

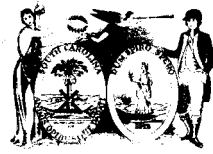
South Carolina Department of Parks, Recreation, and Tourism

Independent Accountants' Report on

Agreed-Upon Procedures

*for the year ended June 30, 2003*

State of South Carolina



Office of the State Auditor

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July 7, 2004

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

This report resulting from the application of certain agreed-upon procedures to the accounting records of the South Carolina Department of Parks, Recreation and Tourism for the fiscal year ended June 30, 2003, 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.

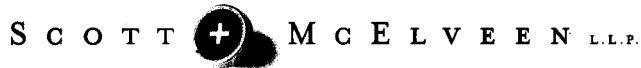
Respectfully submitted,

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/trb

## Contents

Independent Accountants' Report on Applying Agreed-Upon Procedures.....	1-3
Accountants' Comments	
Section A – Findings.....	4-6
Section B – Status of Prior Findings.....	7
Section C – Agency Response .....	8



## Independent Accountants' Report on Agreed-Upon Procedures

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

We have performed the procedures described below, which were agreed to by the management of 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, 2003, in the areas addressed. The Department's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures and the associated findings are as follows:

1. We selected and tested certain 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 selected and tested certain 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, using estimations and other procedures, made inquiries regarding the reasonableness of collected and recorded amounts by revenue account. The individual transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.

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2. We selected and tested certain 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, 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 selected disbursement transactions were adequate. We also selected and tested certain 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 and made inquiries regarding the reasonableness of amounts paid and recorded by expenditure account. The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Comment 5 in the Accountant's Comments section of this report.
3. We selected and tested recorded certain 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 selected and tested certain 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 selected and tested certain transactions for 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 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 were chosen randomly. Our findings as a result of these procedures are presented in Comment 4 of the Accountants' Comments section of this report.
4. We selected and tested certain 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 were chosen randomly. We found no exceptions as a result of these procedures.

5. We selected and tested certain 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. Our finding as a result of these procedures is presented in Comment 1 of the Accountant's Comments section of this report.
6. We obtained monthly reconciliations prepared by the Department for the year ended June 30, 2003 and determined that the reconciliations were signed and dated by both the preparer and reviewer and that the reconciliations were dated at a reasonable time after month end. Our finding as a result of these procedures is presented in Comments 6 of the Accountant's Comments section of this report.
7. We made inquiries regarding the Department's compliance with applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for the year ended June 30, 2003. Our findings as result of these procedures are presented in Comments 4 and 5 in the Accountant's Comments section of this report.
8. We obtained copies of all closing packages as of and for the year ended June 30, 2003, prepared by the Department 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. Our findings as result of these procedures are presented in Comments 2 and 3 in the Accountant's Comments section of this report.
9. We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2003, prepared by the Department and submitted to the South Carolina Office of the State Auditor (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. We found no exceptions as a result of these 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 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 management of the Department 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 28, 2004

## **Accountant's Comments**

### *Section A – Findings*

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 internal controls. A material weakness is a condition in which the design or operation of one 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 below have been identified as weaknesses subject to correction or improvement but are not considered material weaknesses or violations of State Laws, Rules, or Regulations.

## 1. GENERAL LEDGER AND BOOKS OF ORIGINAL ENTRY

We scanned the Department's journal voucher register and noted that one voucher number was missing during our procedures on the general ledger. In an effort to alleviate errors and leave a proper audit trail, we recommend that the Department adhere to the procedures for correcting journal vouchers in accordance with the Comptroller General's office instructions.

## 2. FIXED ASSETS CLOSING PACKAGE

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

During our procedures on the fixed assets closing package, we noted that the Department disclosed two adjusting journal entries in its fixed asset closing package for the year ended June 30, 2003. These two instances were the result of the fixed asset depreciation system erroneously calculating depreciation for assets that were fully depreciated. The first instance involved machinery and equipment totaling \$84,159 that had been fully depreciated on the books as of the end of fiscal year 2002. The fixed asset accounting system calculated additional depreciation for FY03. The second instance involved depreciation for land improvements in the amount of \$32,703 that had been fully depreciated on the books as of the end of fiscal year 2001. The fixed asset accounting system calculated additional depreciation for FY02.

