

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

June 20, 2000

The Honorable James H. Hodges, Governor  
and  
Mr. William R. Jennings, Director  
South Carolina Department of Parks, Recreation and Tourism  
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Department of Parks, Recreation and Tourism for the fiscal year ended June 30, 1999, was issued by Scott McElveen, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Tom Wagner'. The signature is fluid and cursive, written over the printed name and title of the signatory.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/trb

South Carolina Department of Parks, Recreation and Tourism

Columbia, South Carolina

Report on Agreed-Upon Procedures

*for the year ended June 30, 1999*

## Contents

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Independent Accountants' Report on Applying Agreed-Upon Procedures.....	1-4
Accountants' Comments .....	5-8
Status of Prior Findings .....	9
Management's Response.....	10-11

## Independent Accountants' Report on Applying Agreed-Upon Procedures

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Mr. Thomas L. Wagner, Jr., CPA,  
State Auditor  
State of South Carolina  
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") and the South Carolina Office of the State Auditor, solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 1999 in the areas addressed. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the 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 the 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 with those of the prior year to determine the reasonableness of collected and recorded amounts by revenue account. The individual transactions selected for testing were chosen randomly. Our findings as a result of these procedures are presented in Comment 4 in the Accountants' Comments section of this report.

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 Department, were paid in conformity with State 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 STARS as reflected on the Comptroller General's reports to determine if recorded expenditures were in agreement. We compared current year expenditures with 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 finding as a result of these procedures is presented in Comment 7 in the Accountants' 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 that the gross payroll agreed to amounts recorded in the general ledger and in STARS. We also tested payroll transactions for selected new employees and 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 STARS as reflected on the Comptroller General's reports to determine if recorded payroll and fringe benefit expenditures were in agreement. We performed other procedures such as comparing current year payroll expenditures with those of the prior year; comparing the percentage change in personal service expenditures to the percentage change in employer contributions; and comparing the percentage distribution of recorded fringe benefit expenditures by fund source to the percentage 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 Comment 3 of the Accountants' Comments section of this report.
4. We tested selected recorded journal entries, operating transfers, and 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 transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.

5. We tested 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 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 Department for the year ended June 30, 1999, and tested 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 they were accurate and complete. For the selected reconciliations, we recalculated the amounts, agreed the applicable amounts to the Department's general ledger, agreed the applicable amounts to the STARS reports, determined that 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 for testing were chosen randomly. Our findings as a result of these procedures are presented in Comment 5 in the Accountants' Comments section of this report.
7. We tested and made inquiries regarding the Department'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 1999. Our findings as a result of these procedures are presented in Comments 4, 5 and 7 in the Accountants' Comments section of this report.
8. We reviewed the status of the deficiencies described in the findings reported in the Accountants' Comments section of the Independent Accountants' Report on Applying Agreed-Upon Procedures of the Department for the fiscal year ended June 30, 1998 to determine if adequate corrective action had been taken. Our findings as a result of these procedures are presented in the Status of Prior Findings section of this report.
9. We obtained copies of all closing packages as of and for the year ended June 30, 1999, prepared by the Department and submitted to the 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. Our findings as a result of these procedures are presented in Comments 1 and 2 of the Accountants' Comments section of this report.

10. We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 1999, prepared by the Department 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 Comment 6 of the Accountants' Comments section of this report.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Further, we were not engaged to express an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express such opinions. Had we performed additional procedures or had we conducted an audit or review of the Department's financial statements or any part thereof, 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, South Carolina Office of the State Auditor and the management of the Department and is not intended to be and should not be used by anyone other than these specified parties.

Columbia, South Carolina  
May 26, 2000

## Accountants' Comments

## Accountants' Comments

We noted the following matters during our engagement: (It should be noted that our engagement was performed for the year ended June 30, 1999. By the date of our report, the Department's current management had already addressed many of the matters discussed below.)

