

**SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL**

**COLUMBIA, SOUTH CAROLINA**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**JUNE 30, 2016**



George L. Kennedy, III, CPA  
State Auditor

---

August 25, 2017

Members of the Board  
South Carolina Department of Health  
and Environmental Control  
Columbia, South Carolina

This report on the application of agreed-upon procedures to the accounting records of the South Carolina Department of Health and Environmental Control for the fiscal year ended June 30, 2016, was issued by Elliott Davis Decosimo, LLC, Certified Public Accountant, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III, CPA  
State Auditor

GLKIII/trb

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 25, 2017

Mr. George L. Kennedy, III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the South Carolina Office of the State Auditor and management of the South Carolina Department of Health and Environmental Control (the "Agency"), solely to assist you in evaluating the systems, processes and behaviors of the Agency for the fiscal year ended June 30, 2016. 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 for the purpose of 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 of the Agency. 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 Agency has agreed that the following deficiencies will not be included in the Independent Accountant's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class tested.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

This report is intended solely for the information and use of the governing body and management of the South Carolina Department of Health and Environmental Control and South Carolina Office of the State Auditor, 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.

*Elliott Davis Decosimo, LLC*

Columbia, South Carolina  
August 25, 2017

## Agreed-Upon Procedures Related to South Carolina Department of Health and Environmental Control (J04)

### Cash Receipts and Revenue

1. We compared current fiscal year recorded revenues at the sub-fund and account level from sources other than State General Fund appropriations to those of the prior fiscal year. We obtained and documented our understanding of variations in the earmarked, restricted and federal funds for indication that revenues were classified properly in the Agency's accounting records. The scope was based on agreed-upon threshold levels (\$660,000 - earmarked fund, \$210,000 - restricted fund and \$900,000 - federal fund) and +/- 10%.
2. We randomly selected a sample of twenty-five (25) cash receipts transactions and inspected supporting documentation for indication of the following:
  - a. The transaction amount, date, payor, document number, and account coding agreed to the general ledger.
  - b. The cash receipts were deposited within five (5) business days.
  - c. Both revenue collections and amounts charged were properly authorized by law.
3. We selected the last ten (10) cash receipts transactions recorded during the fiscal year ended June 30, 2016 and inspected supporting documentation for indication that the corresponding revenues were recorded in the proper fiscal year.

**Finding:** We noted that two (2) cash receipts transactions for \$1,825 and \$9,389 were deposited in the Agency's bank account more than five (5) business days from the date the cash was received. Proviso 117.1 of the "2015-2016 Appropriations Act" requires bank deposits to be made on at least a weekly basis.

**Management's Response:** The Agency concurs with this finding. For the cash receipt transaction amounting to \$1,825, the Accounts Receivable Coordinator discovered on October 28, 2015 that the Hartsville, South Carolina branch had not made a bank deposit since August 27, 2015. This branch was extremely short staffed and its Supervisor did not indicate that she had rights to the Private Pay cash receipts system until October 28, 2015. Also, the employee in the Hartsville, South Carolina branch that normally made the bank deposits transitioned to the Accounts Receivable Department during the first week of September 2015.

The cash receipt transaction for \$9,389 was not processed within five (5) business days because the Agency was short-staffed at the time of the receipt and it was experiencing a high volume of transactions during the period.

The Agency will require the Accounts Receivable Coordinator for each region to review the deposit reconciliation for each site within the Private Pay system on a weekly basis. This review process will identify the revenue received, but not deposited to ensure a bank deposit is made on a weekly basis. The Accounts Receivable staff will work with the Information Technology staff to incorporate a centralized and regional report in the Private Pay system that will identify receipts that have been entered, but not deposited.

The Agency will also require unidentifiable, problem, or aging checks to be deposited into the bank account and receipted into Z450 suspense account on a weekly basis. Checks will be researched in order to complete a journal entry to move revenue from a Z450 suspense account into the proper account.

### Cash Disbursements and Non-Payroll Expenditures

4. We compared current fiscal year recorded non-payroll expenditures at the sub-fund and account level to those of the prior fiscal year. We obtained and documented our understanding of variations in the general, earmarked, restricted and federal funds for indication that non-payroll expenditures were classified properly in the Agency's accounting records. The scope was based on agreed-upon threshold levels (\$530,000 – general fund, \$660,000 - earmarked fund, \$210,000 - restricted fund and \$900,000 - federal fund) and +/- 10%.

