

South Carolina Department of Parks, Recreation & Tourism

Columbia, South Carolina

Independent Accountants' Report on

Applying Agreed-Upon Procedures

for the year ended June 30, 2007

State of South Carolina



Office of the State Auditor

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June 11, 2008

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, 2007, 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

Contents

Independent Accountants' Report on Applying Agreed-Upon Procedures	1-5
Accountants' Comments	
Section A – Violations of State Laws, Rules or Regulations	6-7
Section B – Status of Prior Findings.....	8
Management's Response	9

Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Richard H. Gilbert, Jr., 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 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, 2007, 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 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 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 remittances were supported by law.
- 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 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 (\$130,000 – earmarked fund, \$22,000 – restricted fund, and \$32,000 – 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 Section A in the Accountants' Comments section of this report.

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

- We inspected 25 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 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 (\$180,000 – general fund, \$130,000 – earmarked fund, \$22,000 – restricted fund, and \$32,000 – federal fund) and +/- 10 percent.

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

3. **Payroll Disbursements and Expenditures**

- We inspected 25 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 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 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 (\$180,000 – general fund, \$130,000 – earmarked fund, \$22,000 – restricted fund, and \$32,000 – 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 5 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.

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

5. **General Ledger and Subsidiary Ledgers**

- We inspected 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.

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

6. **Reconciliations**

- We obtained monthly reconciliations prepared by the Agency for the year ended June 30, 2007, and inspected selected reconciliations of balances in the Agency'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 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.

The reconciliations selected were chosen haphazardly. 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, 2007, 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 findings as a result of these procedures are 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, 2007, 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.

10. Status of Prior Findings

- We inquired about the status of the findings reported in the Accountants' Comments section of the Independent Accountants' Report on the Agency resulting from our engagement for the fiscal year ended June 30, 2006, to determine if the Agency had taken corrective action.

Our findings as a result of these procedures are presented in Section B 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, 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
May 8, 2008

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.

Lateness of Miscellaneous Revenues Closing Package

The GAAP Closing Procedures Manual instructions for the Miscellaneous Revenues Closing Package require the closing package be submitted to the Office of the Comptroller General no later than August 15, 2007. 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 16, 2007. 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.

Lateness of Capital Assets Closing Package

The GAAP Closing Procedures Manual instructions for the Capital Assets Closing Package require the closing package be submitted to the Office of the Comptroller General no later than September 20, 2007. During our testing of closing packages, we discovered that the Agency sent a revised copy of the Capital Asset Closing package (Capital Assets Summary Form, Accumulated Depreciation Summary Form and Capital Asset Additions Reconciliation Form) to the Comptroller General's Office on September 24, 2007 which was after the due date of September 20, 2007. Although the Agency did originally send in a Capital Asset Closing Package prior to the due date of September 20, 2007, capital assets at the end of June 30, 2007 was not fairly stated. The Agency incorrectly included contract retention payments (i.e. installment payments due on acquired assets or CIP) in fiscal year 2007 as new additions in the fiscal year. The contract retention payments should have been recorded as installment payments on capital assets that were added in fiscal year 2006, resulting in the asset being taken out of CIP and become depreciable. Since the Agency found its mistake and sent in a revised closing package with the corrected information, we feel that the closing package was sent correctly but not in a timely manner. 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.

Lateness of Accounts Payable Closing Package

The GAAP Closing Procedures Manual instructions for the Accounts Payable Closing Package require the closing package be submitted to the Office of the Comptroller General no later than September 10, 2007. During our testing of closing packages, we discovered that the Agency sent a revised copy of the Accounts Payable Closing Package to the Comptroller General's Office on September 17, 2007 which was after the due date of September 10, 2007. Although the Agency did send in an Accounts Payable Closing Package prior to the due date of September 10, 2007, accounts payable at the end of June 30, 2007 was not fairly stated. The Agency didn't disclose contract retentions for fiscal year 2007 correctly. Since the Agency found its mistake and sent in a revised closing package with the corrected information, we feel that the closing package was sent correctly but not in a timely manner. 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.

