

**SOUTH CAROLINA
DEPARTMENT OF ARCHIVES AND HISTORY
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

June 25, 2018

Dr. W. Eric Emerson, Director
South Carolina Department of Archives and History
8301 Parklane Road
Columbia, South Carolina 29223

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Archives and History (the Department), on the systems, processes and behaviors related to financial activity of the Department for the fiscal year ended June 30, 2017. 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:

- 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 inspected.
- 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 management of the Department 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 the South Carolina Department of Archives and History
(H79)**

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations over \$10,000 and 10% for Earmarked fund and over \$100,000 and 10% for the Federal Fund.
2. Randomly select twenty cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Randomly select twenty-five cash receipts and inspect supporting documentation to determine that revenues are recorded in the proper fiscal year.
4. Haphazardly select five on-site cash collections from the receipt log and confirm amounts are deposited and properly recorded in the South Carolina Enterprise Information System (SCEIS) general ledger.

Finding

During our inspections, we identified three receipt transactions that were not deposited within five business days in accordance with Department policy and State Proviso. The deposits were made two to three business days late.

Management's Response

The failure of staff members to make deposits in accordance with Department policies and State Proviso was the result of only having one finance staff member present for a period due to attrition in that section. The agency's Finance section is now fully staffed. Current Finance staff members are well aware of the necessity of making deposits in a timely manner and in the future will ensure that deposits are made in compliance with the Department policy and State Proviso.

Cash Disbursements/Non-Payroll Expenditures

5. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$100,000 and 10% for the General Fund and Federal Fund, and over \$50,000 and 10% for the Earmarked Fund.
6. Randomly select twenty non-payroll disbursements and inspect supporting documentation to determine:
 - 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, properly coded to the general ledger.

Cash Disbursements/Non-Payroll Expenditures (Continued)

- Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
- Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures we will 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.
7. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.
 8. Haphazardly select fifteen purchasing card transactions from the Comptroller General's listing of purchasing card transactions for Fiscal Year 2017 to determine:
 - The cardholder is an authorized user.
 - The purchase is authorized based on the cardholder's job title/position
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedures.

Payroll

9. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$100,000 and 10% for the General Fund and Federal Fund, and over \$50,000 and 10% for the Federal Fund.
10. Haphazardly select seven employees and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Department.
- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Department.
- Confirm the hourly rate and time sheets are properly approved and gross pay is properly reported.

11. Haphazardly select two 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 pay check was properly calculated in accordance with applicable State law.

Payroll (Continued)

12. Haphazardly select two 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 pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
13. 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%.
14. 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%.

We found no exceptions as a result of the procedures.

Journal Entries

15. Randomly select five journal entries 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 the procedures.

Appropriation Act

16. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
17. Confirm compliance with the Department-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Reporting Packages

18. 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 prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
19. In addition to the procedure above, we will perform the following:

- Prepaid Expenses Reporting Package

Determine if amounts agree to the SCEIS Yearend Reporting - Prepaid Expenses report and/or Department prepared records. In addition, inspect all prepaid expenses to determine if the amounts were properly classified, calculated, and reported based on inspection of the SCEIS general ledger and invoices.

- 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.

Reporting Packages (Continued)

- Loans Receivables Reporting Package

Determine if reported amounts agree to the SCEIS general ledger and/or the Department's prepared records. Inspect loan receivables to determine if the amounts are properly classified, calculated, and reported based on inspection of the SCEIS general ledger and invoices.

- Grants and Contributions Revenue Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger and/or Department prepared records. Inspect the reported total receivables and deferred revenue amounts to determine accuracy and agree to supporting documentation.

Finding

During our inspection of the Prepaid Expenses Reporting Package, we observed that total prepaid expenses were overstated by \$12,898. The benefit period for the \$12,898 related to FY17 expenses prepaid in FY16, and should have not been reported in the current prepaid column on the FY17 reporting package. Additionally, the Department reported \$15,883 in the expensed column. This related to the FY16 expense portion paid in FY16. Items classified as current prepaid expenses relate to FY18, and expensed items are goods and services that have already been used by June 30, 2017 and were paid in FY17.

Management's Response

When completing the most recent reporting packages, current Finance staff members followed the same procedures followed by now departed staff members and consequently made the same reporting errors. Finance staff could have avoided these errors either by asking for assistance in filling out the forms or by first looking at the findings of the previous audit. Current staff members subsequently corrected these errors prior to this audit and have developed procedures to ensure that future reporting packages are correctly completed.

Commission Minutes

20. We inspected the Department's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.

Supplemental Budgetary Items

21. Inspect Department supplemental budgetary items and determine if amounts and items are properly allocated as authorized.

We found no exceptions as a result of the procedures.

Gift Shop

22. The following procedures were performed relating to the Gift Shop:

- Cash and Investments Reporting Package

Determine if responses are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Yearend Reporting - Cash and Investments report and/or Department prepared records. In addition, determine if the petty cash amount is properly approved.

Gift Shop (Continued)

- Inventory Reporting Package

Determine if reported amounts agree to the SCEIS Yearend Reporting - Inventory report. In addition, determine if the Department's reconciliation of physical inventory to SCEIS was properly completed by agreeing amounts to the SCEIS general ledger and/or Department prepared records. Also, observe and document any physical inventory counts taken by the Department during fieldwork.

We found no exceptions as a result of the procedures.

Archives and History Foundation Activity

23. Obtain and inspect any Memorandum of Understanding between the Department and the Archives and History Foundation (the Foundation), if applicable during FY17. Also, obtain background information on the Foundation to determine if there are any areas of noncompliance.

We found no exceptions as a result of the 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 found no exceptions as a result of the procedures, except for the Prepaid Expenses Reporting Package and Cash Receipts/Revenues findings repeated above.