

South Carolina Department of
Parks, Recreation, and Tourism

Columbia, South Carolina

Independent Accountant's Report on
Applying Agreed-Upon Procedures
for the year ended June 30, 2013

State of South Carolina



Office of the State Auditor

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RICHARD H. GILBERT, JR., CPA
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June 20, 2014

The Honorable Nikki R. Haley, Governor
and
Mr. Duane N. Parrish, Director
South Carolina Department of Parks,
Recreation and Tourism
Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the South Carolina Department of Parks, Recreation and Tourism for the fiscal year ended June 30, 2013, was issued by Scott and Company LLC, 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/cwc

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Independent Accountant's 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 management of the South Carolina Department of Parks, Recreation, and Tourism (the "Department") and the South Carolina Office of the State Auditor (the "State Auditor"), solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2013, 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.

Our procedures and findings are as follows:

1. Cash Receipts and Revenues

- We inspected 25 recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations.
- We inspected 25 recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- 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 account 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 Department's accounting records. The scope was based on agreed upon materiality levels (\$240,000 – earmarked fund, \$15,000 – restricted fund, and \$17,000 – federal fund) and +/- 10 percent.

- We made inquiries of management pertaining to the Department's policies for accountability and security over permits, licenses, and other documents issued for money. We observed Department personnel performing their duties to determine if they understood and followed the described policies.

The individual transactions selected were chosen haphazardly. Our finding as a result of these procedures is presented as Receipt Cutoff in the Accountant's Comments section of this report.

2. Non-Payroll Disbursements and Expenditures

- We inspected 25 recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations, were bona fide disbursements of the Department, and were paid in conformity with State laws and regulations and if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected 25 recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared current year expenditures at the subfund and account 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 Department's accounting records. The scope was based on agreed upon materiality levels (\$150,000 – general fund, \$240,000 – earmarked fund, \$15,000 – restricted fund, and \$17,000 – federal fund) and +/- 10 percent.

The individual transactions selected were chosen haphazardly. Our finding as a result of these procedures is presented as Expenditure Cutoff in the Accountant's Comments section of this report.

3. Payroll Disbursements and Expenditures

- We inspected 25 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; and payroll transactions were properly authorized and were in accordance with existing legal requirements and processed in accordance with the Department's policies and procedures and State regulations.
- We inspected payroll transactions for 25 new employees and 25 individuals who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the Department'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 current year payroll expenditures at the subfund and account 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 Department's accounting records. The scope was based on agreed upon materiality levels (\$150,000 – general fund, \$240,000 – earmarked fund, \$15,000 – restricted fund, and \$17,000 – 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 +/- 10 percent to ensure that payroll expenditures were classified properly in the Department's accounting records.

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

4. Journal Entries, Operating Transfers, and Appropriation Transfers

- We inspected 25 journal entries, 5 operating transfers, and 25 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 Department's policies and procedures and State regulations.

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

5. Composite Reservoir Accounts

Reconciliations

- We obtained all monthly reconciliations prepared by the Department for the year ended June 30, 2013 for its 3 composite reservoir accounts and inspected 6 reconciliations (2 per composite reservoir account) of balances in the Department's accounting records to those reflected on the State Treasurer's Office monthly 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 Department's general ledger, agreed the applicable amounts to the State Treasurer's Office monthly reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Department's accounting records.

Cash Receipts and Revenues

- We inspected 8 recorded composite receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations.
- We inspected 8 recorded composite receipts to determine if these receipts were recorded in the proper fiscal year.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law. We obtained all monthly reconciliations prepared by the Department.

Non-payroll Disbursements and Expenditures

- We inspected 24 recorded composite account non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations, were bona fide disbursements of the Department, and were paid in conformity with State laws and regulations and if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected 24 recorded composite account non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.

The reconciliations and composite account receipts and non-payroll disbursements were chosen randomly. We found no exceptions as a result of the procedures.

6. Appropriation Act

- We inspected Department documents, observed processes, and/or made inquiries of Department personnel to determine the Department's compliance with Appropriation Act general and Department specific provisos.

