

BEAUFORT COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified:	None reported
Significant deficiencies identified that are not considered to be material weaknesses:	Yes, six
Noncompliance material to financial statements noted:	No

Federal Awards

Internal control over major programs:	
Material weakness identified:	None reported
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133:	No

1. The programs tested as major programs were:

Summer Food Services for Children	10.559
Home Investment Partnership Program	14.239
Community Development Block Grant Recovery Program	14.255
Block Grant for Prevention and Treatment of Substance Abuse	93.959

2. The threshold for distinguishing Types A and B programs was \$300,000.

3. Beaufort County, South Carolina qualified as a high risk auditee.

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Item 2010 - 1: Disbursements from the Treasurer's Office

The Treasurer is the only one authorized to sign checks issued from the Treasurer's office. Since many checks are issued from this office, a signature stamp is maintained so each check does not have to be physically signed. As a result of our audit procedures related to disbursements from this office, we noted that four employees other than the Treasurer have access to this stamp; hence giving them the ability to issue checks without obtaining proper approval from the Treasurer. To further support the lack of an approval process, we noted that employee expense reimbursements were made without approval from the Treasurer. In addition to noting that too many employees had access to the Treasurer's signature stamp, we observed blank checks being left unattended on a supervisor's desk while the supervisor was not in the office. These conditions increase the risk of there being unauthorized expenditures made at the Treasurer's office.

We recommend that the Treasurer's office change its disbursement policies and begin issuing checks through the accounts payable system used by the Finance department.

Management Response: The Treasurer's office has not responded to this finding as of the date of this report.

Item 2010 – 2: Agency Reimbursements

Agencies other than municipalities are not required to submit documentation to the Treasurer's office when requesting reimbursements. This condition increases the risk of agencies collecting monies that they are not entitled to.

We recommend that all agencies other than municipalities be required to submit documentation supporting the amounts requested for reimbursement.

Management Response: The Treasurer's office has not responded to this finding as of the date of this report.

Item 2010 – 3: Missing Disbursement Populations at the Treasurer's Office

A complete population of disbursements issued at the Treasurer's office was not provided upon our request. When we requested a population of disbursements to make testing selections from, we were only provided one of three populations. The Treasurer's office issues disbursements from its main operating account, tax surplus account and also prints checks from QuickBooks. However, we were only provided the population for the disbursements made from the main operating account. After further inquiry, we obtained the other two populations. This condition increases the risk that the Treasurer's office is withholding information necessary to complete the audit.

We recommend that the Treasurer's office provide all audit requests as they are necessary for the audit to be completed.

Management Response: The Treasurer's office has not responded to this finding as of the date of this report.

Item 2010 – 4: Supporting Documentation and Authorization for Journal Entries

Supporting documentation for journal entries initiated in the Treasurer's office was not consistently maintained. As a result, there is not adequate documentation that these journal entries were properly authorized and reviewed for accuracy. This condition increases the risk that journal entries that are erroneous or for an unauthorized purpose could be recorded in the County's general ledger and not be detected.

We recommend that the Treasurer's office implement a policy in which documentation is maintained to indicate that journal entries are approved and reviewed for accuracy by authorized personnel other than the individual who initiated and/or recorded the journal entry in the general ledger.

Management Response: The Treasurer's office has not responded to this finding as of the date of this report.

Item 2010 – 5: Lack of Segregation of Duties at the Hilton Head Island Airport

During fiscal year 2010, we noted that there was a lack of segregation of duties related to receipting cash and preparing the bank deposits. This lack of segregation of duties subjects the County to increased risk of material misstatement within its financial statements as there is little or no oversight over the Hilton Head Island Airport Accountant's work.

Responsibilities should be assigned within the Finance Department and the Hilton Head Island Airport to allow for sufficient oversight and review of an individual's work, particularly in key areas such as receipting cash and preparing bank deposits.

Management Response: The County will correct this control deficiency in fiscal year 2011 by adding more employees to this process to better separate these duties. The County's Finance department will take full control of the accounting functions of both airports, which was a separate function of the airports during fiscal year 2010.

Item 2010 – 6: Supporting Documentation for Special Assessment Ratio

Supporting documentation for real property assessment ratio changes from six percent to four percent was not consistently maintained at the Assessor's office. As a result, there is not adequate documentation that these changes were properly authorized and reviewed for accuracy. This condition increases the risk that properties are assessed at the incorrect ratio and property tax revenues are understated.

We recommend that the Assessor's office implement a policy in which documentation is maintained to indicate that changes in assessment ratios are approved and reviewed for accuracy by authorized personnel.

Management Response: There are four percent residential property records in the Assessor's office that have no supporting documentation. This is related to in-office procedures of the past and the lack of archiving records. Currently, the approval of a four percent residential assessment ratio must have a completed and signed application, including supporting documentation that evidences the applicant taxpayer's claim of legal residency. Documentation includes copies of vehicle registration(s), driver's license, a state of South Carolina identification card, the latest filed state of South Carolina income tax return and other proof as may be required by the County Assessor. All documentation is currently archived and these requirements are posted in the lobbies of the Assessor's office. Another exception may be related to the software conversion project performed in 2008, wherein data was reconfigured incorrectly or misapplication by staff of the expiration date on valuation modifiers.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

NONE REPORTED



Beaufort County

South Carolina



Photo by Patti Gosdin

The nets of shrimp boats look like angel wings when they spread out in the water against the rising sun. Depending upon where you are in Beaufort County, you can watch the sun go up above the water in the morning and watch it go down into the water in the evening.



Beaufort County

South Carolina



Photo by Stacey Bradshaw

Beaufort County loves its Marines and Sailors. Three local installations include a Marine Corps Air Station, the historic Parris Island Marine Corps Recruit Depot and a Naval Hospital. The local population is closely connected with the military, which pumps \$1.5 billion into the County's economy each year. Many service members choose to remain here after retirement because of the natural outdoor beauty, warm climate, low taxes, and friendly population.



***Transparency in government
is the cornerstone of accountability.***

- Gary Kubic, Beaufort County Administrator

This 2010 Beaufort County Comprehensive Annual Financial Report is available online at the Beaufort County website, www.bcgov.net. It is the policy of Beaufort County government to ensure accessibility to all of its financial records. Additional reports, policy statements, official minutes, development agreements, memorandums of understanding, contracts, procurement records, consultant studies, background materials and other documents are also available online.

In keeping with this policy of transparency, the official proceedings of Beaufort County Council and its committees are broadcast on The County Channel, which is carried on the County website and on all commercial cable services within the County.



**Beaufort County
Broadcast Services**



**The
Beaufort
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Website**

www.bcgov.net

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