### 1. FIXED ASSETS CLOSING PACKAGE

We noted the following from our review of the fixed assets closing package:

The Department disclosed instances of "unexplained differences" in its fixed asset closing package for the year ended June 30, 1999. These "unexplained differences," which were requested to be labeled as such by the Office of the Comptroller General, were the result of the 1998 GAAP Closing Package being filed with no supporting documentation. In completing the 1999 package, the Department could not reconstruct prior year numbers which resulted in the "unexplained differences". In an effort to correctly report total fixed assets, the Department inventoried their assets during the year ended June 30, 1999 and posted a correcting entry for the differences.

Section 1.8 of the GAAP Closing Procedures Manual (GAAP Manual) requires accurate closing packages and completion of the reviewer's checklist for each closing package. Section 1.8 also requires training of knowledgeable preparers and reviewers. Section 1.9 of the GAAP Manual requires agencies to keep working papers to support each amount they enter on each closing package form. Sections 3.7 through 3.11 provide guidance specific to preparation of fixed asset closing packages.

We recommend that the Department devote more time to the proper training of employees involved in preparing the closing packages. In addition, we recommend that more supervisory support be made available to staff preparing the closing packages. Further, the Department should continue to obtain the assistance required to correctly maintain its fixed assets.

### 2. OTHER CLOSING PACKAGES

We noted the following from our review of closing packages:

- A. We noted instances in which certain closing package documents were dated after the Comptroller General's deadline.

- B. There were some instances in which the closing package reviewer checklist was either incomplete or missing entirely.
- C. There was one instance in which the amount disclosed for capital lease payments and installment purchases was incorrectly reported. While the correct amount appeared on supporting documentation, the amount was apparently not carried forward properly to the closing package.
- D. The loans receivable reviewer checklist listed several questions answered “no” with no explanation.

The GAAP Manual clearly states deadlines for submission and procedures for reviewing the preparer’s work. Section 1.8 of the GAAP Manual requires timely submission of closing packages, effective review of each closing package and underlying support, and completion of a reviewer checklist for each closing package. Section 3.5a of the GAAP Manual provides specific guidance for completion of the loans receivable GAAP closing package. We recommend that the Department carefully read, understand, and adhere to the procedures for completing the closing packages in accordance with the Comptroller General’s office instructions.

### 3. PAYROLL AND PERSONNEL

We noted during our work on the Department’s payroll procedures and personnel files that, in 9 of our 25 selections, the voluntary deductions and/or federal withholdings form was not signed by the employee.

In an effort to alleviate errors and misunderstandings, we recommend that the Department implement procedures to ensure that appropriate documentation is included in employee files.

#### 4. RECEIPTS

We noted the following during our review of cash receipts:

- A. In 5 of our 25 selections, we noted a lack of supporting documentation in testing receipts. We were not able to trace amounts, dates, receipt numbers, and/or accounting codes from the cash receipts to the general ledger.
- B. In 7 of our 25 selections, there were no receipts batch form included with the cash receipt. We could not determine if deposits were made in a timely manner or if deposits were made in the proper fiscal year.
- C. There was one instance in which the Department listed that cash was deposited before the documented date of receipt. In addition, there was one instance in which the general ledger entry date and the date the cash was received were recorded as the same but both were before the date the cash was documented as received.

Timely deposit of receipts is required by State Law under the annual Appropriation Act proviso. This requirement is included in Proviso 72.1 in Part IB of the 1999 Act. We recommend that the Department increase its efforts to include a receipts batch form and all necessary and required supporting documentation with its receipt voucher. Supporting documentation should indicate the date, description and amount of the receipt. Proper accounting procedures require that all entries be reviewed for proper amounts and dates. We also recommend that the Department take steps to ensure that all receipts are prepared correctly as to amount and dates, proper training of employees is performed and reconciliations of source records and accounting records are prepared.

#### 5. MONTHLY RECONCILIATIONS

Upon reviewing the monthly reconciliations of cash, revenues, and expenditures for the months of February and June, 1999, we noted the following:

- A. The reconciliations were not dated and we could therefore not determine if they were performed on a timely basis.
- B. The reconciliations lacked supporting work papers.
- C. The preparer did not sign the reconciliations.
- D. There is no documentation on or within the reconciliations indicating they were reviewed and approved by appropriate agency personnel.
- E. Certain adjustments were inaccurately calculated.
- F. Certain balances did not trace to the General Ledger.
- G. Certain balances did not trace to STARS.
- H. Certain adjusting entries could not be traced to the general ledger and/or STARS.

