

South Carolina Department of Parks, Recreation & Tourism

Independent Accountants' Report on

Applying Agreed-Upon Procedures

for the year ended June 30, 2006

State of South Carolina



Office of the State Auditor

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May 24, 2007

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

This report on the application of agreed-upon procedures to the accounting records of the South Carolina Department of Parks, Recreation, and Tourism for the fiscal year ended June 30, 2006, 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 "Richard H. Gilbert Jr.", written in a cursive style.

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

RHGjr/trb

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Richard H. Gilbert, Jr., CPA
 Deputy State Auditor
 State of South Carolina
 Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the Members of the Board and management of the South Carolina Department of Parks, Recreation & Tourism (the "Agency") and the South Carolina Office of the State Auditor (the "State Auditor") solely to assist you in evaluating the performance of the Agency for the fiscal year ended June 30, 2006, in the areas addressed. The Agency'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 25 randomly 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 10 randomly 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 at the subfund and object code level from all sources 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 (\$140,000 – general fund, \$130,000 – earmarked fund, \$21,000 – restricted fund, and \$32,000 – Federal fund) and change of +/- 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.

Our findings as a result of these procedures are presented in Section A in the Accountants' Comments section of this report.

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

- We inspected 25 randomly 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 Agency, 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 10 randomly 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 (\$140,000 – general fund, \$130,000 – earmarked fund, \$21,000 – restricted fund, and \$32,000 – Federal fund) and change of +/- 10 percent.

We found no exceptions as a result of the procedures.

3. **Payroll Disbursements and Expenditures**

- We inspected 25 randomly 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 5 randomly 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 inspected payroll transactions for 5 randomly selected new employees and 5 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 (\$140,000 – general fund, \$130,000 – earmarked fund, \$21,000 – restricted fund, and \$32,000 – Federal fund) and change of +/- 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.

We found no exceptions as a result of the procedures.

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

- We inspected 5 randomly selected recorded journal entries, 5 operating transfers, and 5 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.

We found no exceptions as a result of the procedures.

5. **General ledger and Subsidiary Ledgers**

- We inspected randomly selected entries and monthly totals in the subsidiary records of the Agency 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.

We found no exceptions as a result of the procedures.

6. **Reconciliations**

- We obtained all monthly reconciliations prepared by the Agency for the year ended June 30, 2006, and inspected haphazardly selected reconciliations of balances in the Agency's accounting records to those in STARS as reflected in 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 Agency'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 Agency's accounting records and/or in STARS.

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 closing packages as of and for the year ended June 30, 2006, prepared by the Agency 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 finding as a result of these procedures is presented in Section A in the Accountants' 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, 2006, prepared by the Agency 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 and if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

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, Members of the Board, management, and the South Carolina Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Scott McElveen, L.L.P.

Columbia, South Carolina
April 27, 2007

ACCOUNTANTS' COMMENTS

SECTION A – VIOLATIONS OF STATE LAWS, RULES or REGULATIONS

The procedures agreed to 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 each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

Untimely Deposits of Receipts

Proviso 72.1 of the 2006 State Appropriations Act specifies that all revenues must be remitted to the State Treasurer at least once each week. During our testing of receipts, we discovered that \$36.56 received by the Governor's Mansion Gift Shop on January 4, 2006 was not deposited until January 17, 2006. We recommend that the Agency develop and implement control procedures to strengthen internal controls over cash receipts and revenues to ensure that receipts are deposited timely and in accordance with the Agency's policies and State Law.

Lateness of Miscellaneous Revenues Closing Package

The GAAP Closing Procedures Manual instructions for the Miscellaneous Revenues Closing Package requires the closing package be submitted to the Office of the Comptroller General no later than August 15, 2006. During our testing of closing packages, we discovered that the Miscellaneous Revenue Closing Package was submitted to the Office of the Comptroller General on August 17, 2006. We recommend that the Agency make a better effort to meet closing package deadlines as prescribed by the South Carolina Office of the Comptroller General.

Improper Classification of Revenue

Section 2.1.6.20 of the STARS Manual defines the revenue and expenditure object codes. The object code definitions help preparers to properly classify revenues and expenditures on STARS input documents. During our analytical review of Earmarked revenues, we discovered that a reimbursement was mistakenly recorded as revenue object code 7801 (sale of publications and brochures) instead of the correct expenditures object code 0212 (promotional services). Before Agency closed its accounting records for fiscal year 2006 it prepared a journal voucher to correct this misclassification. The Agency incorrectly prepared the STARS journal voucher and coded the document with a "RR" code which caused the correction entry to reverse twice. As a result, Earmarked revenue and expenditures were both understated by approximately \$846,000. The Agency's reconciliation process did not discover the error before books were closed due to an error in the spreadsheet formula. We recommend that the agency strengthen its review process in order detect such errors in the future.

South Carolina

Department of Parks, Recreation & Tourism

Mark Sanford
Governor

Chad Prosser
Director

May 16, 2007

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, 2006 and herein submit our comments:

Accountant's Comments

Untimely Deposits of Receipts

The sales staff members of the Governor's Mansion Gift Shop will comply with the deposit regulations established by State and Agency Policies and Procedures.

Lateness of Miscellaneous Revenues Closing Package

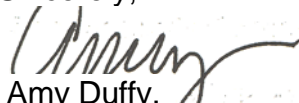
The Finance Office was 2 days late submitting this closing package to the Comptroller General's Office. We will ensure this does not occur in future years.

Improper Classification of Revenue

We concur with this finding and will work to ensure the errors do not occur in future fiscal years.

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
Patsy Sowell

