

**South Carolina
Department of Natural Resources**

Columbia, South Carolina

State Auditor's Report

For the Period of July 1, 2023, to March 31, 2024

and

**Selected Procedures
For the Fiscal Year Ended June 30, 2023**



Independent Accountant's Report on Applying Agreed Upon Procedures

June 19, 2024

Members of the South Carolina Department of Natural Resources
State of South Carolina
Columbia, South Carolina

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the Department of Natural Resources (the Department) for the period July 1, 2023, to March 31, 2024, and the fiscal year ended June 30, 2023. The Department's management is responsible for the systems, processes and behaviors related to financial activity.

The Department's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of understanding the systems, processes and behaviors related to financial activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the Department to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Department for the engagement periods. Accordingly, we do not express such 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 Department's management. Management of the Department has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Up on 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.

We are required to be independent of the Department and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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)**

The following procedures were performed for the period July 1, 2023, to March 31, 2024:

Cash Receipts/Revenues

1. Haphazardly select ten cash receipts and inspect deposit slips, checks, and invoices to determine:
 - Receipts agreed with the general ledger as to amount, date, payor, and account classification.
 - Receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2024 Appropriation Act.
 - Both revenue collections and amounts charged were properly authorized by South Carolina Code of Law Sections 50-21-112, 50-21-113, 50-3-510, 50-23-55, 50-23-35, 50-9-510, 50-23-370, 50-23-60, and 50-23-55.
 - Receipts were recorded in the proper fiscal year.

We found no exceptions as a result of the procedure.

Non-Payroll Disbursements

2. Haphazardly select ten non-payroll disbursements and inspect invoices and approval documents documentation to determine:
 - Disbursement's invoices agreed to the general ledger as to vendor, amount, date, and account classification.
 - Disbursement approval was performed by an individual, with proper authority, other than the preparer.
 - Disbursement was a valid expenditure of the Department.
 - Disbursement was recorded in the proper fiscal year.

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

- Disbursements were in accordance with the requirements and period of performance of the program and were properly reported on the South Carolina Enterprise Information System (SCEIS) Business Warehouse Schedule of Federal Awards (SEFA) report as to fund source, reportability, federal sponsor, and assistance listing number.

We found no exceptions as a result of this procedure.

Purchasing Card Transactions

3. Haphazardly select ten purchasing card transactions from the Office of Comptroller General (CG) listing of purchasing card transactions and inspect monthly summary forms, activity statements of monthly transactions, liaison review checklists and applicable receipts to determine:
 - The cardholder was an authorized user and individual credit limits have been properly approved in accordance with Department purchasing card policy and procedures.
 - The purchase was a valid expenditure.
 - The monthly purchase summary was submitted along with applicable receipts and signed by the cardholder and appropriate reviewer.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.
 - The purchase did not exceed the procurement code's small purchase, no competition limit set forth in Section 11-35-1550(2)(a).

We found no exceptions as a result of the procedure.

Payroll

4. Haphazardly select ten employees who terminated employment to determine if they were removed from the payroll in accordance with the best practices established by the South Carolina Human Resources Division, and that their last paycheck, including any leave payout or comp time, was properly calculated.
5. Haphazardly select ten employees hired to determine if they were added to the payroll in accordance with the best practices established by the South Carolina Human Resources Division and that their first paycheck was properly calculated.

We found no exceptions as a result of the procedure.

Journal Entries and Transfers

6. Haphazardly select two journal entries and eight transfers and inspect journal entry forms, cash transfer forms, and email correspondence to determine that the journal entries and transfers were valid and approved by someone with proper authority and different from the preparer.

We found no exceptions as a result of the procedure.

State Fuel Credit Cards

7. Haphazardly select ten gas card purchases and inspect Mansfield transaction records to determine if the purchases were allowable in accordance with the Department's internal procurement policies and procedures manual.

We found no exceptions as a result of the procedure.