Cash Receipts and Revenues – Incorrect Object Code

Deposit CR#525 in the amount of \$25 was a reimbursement of expenditures from an Agency employee for the replacement of a RLEO ID, which is a badge worn by Constables at the Parks. The receipt was recorded to expenditure object code 0301 – Office Supplies. The STARS Manual defines this as “expendable items necessary for the proper operation of an office.” The receipt should have been recorded to expenditure object code 0327 - Munitions, Targets, and Law Enforcement Supplies. The STARS Manual defines this as “expenditures for fixed metallic and/or semi-metallic loaded ammunition, supplies to “load” previously fired cartridge cases, ammunition used for tests, ammunition components used in assembly of ammunition; targets, target centers, and target repair items, tear gas munitions, firearm cleaning and preservation supplies, firearm clips, magazines, belts, and other feeding devices and related firearm supplies, handcuffs, holsters, badges and cases, microphones and cameras used in law enforcement vehicles, etc.”

The effect of the error was a misclassification of expenditures and a violation of the STARS Manual. STARS Manual Section 2.1.6.20 defines the object codes to correctly classify expenditures and reimbursement of expenditures. We recommend that the Agency’s management carefully review their expenditures in order to ensure that the correct expenditure object codes are being used to record expenditures and reimbursement of expenditures.

Cash Receipts Recorded in the Wrong Fiscal Year

Receipts 712, 713, and 735 were recorded in the wrong fiscal year. Receipt 712 for \$62,924 was received on July 3, 2007 for payment of advertisement in one of the Agency’s publications for June 2007. Receipt 713 for \$60 was received on July 5, 2007 for the purchase of lapel pins. Receipt 735 for \$400 was received on July 13, 2007 for payment on water bill usage from April 2007 to June 2007. These three deposits should have been recorded in fiscal month 01 of fiscal year 2008 and as a receivable as of the current fiscal year end, June 30, 2007. Although these receipts were sent to the Treasurer’s Office before July 17, 2007, they weren’t received (on hand) by the Agency until after June 29, 2007, which is the cut-off date for revenues to be recorded in fiscal month 13 of fiscal year 2007.

As a result of the error, deposits recorded by the Treasurer’s Office are overstated for the current fiscal year. In addition, the Miscellaneous Revenue Closing package submitted by the Agency is incorrect because Accounts Receivable at June 30, 2007 was not fairly stated. We recommend that the Agency develop and implement control procedures to ensure that all receipts are properly recorded in the correct fiscal year in accordance with state laws, rules and regulations, the Agency’s policies, the Comptroller General’s GAAP Closing Procedures Manual, and GAAP.

SECTION B - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on the findings in the Accountants' Comments Section of the Independent Accountants' Report on Applying Agreed Upon Procedures for the fiscal year ended June 30, 2006, and dated April 27, 2007. The following is the status of each prior year finding:

Prior year Finding:

Untimely Deposits of Receipts
Lateness of Miscellaneous Closing Package
Improper Revenue Classification

Status:

Agency has taken adequate corrective action
Similar finding in Section A of current year report
Similar finding in Section A of current year report

South Carolina

Department of Parks, Recreation & Tourism

Mark Sanford

Governor

Chad Prosser

Director

June 12, 2008

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, 2007 and herein submit our comments:

Accountant's Comments

Lateness of Miscellaneous Revenues Closing Package

The Finance Office was 1 day late submitting this closing package to the Comptroller General's Office. We will work to avoid the closing package is submitted on time in future years.

Lateness of Capital Assets Closing Package

The Finance Office submitted the closing package on time. However, we determined there was an error in reporting the contract retentions and submitted an amended package 4 days late. We will work to avoid the closing package is submitted on time in future years.

Lateness of Accounts Payable Closing Package

The above stated issue with the reporting of retentions also affected the accuracy of the Accounts Payable Closing Package. A correction to the Accounts Payable Closing Package was submitted late to the Comptroller General. We will work to avoid the closing package is submitted on time in future years.

Improper Object Code

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

Cash Receipts Recorded in the Wrong Fiscal Year

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

