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. We found no exceptions as a result of the procedures.
10. We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2001, prepared by the Consortium and submitted to the State Auditor. We reviewed it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts were reasonable; and if they 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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South Carolina Sea Grant Consortium
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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 areas, 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 governing body and management of the Consortium and is not intended to be and should not be used by anyone other than these specified parties.



Thomas L. Wagner, Jr., CPA
State Auditor

ACCOUNTANT'S COMMENTS

SECTION A - MATERIAL WEAKNESSES AND/OR VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

The procedures agreed to by the agency require that we plan and perform the engagement to obtain reasonable assurance about whether noncompliance with the requirements of State Laws, Rules, or Regulations occurred and whether internal accounting controls over certain transactions were adequate. Management of the entity is responsible for establishing and maintaining internal controls. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Therefore, the presence of a material weakness or violation will preclude management from asserting that the entity has effective internal controls.

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

CASH RECEIPTS AND DEPOSITS

The Consortium was unable to provide supporting documentation for the cash receipts collected and deposits made between July 2000 and May 2001. These records consisted of approximately 130 deposit packages, along with the supporting documentation such as cash receipt forms, Treasurer's Receipts, Agency Bank Deposit forms, bank deposit slips, South Carolina Sea Grant Consortium invoices, and other documents used to support funds received by the Consortium.

According to discussions with management, a former employee of the agency discarded all except sixteen (16) of the deposits made during fiscal year 2001. The Consortium could only provide documentation to support receipts collected and deposits made in Fiscal Month (FM) 12.

Because the Consortium failed to retain documentation to support all of its transactions, we were unable to perform certain auditing procedures such as agreeing data between the cash receipts and the Consortium's subsidiary ledger, verifying that revenue was properly classified, determining that all revenue received was recorded, and verifying that receipts were deposited in a timely manner. Additionally, the Consortium was unable to provide adequate documentation to support its explanations for all of the variances between the amounts of revenue recorded in fiscal years 2001 and 2000. For example, there was a significant decrease in the amount of donations and contributions received for the Beach Sweep/River Sweep project in fiscal year 2001 as compared to the total amount received in fiscal year 2000. Revenue totaling \$27,900 was recorded in fiscal year 2000 and \$3,350 was recorded in fiscal year 2001, a decrease of \$24,550 or approximately ninety percent.

The General Records Retention Schedule for Financial Records of State Agencies issued by the South Carolina Department of Archives and History's Archives and Records Management Division gives "state government agencies the legal authorization to retain and dispose of common financial records. The (records retention) schedule lists the permanently valuable records, which should be properly protected . . . and it also provides a timetable that will allow agencies to dispose of records of non-permanent value regularly and legally." Subarticle 1. Accounting records of the schedule states, in part, the following regarding retaining documentation to support receipts and deposits:

12-707. Bank Deposits

A. Description: Document the deposit of funds into agency bank accounts. Included in the series are bank deposit forms, deposit slips or cash receipts. Information may also include State Treasurer's Receipt, and letter of credit for recording federal deposits.

B. Retention: 3 years; destroy.

12-727. Receipt Books

A. Description: Record of funds received directly from patrons and applicants in payment of such expenses as billable service for patrons, licensing fees, examination charges, and other fees for which the agency receives payment. Information includes receipt date, receipt number, receipt of, amount of payment, and account name and/or account number.

B. Retention: 3 years; destroy.

A system of strong internal controls also requires that adequate supporting documentation be prepared and retained to support all transactions.

We recommend that the Consortium review its policies and procedures relating to the security and retention of records. Policies and procedures should be revised to ensure that proper documentation to support receipts and deposits is properly retained. We further recommend that employees responsible for maintaining the Consortium's records be informed of the agency's approved record retention policy and management perform monitoring procedures to ensure that records are being properly maintained.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Each fiscal year, the Office of the State Auditor (SAO) obtains information to prepare the State's Schedule of Expenditures of Federal Awards from the agency-prepared Schedules of Federal Financial Assistance (SFFA) and performs the Statewide Single Audit. Information on the schedule is reported using federal Catalog of Federal Domestic Assistance (CFDA) numbers and federal program titles. The information submitted on the SFFA by the Consortium to the State Auditor's Office for the 2001 Statewide Single Audit contained various errors and instances in which the instructions for submitting the requested information were not followed. Those instructions were sent to the Consortium in a letter from the SAO dated August 22, 2001. During our reviews and test work, we noted the following deficiencies due to inadequate controls over the preparation of the SFFA:

- Four grant names were not recorded correctly. The grant number for one of these grants was also incorrect.
- Four grants were not reported under the appropriate Catalog of Federal Domestic Assistance (CFDA) number.
- Revenues, expenditures, and other additions/deductions on the schedule differed from amounts recorded in the Consortium's general ledger for some grant project and phase codes and for total revenues, expenditures, and other additions/deductions. According to accounting personnel, adjustments to the SFFA were necessary in order to properly report revenues, expenditures, other additions/deductions, and ending fund balances. However, the Consortium was unable to provide supporting documentation for any of the adjustments and could not explain why they were necessary.

