

BEAUFORT COUNTY, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2008

Item 2007 - 1: Lack of Segregation of Duties

During fiscal year 2007, substantially all of the County's primary accounting functions were being performed solely by the Controller including year-end closing procedures, accounting for cash and investments, debt and capital assets, preparing financial statements and grant accounting. In addition, journal entries initiated by the Controller were not subject to review by a second individual. 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 of the Controller's work. Also, in the event that Controller is absent for an extended period, there are no County personnel who have a working knowledge of the County's primary accounting functions.

The County should hire and/or train Finance Department personnel capable of performing the primary accounting functions. Responsibilities should be assigned within the Finance department to allow for sufficient oversight and review of an individual's work, particularly in key areas such as initiating and recording journal entries, preparing financial statements, grant accounting and capital asset accounting. In addition, at least two Finance Department personnel other than the Controller should be crossed trained in performing the County's primary accounting functions so that someone is always available to maintain these functions in the event that the Controller is absent for an extended period.

Current Status: The County's Finance Department hired a Budget Analyst and Financial Analyst during the 2008 fiscal year. These new employees will help to implement a system with better segregation of duties.

Item 2007 - 2: Schedule of Federal Expenditures

The County included approximately \$2 million in expenditures which were non-federal in source as reported in expenditures of federal awards.

The County should designate or hire an individual who is adequately trained and/or experienced in grants accounting to monitor and account for all of its grants. In order to improve segregation of duties, this individual should be someone other than the Controller.

Current Status: The County's Finance Department hired a Financial Analyst during the 2008 fiscal year. This new employee, with the Controller, helped to implement a system with better controls over this process and will continue to develop more controls over this process in the 2009 and 2010 fiscal years.

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Item 2007 - 3: Lack of Timely Financial Reporting

For fiscal year 2007, the County did not record, prepare, reconcile or report financial information in a timely manner for the purpose of the financial statement audit for the year ended June 20, 2007.

As a result the County has been at risk of losing funding from various state and federal sources and has been delayed in obtaining access to financing sources. In addition, annual financial reporting which is essential for County Council and administration to make timely and informed decisions was not available.

We recommend that the County develop policies, systems and procedures to ensure financial information is recorded, prepared, reconciled, reported and reviewed by County Council and administration and that this information is able to be audited within 90 days of the fiscal year end.

Current Status: The delay in the issuance of the 2007 fiscal year's CAFR was caused by large discrepancies found within the County's tax incremental financing districts (TIF's). These discrepancies were researched, reconciled, and corrected for future reporting. The reconciliation process was very labor-intensive and took most of the 2008 calendar year to complete.

Item 2007 - 4: Cash Collateral

As of June 30, 2007, the County held cash deposits with two separate financial institutions in excess of FDIC insurance limits by approximately \$8.9 million and \$1.7 million and \$0.8 million, respectively. As of June 30, 2007, sufficient collateral was not maintained to protect these deposits in the event that either of the two financial institutions was to fail.

The County is required by state law to maintain sufficient collateral for all of its deposits through arrangements with its financial institutions. By not maintaining sufficient collateral, the County is at risk of losing deposits in excess of FDIC insurance limits.

Current Status: No similar findings were noted in the year ended June 30, 2008.

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Item 2007 - 5: Capital Assets

During periods prior to fiscal year 2007, the County had been computing depreciation expense and accumulated depreciation on its governmental-type capital assets based on total annual acquisition costs by fiscal year. As a result, individual capital assets were not being accurately depreciated based on their acquisition date and depreciable lives.

Also during fiscal year 2008, the County inventoried its capital assets using records obtained from various related County departments. Based on this inventory, the County determined that certain capital assets needed to be either added or deleted from the detail listing being used to report cost and accumulated depreciation in the County's financial statements.

As a result of the above conditions, the County's net assets as of June 30, 2007 were understated by approximately \$10.7 million.

Based on our audit procedures related to capital assets, we noted that the County has developed a detailed listing of all capital assets to include automatic calculations of depreciation expense and accumulated depreciation for each individual capital asset. This listing should be updated monthly for additions, disposals and computation of depreciation expense and accumulated depreciation. The updated listing should be reviewed monthly for accuracy by someone other than the individual performing the updates.

Performing the monthly update, and review procedures as described above, will reduce the likelihood of misstatements in the financial statements and will reduce manual calculation errors and reconciling errors that were noted while performing our audit procedures.

Current Status: As stated above, the County's Finance Department performed a reconciliation over its capital assets during the 2008 fiscal year. The problems found within the reconciliation were corrected, and furthermore a better system of reporting was implemented during this process to prevent future problems and restatements.

Item 2007 - 6: Distributions Related to Tax Incremental Funding

The County participates in and/or administers approximately seventeen tax incremental funding districts (TIF's). During fiscal years prior to 2007, the County remitted cash distributions to TIF participants which consist primarily of municipalities within the County. The County subsequently deemed a portion of these distributions to be in excess of that allowed by the TIF agreement. As a result of this condition, the County's total fund balance and net assets as of June 30, 2007 were both understated by approximately \$2.6 million.

We recommend that the County develop a process for reviewing the computation of all TIF distributions prior to their being remitted to participants to ensure that the distributions are in accordance with respective TIF agreements. As part of this process, we recommend that the County maintain an updated detailed listing (and corresponding map) reflecting the parcels included in the TIF district, including changes resulting from parcels being split, consolidated, or transferred between taxable and tax-exempt owners. We understand that subsequent to fiscal year 2007, the County had developed and had begun to implement such a process.

Current Status: As stated above, the County has begun to implement better controls over its TIF accounting process that should help to prevent future discrepancies.