Upon inquiry of the Department's management, we learned that the fixed asset depreciation system was implemented internally in compliance with the GASB No. 34 during fiscal year 2002. Maintaining an accurate depreciation schedule is critical in determining the carrying value of fixed assets. We recommend that the Department make changes to its fixed assets system so that depreciation is properly calculated on an annual basis.

## 3. OTHER CLOSING PACKAGES

We noted the following from our procedures on other closing packages:

- A. The Department overstated accounts payable by \$510.14. The error was clerical in nature and was the result of including two vouchers with an amount less than \$1,000 each in current expenditures. In addition, these vouchers were paid before September 2003. Section 3.12 of the GAAP Closing Procedures Manual (GAAP Manual) requires agencies to exclude any voucher with a total voucher amount of less than \$1,000 if and only if the voucher was paid in STARS FM 01 and FM 02 of the new fiscal year.
- B. The Department understated the miscellaneous revenue by \$3,230.84. The Department earned the revenue during the fiscal year but did not receive payment as of June 30, 2003. Section 3.4 of the GAAP Manual requires agencies to include \$3,230.84 in the Current Miscellaneous Accounts Receivable if the agency has billed the non-State parties as of June 30, 2003 or if the agency will bill these parties for services rendered during that fiscal year.

We recommend that the Agency carefully review and follow applicable GAAP Manual instructions for completing all closing packages. The Department should ensure that employees who complete the closing package are knowledgeable of GAAP and GAAP Manual guidance and instructions for preparation of closing packages. In addition, the closing package reviewer should be more careful in reviewing closing packages.



#### 4. PAYROLL

We found that the department underpaid an employee in the amount of \$80. The underpayment occurred as a result of the department calculating the employee's annual leave payment using the annual leave balance from August 2002 rather than September 2002. The August balances excluded annual leave earnings for the month of September in which the employee was entitled.

We recommend that the Department devote more time to the proper training of preparers and reviewers involved in calculating employee leave balances. The Department should also remit \$80 to the terminated employee noted above.

#### 5. DISBURSEMENTS

During our procedures related to the Department's non-payroll disbursements, we noted several instances in which employees who entered purchases into the accounting system failed to attach several receipts to the associated invoices. Upon inquiry of the Department's management, we noted that the employees who were responsible for attaching the receipts to the invoices would occasionally send the receipts in the following month. However, the Department experienced a shortage of accounting personnel during that time of the year and therefore there was no one available to perform the filing.

We recommend that the Department's management develop procedures to perform filing if the receipts were received in the following months. Attaching the receipt to the invoice is a critical control to ensure the items purchased were authorized. Without the receipts, errors could exist and not be detected.

#### 6. RECONCILIATIONS

During our procedures related to the Department's reconciliations of its records to the Comptroller General's records, we noted that the reconciliation for fiscal months 13 was not signed and dated by the appropriate supervisory personnel. However, the reconciliation appeared to be properly prepared. We recommend that the Department's management perform all necessary reviews and approvals for every month.

### *Section B – 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, 2002, dated June 6, 2003. We determined that the Department has taken corrective action on all of the deficiencies that were included in the prior year report except for the matter discussed in Comment 4 above of the Accountants' Comments section of this report.

# South Carolina

Department of Parks, Recreation & Tourism

## Office of Finance

July 06, 2004

Mr. Thomas L. Wagner, Jr., CPA  
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, 2003 and herein submit our comments:

### Accountant's Comments

#### General Ledger & Books of original entry

The Finance Office will work to ensure all original general ledger documents are properly maintained and filed in the Finance Office.

#### Fixed Assets Closing Package

We developed a program to comply with GASB 34 in Fiscal Year 2001-2002. However, an error in the calculations was not detected until the Fiscal Year 2002-2003 audit. The Technology Services Office is working to correct the software to ensure it will not depreciate an asset once the purchase price is depreciated.

#### Other Closing Packages

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

#### Payroll

Human Resources concurs with this finding and will work to ensure proper calculations of annual leave payouts are determined with the most recent annual leave information. The agency currently utilizes an e-leave system which helps to ensure current information is available.

#### Disbursements


The Finance Office will work with the procurement card holders to ensure all receipts are attached to the required weekly/monthly reports. We will work to develop a system to track and monitor missing receipts.

#### Reconciliations

This was an oversight in the Finance Office. The Finance Director routinely reviews and approves all monthly reconciliations. However, the review of the 13<sup>th</sup> month reconciliation was not noted. We will ensure all reviews and approvals are properly documented.

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

