

SOUTH CAROLINA STATE LIBRARY

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

January 25, 2019

Ms. Leesa M. Aiken, Director
and
Members of the South Carolina State Library Board
South Carolina State Library
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Library (the Library), on the systems, processes and behaviors related to financial activity of the Library for the fiscal year ended June 30, 2018. The Library'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 Library. 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 Library has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon 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.

This report is intended solely for the information and use of the Board and management of the South Carolina State Library 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 State Library (H87)**

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 from management an understanding of variations over \$5,000 in General Funds and \$100,000 in Federal Funds and 10%.

We found no exceptions as a result of the procedure.

Cash Disbursements/Non-Payroll Expenditures

2. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$200,000 in General Funds, \$10,000 in Earmarked Funds, \$20,000 in Restricted Funds, and \$100,000 in Federal Funds and 10%.
3. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by State Library procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by State Library procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the State Library.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
 - Determine that disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures, 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.
4. Haphazardly select ten purchasing card transactions from the Comptroller General's listing of purchasing card transactions for fiscal year 2018 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

5. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$200,000 in General Funds and \$100,000 in Federal Funds and 10%.
6. 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%.
7. 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%.
8. Randomly select one bonus pay disbursement to determine:
 - Employee does not make more than \$100,000 annually.
 - Bonuses received during the year did not exceed \$3,000.
 - Transaction was appropriately documented and approved.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

9. Haphazardly select nine journal entries and transfers 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 procedure.

Reporting Packages

10. 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.
11. In addition to the procedure above, perform the following:
 - Grants and Contributions Revenue Reporting Package

For the three reported grants determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the South Carolina Enterprise Information System (SCEIS) general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue to determine accuracy.

Reporting Packages (Continued)

- Prepaid Expenses Reporting Package

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

- Capital Assets Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet and/or State Library prepared records.

- Fund Balance Reporting Package

Determine if responses and any related supplemental information are reasonable/accurate based on inspection of the SCEIS general ledger, invoices, and/or State Library prepared reports/spreadsheets.

- 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 State Library prepared records.

Findings

Capital Assets Reporting Package – The Library responded on the Capital Assets Questionnaire that its acquisitions plus transfers-in and retirements plus transfers-out equaled the debit and credit balances reflected in SCEIS, respectively. However, we noted a variance of \$7,745 between these balances which should have prompted the Library to report updated information to the preparers of the financial statements.

Subsequent Events Questionnaire – The Library responded that no late submissions of leave were identified. We compared balances reported on the CG's Compensated Absence Report as of June 30, 2018 to balances reported in SCEIS and identified a total variance of \$2,190 as a result of late submissions of leave. Therefore, the Library should have reported adjustments of leave to the CG on the questionnaire.

Management's Response

Reporting Packages – Item 11 – Capital Assets

We agree with the South Carolina State Auditor's findings regarding the variance of the capital assets questionnaire. We were aware of the \$7,745 variance on the acquisitions plus transfers-in and retirements plus transfers-out balance report. We corrected the error, however, we neglected to update the Capital Assets Questionnaire to balance to \$0 and avoid the variance. We have updated our procedures to reflect the complete process when reconciling a variance, which includes verifying a net \$0 on all reports.

Reporting Packages (Continued)

Management's Response (Continued)

Reporting Packages – Item 11 - Subsequent Events Questionnaire

We agree with the South Carolina State Auditor's findings regarding submission or approval of annual leave for four employees after June 30, 2018. Our Leave Administrator retired in May of 2018, and we neglected to complete the year-end review of pending leave. In light of the findings by the South Carolina State Auditor's office, we have updated our procedures to include a review of the pending leave requests and the ZHR_LEAVE_STMT report at the end of the fiscal year.

Capital Assets

12. Select all capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine the asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the Office of the Comptroller General's Reporting Policies and Procedures Manual.

We found no exceptions as a result of the procedure.

Travel Advance

13. Haphazardly select five travel advances and inspect supporting documentation to:
 - Determine that the travel advance was not made to an employee for travel within the state without proper approval from the Comptroller General.
 - Determine that the travel advance was not made for more than 80% of the estimated amount of total travel expenses or made in instances where 80% of the estimated travel expense does not exceed \$250.
 - Determine that the State Library maintained adequate records/supporting documentation regarding the advance.
 - Determine that the travel advance was submitted for approval no later than seven business days prior to the beginning of the trip.
 - Confirm the traveler repaid the advance within thirty days after the end of the trip.

Finding

The Library submitted a travel advance for approval less than seven business days prior to the beginning of the trip for which the advance was requested.

Management's Response

Travel Advance – Item 13

The South Carolina State Library submitted a travel advance form with six days' notice, not the required seven business days. The travel was necessary to attend a two-day meeting regarding a federal grant that we receive from the Institute of Museum and Library Services. The decision to travel was based on a number of factors related to changes regarding the federal grant. Unfortunately, the travel advance was submitted six days, not seven before the trip.

Governance, Risk and Compliance (GRC) SCEIS Module

14. Select all controls identified through the SCEIS GRC system that were implemented in fiscal year 2018 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of the procedure.

Appropriation Act

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

We found no exceptions as a result of the procedures.

Foundation

17. Inspect the South Carolina State Library Foundation's bylaws and any other related documents to determine if any additional procedures are deemed necessary by management.

We received the Library Foundation's bylaws; however, no additional procedures were deemed necessary by management.

Minutes

18. Inspect the Board'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.

Status of Prior Findings

19. Through inquiry and inspection, determine if the State Library has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found a similar exception regarding the capital assets reporting package. See finding in **Reporting Packages**.