We found no exceptions as a result of the procedures.

7. Reporting Packages

- We obtained copies of all reporting packages as of and for the year ended June 30, 2013, prepared by the Department and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's Reporting Policies and Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

8. Schedule of Federal Financial Assistance

- We obtained a copy of the Schedule of Federal Financial Assistance for the year ended June 30, 2013, prepared by the Department 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.

9. Status of Prior Findings

- We inquired about the status of the finding reported in the Accountant's Comments section of the Independent Accountant's Report on Applying Agreed-Upon Procedures on the Department resulting from our engagement for the fiscal year ended June 30, 2012, to determine if the Department had taken corrective action.

Our finding as a result of these procedures is presented in Expenditure Cutoff 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 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 and 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 and Company LLC

Columbia, South Carolina
June 19, 2014

ACCOUNTANT'S COMMENTS

SECTION A – OTHER WEAKNESSES

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules, or Regulations. The procedures agreed to by the Department require that we plan and perform the engagement to determine whether any violations of State Laws, Rules, or Regulations occurred.

The conditions described in this section have been identified while performing the agreed-upon procedures but are not considered violations of State laws, rules, or regulations.

Receipt Cutoff

Condition:

We inspected twenty-five recorded receipts to determine if they were recorded as revenue in the correct fiscal year. One of the twenty-five transactions related to booth fees at Huntington Beach State Park in the amount of \$300. The money was received in June 2013 for an event that occurred in September 2013. The receipt was incorrectly recorded as revenue in fiscal year 2013 instead of fiscal year 2014 which is when the revenue was earned.

Cause:

The Department incorrectly recorded fiscal year 2014 revenue in fiscal year 2013.

Effect:

There was an overstatement of revenue for fiscal year 2013.

Criteria:

An effective internal control system includes procedures designed to properly record revenue in the correct fiscal year.

Recommendation:

We recommend the Department improve procedures to ensure that revenues are recorded in the correct fiscal year. This will ensure accurate financial reporting.

Expenditure Cutoff

Condition:

We inspected twenty-five non-payroll disbursements to determine if they were recorded in the correct fiscal year. One of the twenty-five transactions related to consulting charges of \$1,587 for the period from November 2012 to November 2013. The entire amount of the charges was recorded as fiscal year 2013 expenditure when only 7 of the 12 months of services occurred in fiscal year 2013. The charges for July through November 2013 were incorrectly recorded as fiscal year 2013 expenditures, as they should have been recorded as prepaid expenditures.

Cause:

The Department incorrectly recorded fiscal year 2014 expenditures in fiscal year 2013.

Effect:

There was an overstatement of expenditures for fiscal year 2013.

Criteria:

An effective internal control system includes procedures designed to properly record expenditures in the correct fiscal year.

Recommendation:

We recommend the Department improve procedures to ensure that expenditures are recorded in the correct fiscal year. This will ensure accurate financial reporting.

SECTION B – STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on the finding reported in the Accountant's Comments section of Independent Accountant's Report on Applying Agreed-Upon Procedures on the Department for the fiscal year ended June 30, 2012, and dated June 25, 2013. We determined that the Department has not taken adequate corrective action on the finding which we have repeated as Expenditure Cutoff in the Accountant's Comments section of this report.

South Carolina

Department of Parks, Recreation & Tourism

Office of Finance

June 19, 2014

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
South Carolina Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

Dear Mr. Gilbert:

We have reviewed the Accountant's Comments for the year ended June 30, 2013 and herein submit our comments:

Accountant's Comments

Receipt Cutoff

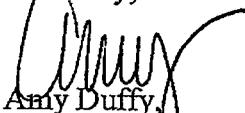
We agree with the comment and will work with the accounts receivable staff to ensure the revenues received in the current fiscal year for an event the following fiscal year is properly recorded as deferred revenue.

Expenditure Cutoff

We agree with the comment and will work with the accounts payable staff to ensure expenditures are properly recorded as a prepaid expenditure.

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 the agreed upon procedures engagement.

Sincerely,


Amy Duffy,
Chief of Staff

cc: Duane Parrish
Yvette Sistare
George Ropp

