

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

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report On Applying Agreed-Upon Procedures

March 17, 2020

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, 2019. 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 South Carolina Department of Parks, Recreation, and
Tourism (P28)**

Cash Receipts/Revenues

1. Compare current year revenues at the fund 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 \$2,000,000 and 10% for the earmarked fund.
2. Haphazardly select ten cash receipts transactions and inspect supporting documentation to:
 - Ensure supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, and account classification.
 - 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:

We identified one instance of a check being received and not deposited in a timely manner in accordance with Proviso 117.1.

Management's Response:

The Department agrees with this finding. A receivable staff person was on leave for an extended period, and during that time checks were not always deposited within the policy guideline.

Cash Disbursements/Non-Payroll Expenditures

3. Compare current year non-payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations over \$1,000,000 and 10% for the general, earmarked, and restricted funds.
4. Haphazardly select ten non-payroll disbursements and inspect supporting documentation to determine:
 - The 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 are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Department.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

Cash Disbursements/Non-Payroll Expenditures (Continued)

For federally funded cash disbursements/non-payroll expenditures, inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.

5. Haphazardly select fifteen purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for Fiscal Year 2019 and inspect supporting documentation to determine:

- The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Department policies.
- 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.

Finding:

We identified one instance of circumventing a procurement card's single transaction limit by splitting the transaction between multiple payments using two different cards.

Management's Response:

The Department had an employee split a procurement card purchase to cover the shipping of the goods which made the total purchase go over the \$2,500 limit and violated the procurement card policy due to the split purchase. Transactions will continue to be reviewed to help ensure compliance.

Trust Activity

6. Haphazardly select three non-payroll disbursements from the Department's trust activity population and inspect transactions in order to determine whether the disbursement complied with applicable State laws, rules, and regulations including applicable trust regulations and laws.

We found no exceptions as a result of the procedure.

Payroll

7. 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% when the proportion of employer contribution to personal service expenditures also varies at a rate greater than 5% between fiscal years.

8. 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.

Payroll (Continued)

9. 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.
10. Haphazardly select three bonus pay disbursements to determine:
 - The employee does not make more than \$100,000 annually.
 - The bonuses received during the year did not exceed \$3,000.
 - The payment amount agreed to supporting documentation and the bonus was given for a proper reason in accordance with Department policy.
 - The bonus pay was approved by the appropriate supervisor.

Finding:

We identified one instance of an employee who was not removed from the payroll system in a timely manner (within the month subsequent to their termination). The employee was removed two months after termination.

Management's Response:

The Department has developed an in-house on-boarding and off-boarding system to assist with timely personnel processing. It continues to be a struggle with 47 state park field locations and 9 welcome centers.

Allowances for Residences (Proviso 117.15 of the Appropriation Act)

11. Confirm that salaries paid to officers and employees of the Department are in full for all services rendered. Confirm that the fair market rental value of any residence furnished to a state employee is reported by the Department furnishing the residence to the Agency Head Salary Commission and the Department of Administration by October 1 of the fiscal year. In addition, confirm that designated employee reward programs have written criteria approved by the Department governing board or commission.

We found no exceptions as a result of the procedure.

Journal Entries and Transfers

12. Haphazardly select five journal entries and 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

13. Obtain copies of fiscal year end reporting packages submitted to the 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.

Reporting Packages (Continued)

14. In addition to the procedure above, perform the following:

- Inventory Reporting Package

Determine if reported amounts agree to the South Carolina Enterprise Information System (SCEIS) Yearend Rptg - 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. Lastly, perform a walkthrough of the Statehouse gift shop inventory and observe the security protocols in place.

- Operating Leases Reporting Package

Confirm that the Department submitted copies of all leases to the CG in accordance with the CG's Reporting Package Instructions. Additionally, for three haphazardly selected leases, determine the effective and expiration dates and future minimum payments were properly calculated and reported on the Future Minimum Payment Schedule. Lastly, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating five haphazardly selected contingent rental payments.

- Subsequent Event 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.

Findings:

Operating Leases Reporting Package - We observed multiple reporting and calculation errors for three leases resulting in the Department's future minimum lease payments being overstated by \$112,954 on the reporting package.

Subsequent Event Questionnaire - The Department answered no to Question #14, indicating there were no late submissions of leave. However, we observed multiple instances of late leave submissions via the SCEIS working time display report as of 6/30/19. Therefore, the response to this question should have been yes, and the required actions should have been completed and submitted to the CG. As a result of the omission, the Department's compensated absences balance was misstated for reporting purposes.

Management's Response:

The Department inadvertently miscalculated one final lease payment and added tax to the copier lease payments. The Department will correct this finding for the FY20 reporting packages.

The Department will ensure a final compensated absence balance report is processed and reviewed prior to submitting the subsequent events reporting package.

Composite Reservoir Accounts

15. Obtain a listing of agency composite reservoir accounts and confirm with Department management that the listing of composite reservoir accounts is complete. Document a summary of background information related to all three accounts.
16. Confirm that the Department submitted the required Bank Account Transparency and Accountability Report to the State Fiscal Accountability Authority by October first of the fiscal year in accordance with Proviso 117.83 of the Appropriation Act.
17. 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.
18. 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.
19. Haphazardly select and inspect ten composite reservoir account disbursements to determine if the 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.

We found no exceptions as a result of the procedures.

Assets and Personal Property

20. Select three 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.
21. Select three capital asset retirements and inspect supporting documentation, and the SCEIS Asset History Sheet, to determine that each asset was approved for removal, and that the asset was properly removed from the Department's books/general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
22. Confirm that an inventory of Department property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

Assets and Personal Property (Continued)

Finding:

We identified multiple instances of improperly capitalizing assets with an acquisition basis less than \$5,000. These should have been coded as low value assets instead.

Additionally, we identified one instance of failing to capitalize all of the costs associated with placing an asset in service. The asset capitalization cost was understated by \$9,404.

Management's Response:

The Department improperly capitalized several low value assets. In addition, we coded only a portion of a purchase as a capitalized asset when the entire purchase should have been capitalized. We will ensure these types of transactions are processed correctly in the future.

Governance, Risk and Compliance (GRC) SCEIS Module

23. Confirm that the selected agreed-upon control identified through the SCEIS GRC system was in place during fiscal year 2019 and inspect mitigating control documentation. Confirm with management the control is operating as designed.

We found no exceptions as a result of the procedure.

Non-Recurring Revenue Proviso 118.15

24. Confirm compliance with the three proviso appropriations, inspecting agency supporting documentation to agree to stated proviso's purpose and amount.

We found no exceptions as a result of the procedure.

Agency-Specific Provisos

25. Confirm compliance with the selected agreed-upon agency-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedure.

Status of Prior Findings

26. 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 the Department has taken adequate corrective action on the findings, with the exception of a similar finding regarding terminations. See finding at **Payroll**.