## **Cash Disbursements and Non-Payroll Expenditures, Continued**

5. We randomly selected a sample of twenty-five (25) non-payroll disbursements and inspected supporting documentation for indication of the following:
  - a. The transaction was properly completed as required by Agency procedures; invoice(s) agree(s) with the general ledger as to vendor, amount, number, and date.
  - b. All supporting documents and approvals required by Agency procedures and good business practice were present and agreed with the invoice.
  - c. The transaction was a bona fide expenditure of the Agency and was properly coded to the general ledger.
  - d. The disbursement complied with all State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
  - e. The amount reflected on the supporting invoice was clerically accurate.
6. As part of inspecting our sample of twenty-five non-payroll disbursements described in procedure 5 above, we inspected supporting documentation and inquired of management as to whether there were any federally funded non-payroll expenditures included in our non-payroll disbursement sample for indication of the following:
  - a. Charges were necessary and reasonable for the proper administration of the program.
  - b. The expenditure was incurred during the approved grant period.
  - c. The expenditure was given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.
7. We selected the first ten (10) non-payroll disbursements recorded during the fiscal year ended June 30, 2017 and inspected supporting documentation for indication that non-payroll disbursements were recorded in the proper fiscal year.

**Finding:** Nine (9) disbursements ranging from \$28 to \$469 for a total of \$905 were issued during July 2016 for expenditures incurred prior to June 30, 2016. The Agency posted these nine (9) expenditures to the general ledger during July 2016 when the disbursements were made, but it did not report the expenditures on the Accounts Payable Reporting Package as of June 30, 2016. Furthermore, of the nine (9) expenditures, one (1) of them for \$469 was not notated as a “prior year payable” on the general ledger. All invoices received after July 14, 2016 that relate to the fiscal year ended June 30, 2016 should be posted during the fiscal year ended June 30, 2017, but marked as a “prior year payable” on the general ledger. Such invoices should then be reported to the Office of the State Comptroller General on the Accounts Payable Reporting Package.

**Management’s Response:** The Agency concurs with this finding. The nine (9) expenditures in question related to interdepartmental transfers issued to another State agency. State agencies are only required to prepare and submit an Interfund Payables Reporting Package to the Office of the State Comptroller General when the total balance of such payables is greater than \$100,000. As the total balance of the Agency’s interdepartmental transfers issued after June 30, 2016 was less than this threshold, the Agency did not accrue for these expenditures as of this date and therefore, did not prepare and submit an Interfund Payables Reporting Package to the Office of the State Comptroller General. However, the Agency was not aware that in this case, such expenditures should be accrued for as regular accounts payable and reported on the Accounts Payable Reporting Package. Furthermore, due to employee turnover near the fiscal year-ended June 30, 2016 and new staff performing the accounts payable function, the one (1) particular expenditure was inadvertently not notated as a “prior year payable” on the general ledger.

The Agency will implement the necessary training to ensure that its staff have a comprehensive understanding of the instructions for preparing both reporting packages. In addition, the Agency’s vacancies have been filled and staff will have more experience prior to the next fiscal year-end closeout.

## Payroll

8. We compared current fiscal year recorded payroll expenditures at the sub-fund and account level to those of the prior fiscal year. We obtained and documented our understanding of variations in the general, earmarked, restricted and federal funds for indication that payroll expenditures were classified properly in the Agency's accounting records. The scope was based on agreed-upon threshold levels (\$530,000 – general fund, \$660,000 - earmarked fund, \$210,000 - restricted fund and \$900,000 - federal fund) and +/- 10%).
9. We randomly selected a sample of twenty-five (25) employees and performed the following procedures:
  - a. We obtained and scanned the employee's payroll and personnel file for various forms, communications, etc. for indication that the individual was a bona fide employee of the Agency.
  - b. We recalculated the employee's gross pay using "Personnel Action Forms" contained in the personnel file and where applicable, timesheets, and compared the result to the supporting paystub, noting all changes to pay rates for the fiscal year (if applicable).
  - c. Where applicable, we inspected "Personnel Action Forms" for indication that all changes to pay rates were properly approved.
  - d. For hourly employees, we inspected their timesheets for indication that the total hours were mathematically accurate and that the timesheets were approved by the employees' supervisors.
10. We obtained from management a population of employees who received bonus pay during the current fiscal year and randomly selected a sample of twenty-five (25) employees for indication of the following:
  - a. The employee does not make more than \$100,000 annually.
  - b. Total bonus payments made to the employee for the current fiscal year did not exceed \$3,000.
  - c. Each bonus payment made to the employee was properly approved.
  - d. Each bonus payment agreed to the general ledger.
11. We obtained from management a population of employees who received bonus pay during the current fiscal year as authorized by the "2015-2016 Supplemental Appropriation" and randomly selected a sample of twenty-five (25) employees for indication of the following:
  - a. The employee is a permanent State employee in a full-time equivalent position who has been in continuous State service for at least six (6) months prior to July 1, 2015.
  - b. The employee does not make more than \$100,000 annually.
  - c. The employee's bonus pay was split between funds according to the ratio of the employee's base salary.
12. We inspected payroll transactions for a random sample of twenty-five (25) new hires for indication that the employees were added to the payroll in accordance with the Agency's policies and procedures, and that the employees' first pay check was properly calculated in accordance with State law.
13. We inspected payroll transactions for a random sample of twenty-five (25) terminated employees for indication that the employees were removed from the payroll in accordance with the Agency's policies and procedures, and that the employees' last pay check and leave payout were properly calculated in accordance with applicable State law.
14. We compared the percentage change in recorded personnel service expenditures to the percentage change in employer contributions and obtained explanations from management for variances of +/- 10%.
15. We computed the percentage distribution of fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of personnel service expenditures by fund source. We investigated changes of +/- 10% to ensure that personnel service expenditures were classified properly in the Agency's accounting records.

