

**SOUTH CAROLINA STATE AGENCY
OF VOCATIONAL REHABILITATION**

WEST COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

June 7, 2019

Board of Directors
South Carolina State Agency of Vocational Rehabilitation
West Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Agency of Vocational Rehabilitation (the State Agency), on the systems, processes and behaviors related to financial activity of the State Agency for the fiscal year ended June 30, 2018. The State Agency'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 State 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 State Agency 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 South Carolina State Agency of Vocational Rehabilitation 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 - South Carolina State Agency of Vocational Rehabilitation (H73)**

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 \$100,000 – General Funds, \$200,000 – Earmarked Funds, \$550,000 - Federal Funds and 10%.
2. Randomly select twenty-five cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account classification 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.
 - Determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

3. 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 \$100,000 – General Funds, \$200,000 – Earmarked Funds, \$550,000 - Federal Funds and 10%.

We found no exceptions as a result of the procedures.

Payroll

4. 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 \$100,000 – General Funds, \$200,000 – Earmarked Funds, \$550,000 - Federal Funds and 10%.
5. 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%.
6. 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 variations greater than 10%.
7. Randomly select fifteen employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the State Agency'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.

Payroll (Continued)

8. Randomly select fifteen employees hired during the fiscal year to determine if they were added to the payroll in accordance with the State Agency's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

9. Haphazardly select twenty-two journal entries and three transfers from 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

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:

- Cash and Investments Reporting Package

Determine if responses are reasonable/accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Reporting - Cash and Investments report and/or State Agency prepared records. In addition, determine if amounts agree to State Treasurer's Office Composite Bank Account reports and year end reconciliations.

- Other Receivables Reporting Package

Haphazardly select fifteen items comprising the existing/current balance and all three items comprising corrections and determine if reported amounts are accurate based on inspection of the SCEIS general ledger, the SCEIS Yearend Reporting – Accounts Receivable Current with Customer report and/or State Agency prepared records.

- Inventory Reporting Package

Determine if reported amounts agree to the SCEIS Yearend Reporting - Inventory report and/or State Agency prepared records. In addition, determine if the physical year-end inventory count was properly recorded into SCEIS by haphazardly selecting three work training centers and comparing the number of items for each material number from the physical count sheets to the quantity listed in SCEIS.

Reporting Packages (Continued)

- Prepaid Expenses Reporting Package

Determine if amounts agree to the SCEIS Yearend Reporting - Prepaid Expenses report and/or State Agency 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 Agency prepared records. In addition, haphazardly select and inspect five capital asset acquisitions and determine that assets were properly coded and classified in SCEIS and ensure that assets conform with appropriate useful lives for depreciation and that the amounts calculated for depreciation and accumulated depreciation were correct.

- Operating Leases Reporting Package

Agree applicable effective dates and future minimum lease payments on the Future Minimum Lease Payment Schedule to the prior year Schedule. For any new operating leases reported, determine that the effective dates, periodic minimum payment, current expense, and future minimum lease payments were accurately reported based on inspection of invoices and lease agreements.

- Accounts Payable Reporting Package

Determine if reported payable amounts are reasonable/accurate based on agreement of reporting package totals to the SCEIS Yearend Reporting - Prior Year Payables with Vendor, SCEIS Inter-Agency Prior Year Payables with Vendor Business Warehouse reports and/or State Agency prepared records. In addition, haphazardly select ten payable transactions to determine if reported amounts were properly identified, classified, and reported on the reporting package.

- Interfunds Payable Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting – Inter-Agency Prior Year Payables and/or State Agency prepared records.

- 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 Agency prepared records. In addition, haphazardly select five 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.

Reporting Packages (Continued)

Finding:

Similar to the finding reported in the prior year, accounts payable classification discrepancies were encountered. Two of ten accounts payable transactions selected from the Accounts Payable Reporting Package were vendor payables misclassified as intergovernmental, and two of the five accounts payable transactions selected from the Subsequent Events Reporting Package were intergovernmental misclassified as vendor payables. In addition, the total reported payable balance reported with the Subsequent Events Reporting package was overstated by approximately \$1,200 due to a recording error on the Subsequent Events Accounts Payable Worksheet.

Management's Response:

We agree with the comments and have taken steps to ensure all reporting packages are completed in accordance with all applicable policies, procedures and instructions of the Comptroller General's Office.

Composite Reservoir Accounts

12. Obtain a listing of State Agency composite reservoir accounts and confirm with State Agency management that the listing is complete.
13. Obtain fiscal year monthly reconciliations for each composite reservoir account and for five haphazardly selected reconciliations, perform the following procedures:
 - Determine that selected reconciliations were timely performed, reviewed, and properly documented in accordance with State regulations, and are mathematically correct.
 - Agree applicable amounts from reconciliations to the general ledger.
 - Agree applicable amounts from reconciliations to the State Treasurer's Office monthly reports.
 - Determine if reconciling differences were adequately explained and properly resolved.
 - Determine if necessary adjusting entries were made in the accounting records.
14. Haphazardly select and inspect twelve composite reservoir account disbursements from each account to determine if these disbursements were properly described and classified in the accounting records in accordance with the State Agency's policies and procedures and State regulations, were bona fide disbursements of the State 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.

We found no exceptions as a result of the procedures.

Minutes

15. Inspect the State Agency's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork to determine impact on our agreed upon procedures.

We found no matters related to our procedures.

Governance, Risk and Compliance (GRC) SCEIS Module

16. Select all (twelve) 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.

Permanent Improvements

17. Inspect the State of South Carolina Comprehensive Permanent Improvement Plan, Summary of Permanent Improvement Projects applicable to the State Agency to confirm consistent activity and determine impact on our agreed upon procedures.

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

Appropriation Act

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

We found no exceptions as a result of the procedures.

Status of Prior Findings

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

We determined that the State Agency has taken adequate correction action on the findings reported during the engagement for the prior fiscal year, except as referenced in the finding above.