

**SOUTH CAROLINA
COMMISSION FOR THE BLIND
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

September 27, 2019

Members of the Commission
South Carolina Commission for the Blind
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Commission for the Blind (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 South Carolina Commission for the Blind 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 Commission for the Blind (L24)**

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 \$1,000 - General Funds, \$5,000 - Earmarked Funds, \$60,000 - Federal Funds and 10%.
2. Randomly select fourteen cash receipts transactions and inspect supporting documentation to:
 - Ensure transaction amount, date, payor, document number, and account classification are properly reported in 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 \$30,000 - General Funds, \$10,000 - Earmarked Funds, \$70,000 - Federal Funds and 10%.
4. Haphazardly select five purchasing card transactions from the Office of the State Comptroller General (CG) listing of purchasing card transactions for Fiscal Year 2018 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Commission policies.
 - 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:

None of the monthly purchase summaries inspected were signed by the cardholder or the supervisor.

Management's Response:

The Commission was not aware of this requirement and now that it is known, the procedure has been disseminated to the Accounting staff and purchasing card holders.

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 \$30,000 and 10% for the General Fund, \$10,000 and 10% for the Earmarked Fund, and \$70,000 and 10% for the Federal Fund.

Payroll (Continued)

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 variations greater than 10%.
8. Haphazardly select five 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. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
10. Haphazardly select ten bonus pay disbursements to determine:
 - Employee does not make more than \$100,000 annually.
 - Bonuses received during the year did not exceed \$3,000.
 - Payment agreed to supporting documentation.
 - Bonus pay was approved by the appropriate supervisor.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

11. Haphazardly select four journal entries and one transfer 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

12. Obtain copies of fiscal year end reporting packages submitted to the 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.
13. In addition to the procedure above, perform the following:
 - Grants and Contributions Revenue Reporting Package

Haphazardly select ten grants to 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.

Reporting Packages (Continued)

- Loans and Notes Receivable Reporting Package

Determine if reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger and/or Commission prepared reports/spreadsheets.
- 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 Commission prepared records.
- Operating Leases Reporting Package

Determine if amounts agree to the SCEIS general ledger, the SCEIS Yearend Reporting Operating Lease Expense with Vendor report and/or Commission prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Three haphazardly selected contingent rental payments; (2) Five haphazardly selected payments included in the remaining rental payment classifications; (3) the effective dates, current expense, and future minimum lease payments of all operating leases with a current year effective date; and (4) agree applicable effective dates and future minimum lease payments on the Future Minimum Lease Payment Schedule to the prior year Schedule.
- Accounts Payable Reporting Package

Haphazardly select five payables to determine if reported amounts were properly identified, classified, and reported based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting - Prior Year Payables with Vendor, SCEIS Yearend Reporting - Inter-Agency Prior Year Payables, and/or Commission prepared records.
- Litigation Reporting Package

Haphazardly select three transactions from the SCEIS Yearend Reporting - Litigation Expense report to determine if charges were properly coded and approved.
- 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, 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)

Findings:

Grants and Contributions Revenue Reporting Package - The fiscal year 2018 Grants and Contributions Revenue Reporting Package was not submitted to the CG as required, therefore the agreed-upon procedures were unable to be performed.

Loans and Notes Receivable Reporting Package - We were unable to confirm the accuracy of the total reported loan receivable balance due to adjustments made to the Commission's supporting documentation reducing the receivable balance by approximately \$3,000.

Capital Assets Reporting Package - Similar to the finding reported in the engagement of the prior fiscal year, some discrepancies with balances and classifications were encountered. In addition, a fiscal year 2018 asset transfer from another State agency was not reported on the Intra-State Transfers Reconciliation Form, as required.

Operating Leases Reporting Package - Based on the documentation available, we were unable to confirm the accuracy of reported future minimum lease payments for the copiers reported on the Operating Leases Future Minimum Payment Schedule.

Subsequent Events Questionnaire - Accounts Payable - We did not inspect payable transactions associated with subsequent events reporting, because we were unable to agree the \$43,000 reported payable balance to Commission supporting documentation.

Management's Response:

Improved internal controls will be developed for reporting packages. Also, Finance and Accounting experienced major staff turnover. The Finance and Accounting Department has been operating at about half the staff for the last 9 months.

Governance, Risk and Compliance (GRC) SCEIS Module

14. Select all 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.

Capital Assets

15. Haphazardly select five assets from current year acquisitions (including low value assets) and determine if the assets were properly coded and classified in the accounting system.
16. Haphazardly select two asset retirements and inspect supporting documentation, and the SCEIS Asset History Sheet, to determine that each asset was approved for removal, and proper documentation supports the retirement in accordance with the Office of the Comptroller General's Reporting Policies and Procedures Manual.

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 Commission-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Minutes

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

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

Status of Prior Findings

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

We determined that the Commission has taken adequate corrective action on each of the findings, except where identified in the Reporting Packages finding above.