

**SOUTH CAROLINA
DEPARTMENT OF NATURAL RESOURCES**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

May 19, 2020

Mr. Robert H. Boyles, Jr., Director
and
Members of the Natural Resources Board
South Carolina Department of Natural Resources
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 Natural Resources (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 governing body and management of the South Carolina Department of Natural Resources 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 South Carolina Department of Natural Resources (P24)**

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 for the following general ledger accounts:

Earmarked Fund		
Fund	GL Account	Description
30350065	4536050000	Sale of Vehicles
30350066	4480040000	Sale of Publications & Brochures
30350067	4470150000	Vessel Charges
39078020	4300030000	Other Capital Grants-Restricted
39078020	4310080000	Non-Cash Asset Donations

Restricted Fund		
Fund	GL Account	Description
41250000	4310030000	General Operating Contributions and Donations-Restricted
48A50006	4300040000	IDC Recovery Account
43950009	4226020000	Other Penalties, Cost & Settlements
41257000	4310030000	General Operating Contributions and Donations-Restricted
46090005	4390010000	Sale of Timber

Federal Fund		
Fund	GL Account	Description
57878010	4280020000	Federal Operating Grants-Restricted
57878020	4280080000	Federal Capital Grants-Restricted

2. Haphazardly select fifteen 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 fiscal year 2019 Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by State law.
 - Determine that receipts are recorded in the proper fiscal year.
3. Confirm that any Department fee increases are in accordance with Proviso 117.7 of the fiscal year 2019 Appropriation Act.

We found no exceptions as a result of these procedures.

Cash Disbursements/Non-Payroll Expenditures

4. 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 for the following account series:

General Fund		Earmarked Fund	
Allocations	517-	Land, Buildings, Infrastructure	507-

Restricted Fund		Federal Fund	
Allocations	517-	Land, Buildings, Infrastructure	507-
		Allocations	517-

5. Haphazardly select fifteen 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.

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.

We found no exceptions as a result of these procedures.

Payroll

6. 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%.
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.

Payroll (Continued)

8. Haphazardly select fifteen 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 paycheck was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
9. Haphazardly 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 paycheck 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 proper reason in accordance with Department policy.
 - The bonus pay was approved by the appropriate supervisor.
11. Allowances for residences (Proviso 117.15 of the fiscal year 2019 Appropriation Act): 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 Department 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 these procedures.

Journal Entries and Transfers

12. Haphazardly select ten journal entries and ten 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 these procedures.

Reporting Packages

13. 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 submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
14. In addition to the procedure above, perform the following:
 - Other Receivables Reporting Package
 - Determine if reported amounts are accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Rptg - Accounts Receivable Current with Customer report and/or Department prepared records. In addition, haphazardly select five receivables to determine if the amounts were properly classified, calculated, and reported.

Reporting Packages (Continued)

- Operating Leases Reporting Package

Based on inspection of invoices, lease agreements and/or Department prepared records, determine if the future rental payments to be received for property leased to others were properly reported. In addition, confirm that the Department submitted copies of all leases to the CG in accordance with the CG's Reporting Package Instructions.

- Miscellaneous Loss Liabilities, Loss Contingencies, and Commitments Reporting Package

Determine if responses and amounts are reasonable/accurate based on inspection of invoices and/or contractual agreements.

- 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, haphazardly select five 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

Operating Leases Reporting Package - Future rental payments to be received for Fund 30350067 were overstated on the Operating Lease Summary Form - Lessor by \$199,608.

Subsequent Events Questionnaire - We determined that payables totaling \$19,444 were not properly identified and reported as intergovernmental payables for Fund 50550000 on the Subsequent Events Accounts Payable Worksheet. Additionally, we identified four payables for various funds totaling \$46,489 that were not properly identified and reported on the worksheet.

A similar finding was noted in the 2018 State Auditor's Report.

Management's Response

The Department concurs with these findings. Staff that prepares and reviews the reporting packages have been advised as to how each of these situations should be handled in the future to ensure proper reporting.

Repairs and Maintenance

15. Haphazardly select ten disbursements recorded in repairs/maintenance general ledger accounts (502146- and 502147- account series) to determine if the costs were properly expensed rather than capitalized.

We found no exceptions as a result of these procedures.

Travel Advances

16. Haphazardly select three travel advances and inspect supporting documentation to determine:
 - Proper approval was obtained from the CG for advances associated with in-state travel.
 - The advance request was submitted to the CG no later than seven business days prior to the beginning of the trip.
 - The advance was not made for more than 80% of estimated travel expenses or made in instances where 80% of estimated travel expenses was less than \$250.
 - The Department maintained adequate records to support the advance.
 - The employee repaid the advance within thirty days after the end of the trip.

We found no exceptions as a result of these procedures.

Reconciliation of VOLT System to SCEIS

17. Obtain one haphazardly selected reconciliation of the Department's online customer service portal (VOLT) to SCEIS and determine if it was performed timely and properly documented and if reconciling differences were adequately explained and properly resolved.

We found no exceptions as a result of these procedures.

Appropriation Act / Department-Specific Provisos

18. Confirm that the Department submitted to the State Human Affairs Commission employment and filled vacancy data by race and sex by October thirty-first of the fiscal year in accordance with Proviso 117.13 of the fiscal year 2019 Appropriation Act.
19. Confirm that the Department maintained a continuing log of all flights online for public inspection and that aircraft(s) owned or operated by the Department was used only for official business in accordance with Proviso 117.22 of the fiscal year 2019 Appropriation Act.
20. Confirm that the Department appropriately spent non-recurring funds in compliance with Proviso 118.15 of the fiscal year 2019 Appropriation Act through inquiry and inspection of the Department's supporting documentation and records.
21. 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 fiscal year 2019 Appropriation Act.
22. Haphazardly select and inspect two transactions for moving expenses paid in fiscal year 2019 to determine the following conditions were met as required by South Carolina Code of Laws Section 8-11-135:
 - The new employee's place of residence is outside of the State of South Carolina at the time of employment by the Department.
 - The Department can demonstrate that paying these costs is necessary to fill the position.
 - The maximum payment in any instance to any new employee may not exceed \$5,000.
 - The payment is certified by the Department head (or the board or commission chairman if the new employee is the Department head) as the total paid by the Department toward the total moving cost incurred by the new employee.

Appropriation Act / Department-Specific Provisos (Continued)

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

We found no exceptions as a result of these procedures.

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 the Department has taken adequate corrective action on the findings except where noted in the Reporting Packages finding above.