

**SOUTH CAROLINA DEPARTMENT OF PARKS,  
RECREATION AND TOURISM**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2017**



## Independent Accountant's Report on Applying Agreed-Upon Procedures

April 13, 2018

Mr. Duane Parrish, Director  
South Carolina Department of Parks,  
Recreation and Tourism  
1205 Pendleton Street, Suite 248  
Columbia, South Carolina 29201

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Parks, Recreation and Tourism (the Department), on the systems, processes and behaviors related to financial activity of the Department for the fiscal year ended June 30, 2017. The Department's management is responsible for the systems, processes and behaviors related to financial activity. 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 in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Department. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Department has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

This report is intended solely for the information and use of the management of the Department and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA  
State Auditor

**South Carolina Office of the State Auditor**  
**Agreed - Upon Procedures Related to the South Carolina Department of Parks, Recreation and Tourism (P28)**

**Cash Receipts/Revenues**

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations greater than or equal to \$3,000 and 10% for the General Fund, \$500,000 and 10% for the Earmarked Fund, \$1,700,000 and 10% for the Restricted Fund, and \$490,000 and 10% for the Federal Fund.
2. Randomly select twenty-five cash receipts transactions and inspect supporting documentation to:
  - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
  - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
  - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Randomly select twenty-five cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.
4. Haphazardly select three cash receipts transactions from the Trust Activity population and inspect supporting documentation to:
  - Ensure that both revenue collections and amounts charged are properly authorized by applicable Trust laws.

We found no exceptions as a result of the procedures.

**Cash Disbursements/Non-Payroll Expenditures**

5. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations greater than or equal to \$540,000 and 10% for the General Fund, \$2,000,000 and 10% for the Earmarked Fund, \$1,400,000 and 10% for the Restricted Fund, \$340,000 and 10% for the Federal Fund, and \$140,000 and 10% for the Composite Account Fund.
6. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
  - Transaction is properly completed as required by Department procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Department procedures and good business practice are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Department, properly coded to the general ledger.
  - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
  - Clerical accuracy / confirm proper sales/use tax.

## Cash Disbursements/Non-Payroll Expenditures (Continued)

7. Haphazardly select ten, total, non-payroll disbursements from the following General Ledger accounts: 5021480000 (Promotional), 5040810000 (Contributions), and 5170800000 (Allocations to Private Sector). We will inspect supporting documentation to determine:
  - Transaction is properly completed as required by Department procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Department procedures and good business practice are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Department, properly coded to the general ledger.
  - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
  - Clerical accuracy / confirm proper sales/use tax.
8. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.
9. Haphazardly select fifteen non-payroll disbursements from the Comptroller General's listings of purchasing card transactions for Fiscal Year 2017 in order to determine:
  - Transaction is properly completed as required by Department procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Department procedures and good business practice are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Department, properly coded to the general ledger.
  - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
  - Clerical accuracy / confirm proper sales/use tax.
10. Haphazardly select ten non-payroll disbursements from the Trust Activity population transactions for Fiscal Year 2017 in order to determine:
  - Disbursement complied with applicable State laws, rules, and regulations including applicable Trust laws.

We found no exceptions as a result of the procedures.

## Payroll

11. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations greater than or equal to \$540,000 and 10% for the General Fund, \$2,000,000 and 10% for the Earmarked Fund, \$1,400,000 and 10% for the Restricted Fund, \$340,000 and 10% for the Federal Fund, and \$140,000 and 10% for the Composite Account Fund.

## Payroll (Continued)

12. Randomly select twenty-five employees and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Department.
- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Department.
- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

13. Inspect the one bonus pay disbursement to determine:

- Employee does not make more than \$100,000 annually.
- Bonus received during the year did not exceed \$3,000.
- Transaction was appropriately documented and approved.

14. Randomly select ten employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Department's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

15. Randomly select twenty-five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Department's policies and procedures, that the employee's last pay check was properly calculated, and that the employee's leave payout was properly calculated in accordance with applicable State law.

16. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10%.

17. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of changes greater than 10%.

## Findings

During our inspection of terminations, we observed two employees who were included in our terminations population that did not work in FY17. Therefore, the employees did not appear on the FY17 Labor Distribution Report, but were employed and not officially terminated. In addition, we also observed eight employees who were not removed from the payroll system in a timely manner after their termination date.

