

DIVISION OF SAVANNAH VALLEY DEVELOPMENT OF
THE SOUTH CAROLINA DEPARTMENT OF COMMERCE
COLUMBIA, SOUTH CAROLINA

MANAGEMENT LETTER

Year Ended June 30, 2008

WALDA WILDMAN, LLC

CERTIFIED PUBLIC ACCOUNTANT

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September 15, 2008

Hon. Joe Taylor
Secretary
South Carolina Department of Commerce
Columbia, SC

In planning and performing my audit of the financial statements of the Savannah Valley Development (the SVD) for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered its internal control over financial reporting (internal control) as a basis for designing my audit procedures for the purpose of expressing my opinion on the financial statements but not the purpose of expressing an opinion on the effectiveness of the SVD's internal control. Accordingly, I do not express an opinion on the effectiveness of the SVD's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting,^g that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and other deficiencies that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. I believe that the following deficiency constitutes a material weakness:

*Design of Internal Control Doesn't Support Preparation of **Financial Statements***

One of several objectives of internal control is financial reporting. With respect to financial reporting, internal control must be designed to assure that employees are able to initiate, authorize, record, process and report financial data reliably in accordance with U. S. generally accepted accounting principles (GAAP) and that in the normal course of performing their assigned functions, they will prevent or detect financial statement misstatements on a timely basis.

I noted for a second year that internal control at the SVD does not include as an objective preparation of financial statements prepared in accordance with U. S. GAAP. Internal control at the SVD is designed only to insure that cash transactions are recorded and that cash balances per the general ledger are reconciled to cash balances per bank statements at the end of each month. Such a limited internal control objective does not support timely prevention or detection of financial statement misstatements. As a result, I proposed and management accepted adjusting entries to increase revenue accounts from \$65,198 to

\$527,360, to increase expense accounts from \$57,596 to \$592,568 and to decrease asset accounts by almost \$3 million.

In addition, not only did SVD's internal control not prevent and/or detect errors in GAAP financial statements, it did not detect that SVD staff did not make the first of two contractually required \$42,000 payments to SCPRT (see note 7). During my fieldwork, I asked why I could not find either the payment or a payable recorded in the general ledger. After researching the issue, management determined that the payment had not been timely made and determined that a payable should be recorded.

Many of the SVD's transactions are non-routine in nature and are handled by either the South Carolina State Treasurer's Office or by the South Carolina Department of Commerce legal department. The SVD's internal control does not include procedures to ensure that those responsible for accounting know that transactions should occur, know that transactions did occur, and understand the transactions sufficiently to record, process and report them reliably in accordance with U. S. GAAP.

This communication is intended solely for the information and use of management of the South Carolina Department of Commerce, the South Carolina State Auditor, the South Carolina State Treasurer, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink that reads "Walda Wildman LLC". The signature is written in a cursive, flowing style.

WALDA WILDMAN, LLC
Certified Public Accountant