

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

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

March 27, 2019

Mr. Duane Parrish, Director
South Carolina Department of
Parks, Recreation, and Tourism
Columbia, South Carolina

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, 2018. 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:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

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 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 from management an understanding of variations over \$750,000 and 10% for the Earmarked Fund, \$70,000 and 10% for the Restricted Fund, and \$400,000 and 10% for the Federal Fund.
2. Randomly select ten cash receipts transactions, excluding South Carolina Enterprise Information System (SCEIS) document types related to Fee-State Parks and State Forest, and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account classification 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.
 - Determine that receipts are recorded in the proper fiscal year.

Finding:

The Department did not provide adequate documentation to support when they received checks included within a batch deposit. The batch included fifteen checks for venue rentals totaling \$24,205. Due to being unable to determine when the checks were received, we were unable to confirm whether the checks were deposited in a timely manner.

Management's Response:

Unfortunately, the log sheet was not signed and dated upon receipt, which is standard practice. It was an oversight on staff's part, but it is standard policy.

Cash Disbursements/Non-Payroll Expenditures

3. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$8,000,000 and 10% for the General Fund, \$1,500,000 and 10% for the Earmarked Fund and Restricted Fund, \$700,000 and 10% for the Federal Fund, and \$200,000 and 10% for the Composite Fund.
4. Haphazardly select ten purchasing card transactions from the Comptroller General's listing of purchasing card transactions for Fiscal Year 2018 and inspect supporting documentation to determine:
 - The cardholder is an authorized user.
 - The purchase is authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

Cash Disbursements/Non-Payroll Expenditures (Continued)

5. Haphazardly select four non-payroll disbursements from the trust activity population and inspect transactions in order to determine:
 - Disbursement complied with applicable State laws, rules, and regulations including applicable trust regulations and laws.

We found no exceptions as a result of the procedures.

Payroll

6. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$8,000,000 and 10% for the General Fund, \$1,500,000 and 10% for the Earmarked Fund and Restricted Fund, and \$700,000 and 10% for the Federal Fund.
7. 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 variations greater than 10%.
8. 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%.
9. Haphazardly select ten 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.
10. Haphazardly select five 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.

Finding:

During our terminations inspection, we observed six employees who were not removed from the SCEIS payroll system in a timely manner, within the subsequent month after their termination.

Management's Response:

There are issues with removing seasonal help from the personnel roster. The human resources director sends multiple emails reminding managers to terminate once summer/temporary employment is complete. The Department is developing a new database designed workflow process for onboarding new employees and off boarding when employment is terminated. This should address the issue with timely notification of temporary employees.

Journal Entries and Transfers

11. Haphazardly select six 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 procedure.

Reporting Packages

12. 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 the CG's Reporting Policies and Procedures Manual.

13. In addition to the procedure above, 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.

- Operating Leases Reporting Package

Determine if amounts agree to the SCEIS general ledger, the SCEIS Yearend Reporting Operating Lease Expense with Vendor report and/or Department prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Three haphazardly selected contingent rental payments; (2) A total of five haphazardly selected payments from each classification included in the remaining rental payments (Payments for Supplies and Contingent Rental - No Lease); and (3) Three haphazardly selected leases with future rental payments to be received for property leased to others.

- Accounts Payable

Haphazardly select and inspect eight accounts payable transactions to determine if responses and reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting - Prior Year Payables with Vendor and/or Department prepared records.

Reporting Packages (Continued)

- 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 the three 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.

We found no exceptions as a result of the procedures.

Composite Reservoir Accounts

14. Obtain a listing of Department composite reservoir accounts and confirm with Department management that the listing of composite reservoir accounts is complete.
15. Obtain fiscal year monthly reconciliations for each composite reservoir account and for each account select two of the reconciliations and perform the following procedures:
 - Determine that selected reconciliations were timely performed, reviewed, and properly documented in accordance with 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.
16. Haphazardly select and inspect ten 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 State regulations and that they were recorded in the proper fiscal year, and that any retention or remittance of revenue is supported by law.
17. Haphazardly select and inspect ten 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 State regulations, were bona fide disbursements of the Department, were paid in conformity with State laws and regulations and that goods and/or services were procured in accordance with applicable laws and regulations.

Finding:

For one of the monthly reconciliations inspected for a composite reservoir account, the review process was not adequately documented on the reconciliation form. The preparer properly signed and dated the reconciliation form; however, the reviewer's sign off was omitted.

Management's Response:

Issue addressed, future reconciliations will be reviewed and signed off by the manager.

Governance, Risk and Compliance (GRC) SCEIS Module

18. Select all controls identified through the SCEIS GRC system that were in place during fiscal year 2018 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of the procedure.

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 selected agreed-upon Department-specific state provisos (49.3, 49.8, 49.9, 49.13, 49.14, 117.15, 117.110, and 117.113) by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Capital Assets

21. Haphazardly select five capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS asset history sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.
22. Haphazardly select five capital asset retirements and inspect supporting documentation to determine the asset was originally recorded in the proper asset class, properly removed from the Department's books, and the disposal was properly approved.

We found no exceptions as a result of the procedures.

Film Department

23. Haphazardly select three film department transactions to determine that the transactions are processed in accordance with the Department's Policies and Procedures and that the transactions are being properly reviewed within the film department.

We found no exceptions as a result of the procedure.

Status of Prior Findings

24. 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 determined that the Department has taken adequate corrective action on each of the findings, except for removal of employees from the payroll system.