## Management's Response

SCPRT does acknowledge this is an ongoing issue with remote locations. The Human Resources Office is working to develop a review to ensure employees are terminated in a timely manner.

## Journal Entries and Transfers

18. Randomly select twenty-two journal entries and four transfers for the fiscal year to:
- Trace postings to the general ledger, confirming amounts agree with supporting documentation.
  - Confirm transaction is properly approved.
  - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

## Appropriation Act

19. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
20. Confirm compliance with Department - specific state provisos by inquiring with management and observing supporting documentation.

We found no exceptions as a result of the procedures.

## Reporting Packages

21. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by CG's Reporting Policies and Procedures Manual.

22. In addition to the procedure above, we will perform the following:

- Inventory Reporting Package

Determine if reported amounts agree to the SCEIS Yearend Reporting - Inventory report. In addition, determine if the Department's reconciliation of physical inventory to SCEIS was properly completed by agreeing amounts to the SCEIS general ledger and/or Department prepared records.

- Other Receivables Reporting Package

Determine if reported amounts are accurate based on inspection of the SCEIS general ledger, the SCEIS Yearend Reporting - Accounts Receivable Current with Customer report and/or Department prepared records. In addition, haphazardly select three receivables to determine if the amounts were properly classified, calculated and reported.

- Unearned Revenue Reporting Package

Determine if responses are reasonable/accurate based on inspection of the SCEIS general ledger and Department prepared records. In addition, haphazardly select five items to determine if the amounts were properly classified, calculated and reported.

## Reporting Packages (Continued)

- Cash and Investments Reporting Package

Determine if responses are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Yearend Reporting - Cash and Investments report and/or Department prepared records. In addition, determine if amounts agree to State Treasurer's Office Composite Bank Account reports and year end reconciliations. Ensure that all increases and/or creations of petty cash accounts were approved by the Office of the State Auditor. Inspect documentation regarding any petty cash relinquished or surrendered during the fiscal year to ensure that they were documented accurately. Observe documentation regarding the count and/or replenishment of the cash on hand to ensure it complies with applicable laws and regulations.

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Department prepared records. In addition, inspect payables from the Subsequent Events Accounts Payable Worksheet, and determine if the amounts were properly classified, calculated and reported and excluded from the original Accounts Payable Reporting Package submission.

## Findings

During our inspection of the subsequent events reporting package, we observed that the amount reported on the subsequent events accounts payable worksheet was misstated by \$20,275. The worksheet reports that additional vendor payables totaled \$21,738. However, a portion of vendor payables was previously reported with the accounts payable reporting package and, as such, the subsequent events portion of accounts payable should have been reported as \$1,463.

## Management's Response

SCPRT will work to ensure this does not occur again.

## Composite Reservoir Accounts

23. Obtain a listing of Department composite reservoir accounts from Department management and confirm that the list is complete.
24. Obtain fiscal year monthly reconciliations for each composite reservoir account and for six of the reconciliations, perform the following procedures:
  - Determine the selected reconciliations were timely performed and properly documented in accordance with applicable State regulations, and are mathematically correct.
  - Agree applicable amounts from reconciliations to the general ledger.
  - Agree applicable amounts from reconciliations to the State Treasurer's Office monthly reports.
  - Determine if reconciling differences were adequately explained and properly resolved.
  - Determine if necessary adjusting entries were made in the accounting records.
  - Obtain a reconciliation of applicable composite reservoir account balances to the liability for assets held in custody for others and determine mathematical accuracy.
  - Agree the reconciled balance of the liability for assets held in custody for others per the reconciliation to the general ledger.

### **Composite Reservoir Accounts (Continued)**

25. Inspect twenty-five composite reservoir account receipts to determine that they were properly described and classified in the accounting records in accordance with the Department's policies and procedures and applicable State regulations and that they were recorded in the proper fiscal year, and that any retention or remittance of revenue is supported by law.
26. Inspect twenty-five composite reservoir account 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 applicable State regulations, were bona fide disbursements of the Department, were paid in conformity with applicable State laws and regulations and that goods and/or services were procured in accordance with applicable laws and regulations.

We found no exceptions as a result of the procedures.

### **Status of Prior Findings**

27. Through inquiry and inspection, determine if the Department has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures, except for timely removal of terminated employees.