

**SOUTH CAROLINA
STATE ELECTION COMMISSION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

February 7, 2019

Members of the South Carolina State Election Commission
State of South Carolina
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Election Commission (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2018. The Commission'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 Commission. 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 Commission 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 governing body and management of the Commission 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 Election Commission (E28)**

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 \$15,000 and 10% for Earmarked Funds and \$200,000 and 10% for Restricted Funds.

We found no exceptions as a result of the procedures.

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 and 10% for General Funds and \$50,000 and 10% for Earmarked Funds.
3. Haphazardly select ten total disbursements from the contracts, travel, and allocations account series and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Commission procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Commission procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Commission.
 - 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.
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.

Finding

During our inspection of purchasing card transactions, we observed that for all ten of the transactions selected, the Commission did not have the required signatures on the cardholder activity statements as required in the South Carolina Division of Procurement Services Materials Management Office Purchasing Card Policy and Procedures.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Management Response

The SEC has had an internal procurement card policy in place since 2012. The policy did not include the requirement for employees and supervisors to sign the activity statements each month. The current procedure in place for the agency requires employees to submit receipts for backup documentation for all purchases, and the Director of Administration signs the certification statement prior to processing the payments. The SEC is in the process of updating the internal policy to require that all statements be signed by the employee and the supervisor prior to being processed for payment.

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 and 10% for General Funds and \$50,000 and 10% for Earmarked Funds.
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. Inspect all three employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Commission '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.
9. Randomly select five bonus pay disbursements 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

10. Haphazardly select three journal entries and two 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 procedures.

Reporting Packages

11. 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.
12. In addition to the procedure above, perform the following:
 - Capital Assets Reporting

Haphazardly select five acquisitions from the South Carolina Enterprise Information System (SCEIS) Asset History Sheet to determine that the asset was properly posted to the general ledger, that the asset was properly capitalized, and the asset was assigned a useful life in accordance with the Comptroller General's Reporting Policies and Procedures Manual.
 - Accounts Payable

Determine if responses and reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting - Prior Year Payables with Vendor and/or Commission prepared records. In addition, haphazardly select five payables from the SCEIS Yearend Reporting - Prior Year Payables with Vendor report to determine the amounts were properly classified, calculated, and reported.
 - 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 Commission prepared records. In addition, select both payables from the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, calculated and reported and excluded from the original Accounts Payable Reporting Package submission.

We found no exceptions as a result of the procedures.

Minutes

13. Inspect the Commission'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.

Legislative Oversight Committee Report

14. Inspect the Commission's Legislative Oversight Committee report dated December 29, 2017 for items related to our engagement.

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

Status of Prior Finding

15. Through inquiry and inspection, determine if the Commission has taken appropriate corrective action regarding the finding reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures.

Governance, Risk and Compliance (GRC) SCEIS Module

16. Select all five controls identified through the SCEIS GRC system that were in place during 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 procedures.

Appropriation Act

17. Inspect the appropriation act work program, provided to and completed by management, confirming areas of noncompliance, if any.
18. Confirm compliance with the agreed-upon Commission-specific state provisos (101.1, 101.2, & 101.3) by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Post-Election Analysis Procedures

19. Inquire with management about the procedures related to post election analysis of counties. Areas for process improvement will be conveyed to management as necessary.

We found no exceptions as a result of the procedures.

Risk Limiting Audit Procedures for New Voting System

20. Inquire with management about the risk limiting audit procedures related to the implementation of a new voting system. Areas for process improvement will be conveyed to management as necessary.

We found no exceptions as a result of the procedures.