Section 2.1.7.20.c. of the STARS Manual requires monthly reconciliations for cash, revenues and expenditures be performed at the level of detail in the Appropriations Act. Proper reconciliation of cash, revenues, and expenditures requires that certain procedures be followed. We recommend that these procedures and that the reconciliations be properly performed and carefully reviewed. Further, we recommend that the preparation and review of the reconciliations be properly documented. We understand that these procedures are currently being performed as of the date of this report.

## 6. SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Testing of the Schedule of Federal Financial Assistance (SFFA) resulted in the following findings:

- A. In two instances, the receipts, expenditures or pass-thru to sub-recipients listed on the SFFA did not agree to the general ledger.
- B. In seven instances, the beginning fund balance for the year ended June 30, 1999 did not agree to the ending fund balance from the SFFA for the year ended June 30, 1998.

The Department had not completely followed the instructions provided by the Office of the State Auditor in completing the SFFA. We recommend that the Department increase its efforts in complying with instructions for completing the SFFA. Further, we recommend a review of the preparation of the SFFA by appropriate Department personnel.

## 7. NON-PAYROLL DISBURSEMENTS

Section 2.1.3.80 of the STARS Manual requires that each disbursement voucher be signed by an authorized State Official. We noted two instances in which employees who entered the purchase vouchers into the Department's system did not sign the vouchers. The State's accounting and internal control procedures require that the employee entering the data sign all disbursement entries. We recommend that all employees, including temporary employees, sign vouchers they have entered into the system.

## Status of Prior Findings

### **Status of Prior Findings**

During the current engagement, we reviewed the status of corrective action taken on the findings reported in the Independent Accountants' Report on Agreed-Upon Procedures of the Department for the fiscal year ended June 30, 1998, dated July 30, 1999. We determined that the Department has taken corrective action on all of the deficiencies that were included in the prior year report except for matters discussed in Comment 1 of the Accountants' Comments section of this report.

## Management's Response

June 26, 2000

Scott McElveen, LLP  
1441 Main Street, Suite 1200  
PO Box 8388  
Columbia, South Carolina 29202

We have reviewed the Accountant's Comments for the year ended June 30, 1999 and herein submit our comments:

#### **A. Accountant's Comments**

##### **1. Fixed Assets**

Management agrees with the deficiencies in the fixed assets closing package. As stated in the report, we reconstructed our fixed assets by inventorying our assets, which resulted in unexplained differences. We have good balances to begin FY2000 and have continued to work off of these balances during FY2000. We obtained guidance and assistance from the Comptroller General's Office on how to best complete this GAAP Package with the "unexplained differences". We believe at this time our fixed assets balances are in very good shape and are very well documented. We continue to understand that detail records need to be provided to support the balances that we have in the fixed asset accounts and we will continue to implement this recommendation.

##### **2. Other Closing Packages**

Management agrees and will meet all deadlines as established by the Comptroller General's Office. We will read, understand and adhere to the GAAP manual more carefully for the FY2000 GAAP Packages. Management will also carefully review all GAAP packages and complete each checklist.

##### **3. Payroll and Personnel**

Management agrees and will ensure that appropriate documentation and appropriate authorizations are received on voluntary deductions and withholding forms.

##### **4. Receipts**

Management agrees and understands what is required for cash receipts management. We will ensure all documentation is attached to the cash receipts and we will also ensure that the deposits are made in a timely manner. (Our current method for documentation for cash receipts matches your recommendations.)

## 5. Monthly Reconciliations

Management agrees and our current method for monthly reconciliations matches your recommendations.

## 6. Schedule Federal Financial Assistance

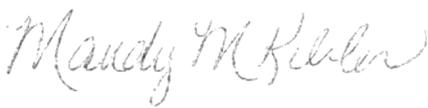
Management agrees and will adhere to the instructions for proper completion of the SFFA.

## 7. Non-Payroll Disbursements

Management agrees and has implemented a procedure for all employees to sign their disbursements.

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

Sincerely,

A handwritten signature in cursive script that reads "Mandy M. Kibler".

Mandy M. Kibler  
Director of Finance