The SAO's instructions for preparing the fiscal year 2001 SFFA provides guidance and instructions for preparation of accurate and complete federal schedules. Attachment 1 of those instructions states, in part, the following:

- The agency must include the official grant title and correct grant number on the schedule.
- It is important that grants be grouped with the correct CFDA number.
- The amounts shown on the Total Federal Assistance line must be in agreement with the General Ledger (Receipts, Expenditures, Other Additions, Other Deductions, Ending Fund Balance). Any reconciling items should be fully explained.

We recommend that the Consortium develop and implement procedures that will ensure that the federal schedule and other requested information are accurate, complete, and in the detail and format specified by the SAO. The Consortium should establish independent review procedures for the reconciliation of federal accounts and for the federal schedule to detect and correct all errors and omissions before submission to the State Auditor's Office.

EMPLOYER CONTRIBUTIONS

Although the Consortium charges certain salaries to federal and earmarked funds, the Consortium did not allocate employer costs for workmen's and unemployment compensation insurance coverages to those funds. These costs were paid from the Consortium's State General Fund appropriations. Additionally, as noted in "Error Detection and Correction", employer contribution expenditures do not reflect total fiscal year 2001 expenditures because certain adjustments were not recorded in the proper fiscal year.

Proviso 63G.1. of Part IB of the fiscal year 2000-2001 Appropriation Act states:

It is the intent of the General Assembly that any agency of the State Government whose operations are covered by funds from other than General Fund Appropriations shall pay from such other sources a proportionate share of the employer costs of retirement, social security, workmen's compensation insurance, unemployment compensation insurance, health and other insurance for active and retired employees, and any other employer contribution provided by the State for the agency's employees.

We recommend that the Consortium establish procedures to ensure that all employer contributions are properly allocated in future periods.

EQUIPMENT INVENTORY

The Consortium provided us with a list containing the beginning balance at July 1, 2000, fiscal year 2001 additions and deletions, and the ending balance in equipment inventory at June 30, 2001. Employees indicated that the agency does not have a detail summary listing of all equipment owned by the Consortium. Additionally, agency personnel stated that a physical observation of equipment inventory was performed in September 2001 when the June 30, 2001 fixed assets (capital assets for fiscal year 2002 and thereafter) closing package was prepared. However, documentation to support the observation was not retained. Consortium personnel stated that they used the fiscal year 2001 listing referred to above to conduct the physical inventory observation. Therefore, only fiscal year 2001 acquisitions were sighted.

Section 10-1-140 of the 1976 South Carolina Code of Laws, as amended, (the Code of Laws) states that the head of each agency is responsible for all personal property under his supervision. The Code of Laws requires each agency of the State to make a physical inventory of all such equipment and other personal property each fiscal year. State law provides for the State Auditor to audit this property as necessary.

We recommend the Consortium conduct an annual physical observation of all equipment inventory and document the results. Someone independent of custodial responsibilities for capital assets should perform the observation. Any differences between the accounting records and the physical inventory should be investigated and resolved. Any resulting adjustments to the capital assets accounting records should be supported by written authorization approved by someone other than the custodian of the asset. We also recommend that the Consortium prepare a complete listing of all equipment owned by the Consortium. Further, the balance on the detail listing should periodically be agreed to or reconciled to the balance in the control account.

SECTION B - OTHER WEAKNESSES NOT CONSIDERED MATERIAL

The conditions described in this section have been identified as weaknesses subject to correction or improvement but they are not considered material weaknesses or violations of State Laws, Rules, or Regulations.

ERROR DETECTION AND CORRECTION

During our comparison of current year expenditures to those of the prior year to determine the reasonableness of amounts paid and recorded by account, and analyses of personal service and employer contribution accounts, we noted that the Consortium attempted to correct prior year errors during fiscal year 2001. As a result, negative expenditure totals are reflected in some expenditure accounts.

For example, the total fiscal year 2001 expenditures included in earmarked subfunds in object code 0604 – Data Processing Equipment is (\$3,936). According to discussions with accounting personnel, computers costing \$4,389 were originally purchased during fiscal year 1999 and were charged to subfund 3958 – Sale of Assets. During fiscal year 2000, the Consortium moved the expenditures to subfund 3131 – Consortium Contracts. Subsequently in fiscal year 2001, the Consortium decided the 1999 expenditures should have been charged to subfund 5057 - Federal Grants so it prepared documentation to move the expenditures to federal funds on its books and in the State’s (STARS) accounting system, thus resulting in net negative expenditures.