Assets

8. Haphazardly select ten assets from the SCEIS *Asset History Report* and observe their existence and agree them to the Department's fiscal year 2024 asset inventory.

We found no exceptions as a result of the procedure.

The following procedures were performed for the fiscal year ended June 30, 2023:

Composite Reservoir Accounts

9. Determine 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 117.79* of the fiscal year 2023 Appropriation Act.
10. Obtain fiscal year annual reconciliations for each composite reservoir account, select two reconciliations, and perform the following procedures:
 - Recalculate selected reconciliations and determine that they were timely performed, reviewed, and properly documented in accordance with Department procedures.
 - Agree month end balances from reconciliations to the general ledger.
 - Agree month end balances from reconciliations to the State Treasurer's Office monthly reports.
 - Determine if reconciling differences were explained and resolved.
 - Determine if adjusting entries were made in the accounting records.
11. Haphazardly select and inspect ten composite reservoir account receipts to determine that they were properly described and classified in the accounting records, consistent with the purpose of the account, and recorded in the proper fiscal year.
12. Haphazardly select and inspect ten composite reservoir account disbursements to determine that they were properly classified in the accounting records, were valid disbursements consistent with the purpose of the account, and that goods or services were procured in accordance with Department procedures.

Composite Reservoir Accounts (Continued)

Finding

For one of the composite reservoir accounts, the Department was unable to provide applicable documentation that the account reconciliation was performed and reviewed.

Management Response

The Department agrees with the finding on the composite reservoir account. The Department has revised the returned check procedures to include the step of confirming when the reconciliation was completed, who reconciled the account, and who reviewed the reconciliation prior to submission per Proviso 117.79.

State-Owned Aircraft – Flight Logs Proviso 117.22

13. Inspect five of the Department's logs of all flights online for public inspection and determine that aircrafts owned or operated by the Department are used only for business in compliance with *Proviso 117.22* of the fiscal year 2023 Appropriation Act.

We found no exceptions as a result of the procedure.

Personal Property

14. Inspect the inventory of personal property, excluding expendables, provided by the Department to determine that it was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-40.

We found no exceptions as a result of the procedure.

Reporting Packages

15. Inspect fiscal year end reporting packages submitted to the CG. Compare responses on the Master Reporting Package Checklist and any required supplemental information to SCEIS and Department prepared records.

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

- Grants and Contributions Revenue Reporting Package

Haphazardly select five grants and agree the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and assisted listing number to the SCEIS general ledger and SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue.

- Other Receivables Reporting Package

Agree reported amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting - Accounts Receivable Current with Customer* report. Haphazardly select five receivable accounts and determine the amounts were properly classified, calculated, reported.

- Inventory Reporting Package

Agree amounts to the SCEIS *Yearend Reporting - Inventory* report. In addition, agree the Department's reconciliation of physical inventory to the SCEIS general ledger and Department prepared records.

- Accounts Payable Reporting Package

Agree amounts to the SCEIS general ledger, SCEIS *Yearend Reporting - Prior Year Payables with Vendor* report. Haphazardly select five payables and determine if the amounts were properly classified, calculated, and reported.

Reporting Packages (Continued)

- Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and 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, reported, and excluded from the original Accounts Payable Reporting Package submission.

We found no exceptions as a result of the procedure.

SBITA Lease Reporting

17. Obtain the SBITA Lease Reporting Package to determine:

- The payment schedule for each leased asset agrees to the lease provided by the Department.
- The principal amount for each leased asset agrees to the asset's value on the SCEIS Asset History Sheet.
- The lease principal and interest general ledger account balances in SCEIS agrees to the payment schedule on the package for payments made during the fiscal year.

We found no exceptions as a result of the procedure.

Status of Prior Findings

18. Through inquiry of management and inspection of the existence of capital assets, State fuel credit cards, and flight logs for Proviso 117.22, determine 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 reported during the prior engagement.