**Findings:** We noted no exceptions as a result of performing these procedures.

### **Journal Entries and Transfers**

16. We randomly selected a sample of twenty-five (25) non-recurring journal entries and twenty-five (25) transfers recorded during the current fiscal year and performed the following procedures:
  - a. We traced the recorded amounts from supporting documentation and compared the amounts to the general ledger.
  - b. We inspected the sample journal entry form and transfer form for indication that it was properly approved.
  - c. We inspected the sample journal entry form and transfer form and the supporting documentation for indication that the Agency documented the purpose of the transaction.

**Findings:** We noted no exceptions as a result of performing these procedures.

### **Appropriation Act**

17. We completed the “Appropriation Act Work Program” via inquiry of management, observations of business practices and inspection of source documents for indication of any areas of noncompliance.
18. We obtained Agency-specific State provisos and inspected them for compliance through inquiry of management and observation of business practices.

**Findings:** We noted no exceptions as a result of performing these procedures.

### **Reporting Packages**

19. We obtained copies of all reporting packages as of and for the fiscal year ended June 30, 2016, prepared by the Agency and submitted to the Office of the State Comptroller General, and inspected them for indication of the following:
  - a. They were prepared in accordance with the Office of the State Comptroller General’s requirements.
  - b. The amounts reported in the reporting packages agreed with the supporting working papers and accounting records.

**Finding:** We noted that the Agency did not provide an answer for the final two (2) questions on the “Operating Leases Reporting Package Reviewer Checklist”. These questions related to proper segregation of duties between preparing and reviewing all reporting package forms and whether current fiscal year balances were compared to the prior fiscal year for reasonableness. Per Section 3.09.03 of the State of South Carolina’s “Year-end Reporting Procedures Manual,” a completed reviewer’s checklist must accompany the Agency’s submitted reporting package.

**Management’s Response:** The Agency concurs with this finding. Answers were not provided to these two (2) questions due to lack of management oversight and this was a simple administrative error. The two different names on the “Operating Leases Summary Form – Lessee” and the “Operating Leases Future Minimum Payment Schedule” plus the signature page were self-evident of the Agency’s segregation of duties and its commitment to meeting the intent of complying with the State of South Carolina’s “Year-end Reporting Procedures Manual.” The worksheet comparison of prior and current fiscal year balances was submitted with the “Operating Leases Reporting Package” and represents proof of its completion. The Agency will be more attentive to answering all questions reflected on the “Operating Leases Reporting Package Reviewer Checklist” in the future.

### **Composite Reservoir Accounts**

20. We obtained from the Office of the State Auditor a listing of the Agency’s composite reservoir accounts and compared the listing to the one provided by management of the Agency for indication that the listing is complete.

### **Composite Reservoir Accounts, Continued**

21. We obtained all monthly reconciliations for each composite reservoir account and for two (2) of the reconciliations, we inspected them for indication of the following:
  - a. The selected reconciliations were prepared within one (1) month following the month that they related to, they were properly documented in accordance with State regulations, and were mathematically correct.
  - b. The ending book balances agreed to the general ledger.
  - c. The ending bank balances agreed to the State Treasurer's Office monthly reports.
  - d. Reconciling differences were adequately explained and properly resolved.
22. We inspected ten (10) composite reservoir account cash receipts for indication that they were properly described and classified in the accounting records in accordance with the Agency's policies and procedures and State regulations and that they were recorded in the proper fiscal year.
23. For the ten (10) composite reservoir account cash receipts selected in procedure 22 above, we inspected them for indication that revenue collection and retention or remittance were supported by law.
24. We inspected ten (10) composite reservoir account disbursements for indication that these disbursements were properly described and classified in the accounting records in accordance with the Agency's policies and procedures and State regulations, were bona fide disbursements of the Agency, were paid in conformity with State laws and regulations and that goods and/or services were procured in accordance with applicable laws and regulations.

**Findings:** We noted no exceptions as a result of performing these procedures.

### **Status of Prior Findings**

25. We inquired of management about the status of the findings reported in the Accountant's Comments section of the South Carolina Office of the State Auditor's Report on the Agency resulting from the engagement performed for the fiscal year ended June 30, 2015 for indication that the Agency has taken corrective action.

**Findings:** Based on the procedures performed, there were no repeat findings from the engagement performed for the fiscal year ended June 30, 2015. Therefore, we found that the Agency took corrective action during the fiscal year ended June 30, 2016.

### **Minutes**

26. We inspected the Agency's approved minutes beginning with the fiscal year ended June 30, 2016 through the end of our current fiscal year fieldwork for indication as to whether additional agreed-upon procedures were considered necessary.

**Findings:** Based on our inspection of the Agency's approved minutes, additional agreed-upon procedures were not considered necessary.