We also noted the following when analyzing personal service and employer contribution expenditures charged to earmarked funds:

	<u>Personal Services</u>	<u>Employer Contributions</u>
Fiscal Year 00	\$(8,575)	\$1,354
Fiscal Year 01	\$4,096	\$(273)

Accounting personnel stated that the fiscal year 2000 negative personal service expenditures and the fiscal year 2001 negative employer contribution expenditures occurred because the Consortium moved some personal service expenditures between accounts and subfunds during fiscal year 2000, but did not move the related employer contributions until the subsequent fiscal year. Thus, employer contributions were not properly allocated during fiscal years 2000 and 2001. See related comment “Employer Contributions”.

Section 2.1.7 of the Comptroller General’s Policies and Procedures (STARS Manual) provides guidance on error detection and correction. Also, a strong system of internal accounting controls requires that procedures be established to ensure the timely detection and correction of errors. The Office of the Comptroller General (OCG) obtains certain information for the State’s financial statements from data reported in the State’s accounting system (STARS). Therefore, it is critical that transactions be properly recorded, and errors be detected and corrected in a timely manner.

We recommend that the Consortium review its policies and procedures over disbursements and expenditures to ensure that they are adequate in design, properly implemented, and operating effectively. These policies and procedures should also ensure the timely detection and correction of errors in accordance with STARS Manual guidelines.

ACCOUNTABILITY OVER PROMOTIONAL ITEMS

The Consortium purchases and sells books, manuals, guides, t-shirts and other promotional items. Revenues collected and recorded during fiscal year 2001 for the sale of promotional items according to the South Carolina Office of the Comptroller General’s “Statement of Estimated and Actual Revenue” (CSA406) report were as follows:

<u>Object Code</u>	<u>Object Code Title</u>	<u>Amount</u>
7802	Sale of Goods	\$6,083
7810	Sale of Publications And Brochures	\$2,373

The Consortium was unable to provide documentation showing the number of publications sold or given away during fiscal year 2001 because it has not established and does not maintain a proper inventory system. A list containing the total number of t-shirts purchased, sold, and given away during fiscal year 2001 was provided. We performed a reasonableness

test of revenues collected from the sale of t-shirts using data on the list and the sale price per t-shirt. Based on the results of the test, estimated revenues were determined to be approximately \$7,500. As shown above, actual revenues recorded in the CSA406 report equaled \$6,083.

Management has not considered it necessary to establish and maintain an inventory system for publications and Consortium personnel did not review the t-shirts list to verify its accuracy. Strong accounting controls and adequate business practices require that inventory records be prepared and maintained for each type of item sold. Under a sound inventory system, the Consortium would update its inventory records when it purchases or issues inventory items. Also, a physical inventory would be taken periodically and adjustments made to reflect the results of the physical count.

We recommend that an inventory system for each type of item sold be established immediately to provide accountability of each item received or purchased and sold or given away. All additions, sales, complimentary issues, and other changes should be accounted for in the inventory records. To facilitate the records, accurate receiving reports must continue to be prepared, stating the total number of items received. Complimentary issues should be closely scrutinized and approval documented. Additionally, inventory records should be spot checked periodically and at fiscal year end.

POSTING OF TRANSACTIONS

During our reviews of the “Period Revenue Entries” and “Period Journal Entries” reports, we noted that all transactions were not recorded and posted in a timely manner. For example, revenue entries for four of the first five months of the fiscal year reflect receipt dates as the last day or close to the last day of the month, i.e., July 31, August 31, September 30, and November 29. (None of the fiscal year 2001 transactions contained October 2000 dates.) Additionally, entries with receipt dates of July 31, August 31, and September 30 were not posted until October 10, 2000. As noted in a related comment “Cash Receipts and Deposits”, we were unable to determine if the receipts were deposited in a timely manner because the Consortium was unable to provide supporting documentation for most of the fiscal year 2001 deposits.

Numerous journal entry transactions were also dated as of the last day of the month, i.e., July 31, August 31, September 30, and October 31. Two transactions were dated November 29 while the remaining fiscal month 05 transactions contained the November 30, 2000 date. Further, numerous journal entries were not posted in a timely manner as noted in the following examples: Entries with transaction dates of July 31 and August 31 were posted October 6, 2000; entries with transaction dates of September 30 were posted October 10 and October 16; and, entries dated October 31 were not posted until November 29, 2000. Additionally, the entries which were dated November 30 reflected posting dates of November 27 and November 28, 2000.

Good business practices and a system of effective internal controls require maintenance of a general ledger and accounting system which includes all accounts and transactions and provides complete, accurate, and timely information for budgetary and financial decision-making. Furthermore, generally accepted accounting principles (GAAP)

require transactions to be properly recorded. We recommend that all transactions be properly and timely posted in the accounting records as required by strong internal controls and adequate accounting policies and procedures.

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 South Carolina Sea Grant Consortium for the fiscal year ended June 30, 2000, and dated June 8, 2001. We determined that the Consortium has taken adequate corrective action on the deficiencies in preparing and reviewing reconciliations. However, we have again reported errors in completion of the Schedule of Federal Financial Assistance in the Accountant's Comments section of this report.

MANAGEMENT'S RESPONSE

**SOUTH CAROLINA SEA GRANT CONSORTIUM'S RESPONSE TO FY01
AUDIT:**

**SECTION A – MATERIAL WEAKNESSES AND/OR VIOLATIONS OF STATE
LAWS, RULES OR REGULATIONS**

CASH RECEIPTS AND DEPOSITS

The Consortium's FY01 receipts were lost when a new employee of the agency placed the receipts in an area where they were picked up in error by the janitorial service and discarded as trash. The receipts were being prepared for storage until the FY01 audit was conducted. This incident was reported to the State Auditor's office immediately and they advised us that the documentation from the Comptroller General's records should suffice.

The Beach Sweep/River Sweep project used as an example of the Consortium's inability to provide adequate documentation to support its explanations of variances between the amounts of revenue recorded in fiscal years 2001 and 2000:

The auditors were given a copy of an account status report for FY2000 and FY2001, which showed \$20,000 in revenue collected for 2000, was donated by the SCANA Corporation under a three year award. Revenue of \$10,000 was collected in FY99 and the balance of \$20,000 in FY00. There were no funds received from SCANA in 2001. The auditors to the best of our knowledge did not ask for any further explanation after receiving the account status report. Thus, we feel an explanation was provided for the revenue variance cited even though we did not have the revenue receipts on hand due to their loss.

The Consortium's employees are aware of the records retention schedules and adequate supporting documentation necessary to meet the state accounting standards. The Consortium admits the receipts were lost and will ensure that adequate supporting documentation will be retained in a secure area to support all transactions for future audits.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

The Consortium has established independent review procedures for the reconciliation of federal accounts and for the federal schedule to detect and correct all errors and omissions before submission of the SFFA to the State Auditor's Office.

The FY00 SFFA was incorrect thus the errors carried over into FY01. The errors were not detected by Consortium personnel due to the fact that there were three different accounting personnel handling the SFFA submission in FY01. Through help from the State Auditor's Office, the SFFA submission for FY02 has been reviewed and corrected.

EMPLOYER CONTRIBUTIONS

The Consortium has established procedures to ensure that all employer contributions are properly allocated to all general, federal and earmarked funds as appropriate.

EQUIPMENT INVENTORY

Consortium personnel provided the auditors with the material they were asked by the auditors to provide reference equipment inventory. A physical observation of equipment owned by the Consortium is conducted at the end of each fiscal year when the closing package is submitted. The inventory is necessary since equipment is added and deleted each year. We feel that if the beginning and ending balance of our equipment inventory balances with the additions/deletions made during the fiscal year agree then the ending balance each fiscal year is our control account.

There is a detailed summary listing of all equipment owned by the Consortium which was the last summary listing provided by the state when the equipment listing was maintained by the state through 1999. The summary listing has been used to delete/add equipment as necessary since that time on an annual basis. The Consortium provided the auditors with the FY01 list of equipment as requested.

The Consortium was not asked to provide documentation to support the observation of equipment. In the past the auditors have asked to see the equipment selected from the list of equipment provided by the Consortium but this was not requested by the auditors during the FY01 audit.

The Consortium knows of no differences in the accounting records and the physical inventory of the Consortium. We maintain an annual record of additions and deletions and we feel that the auditor's finding of a material weakness is in error.

SECTION B – OTHER WEAKNESSES NOT CONSIDERED MATERIAL

ERROR DETECTION AND CORRECTION

The Consortium has reviewed its policies and procedures over disbursements and expenditures and has implemented policies and procedures to ensure the timely detection and correction of errors in accordance with STARS Manual guidelines.

ACCOUNTABILITY OVER PROMOTIONAL ITEMS

The Consortium maintains an inventory control over the publications it sells. The Consortium's publications are kept in a locked cabinet and a receipt is issued for each publication sold. The Consortium sells only five publications based on research funded by the Consortium. The t-shirts are bought on an annual basis, sold and/or donated during the Beach Sweep/River Sweep project.

Inventories of all items sold by the Consortium will be maintained and checked periodically for proper documentation of sale or donation.

POSTING OF TRANSACTIONS

The Consortium is aware of past problems with posting of transactions in FY01 and has taken steps to ensure transactions are properly posted in the accounting records in a timely manner.

Section C – Status of Prior Findings

We agree with the State Auditor's Report on the Status of Prior Findings and as stated earlier the Consortium has made every effort to ensure the SFFA errors are corrected.

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