

**SOUTH CAROLINA
HOUSE OF REPRESENTATIVES
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

February 21, 2020

Mr. Charles F. Reid, Clerk of the House
and
Members of the South Carolina House of Representatives
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina House of Representatives (the House), on the systems, processes and behaviors related to financial activity of the House for the fiscal year ended June 30, 2019. The House'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 House. 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 House 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 management of the House 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 House of Representatives (A05)**

Cash Receipts/Revenues

1. Haphazardly select five cash receipts transactions from General Ledger (G/L) Accounts 4223080000 Late Filing Penalty and 4530030000 Miscellaneous Revenue 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 and that any fee increases are in accordance with Proviso 117.7 of the Appropriation Act.
 - Determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedure.

Cash Disbursements/Non-Payroll Expenditures

2. Compare current year non-payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations for the following: General Fund: G/L Account series 502 - Contractual Services and G/L Account series 503 - Supplies and Materials.
3. Haphazardly select ten non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by House procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by House procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the House.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations, state travel regulations, House specific provisos etc.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.
4. Haphazardly select five purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for Fiscal Year 2019 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with House policies.
 - 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.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Finding

First Class Airline Travel – During our inspection of disbursements, we observed one transaction in which State funds were used to pay for two first-class airline tickets, in violation of State Proviso 117.20 (N). The total amount was \$1,080.

Management's Response

This finding was an oversight at the time of processing.

After the finding, our office reviewed all other airfare for FY19 to ensure accuracy, and no additional errors were found.

We also contacted the traveler concerning the finding. We informed the traveler under State Proviso 117.20 (N), the purchase of a first class ticket is a violation.

Payroll

5. Haphazardly select five employees and one pay period and inspect supporting documentation during the fiscal year to:

- 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 House.

For Salaried Employees:

- 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:

- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

6. Haphazardly select five Representatives and inspect supporting documentation during the fiscal year to:

- Agree taxable subsistence pay to appropriate rate and Representative's period session dates and confirm that the Representative received \$1,000 in-district expense for one haphazardly selected month.
- Confirm that the Representative (if not retired from the General Assembly Retirement System) was paid \$10,400 during the fiscal year.

7. Haphazardly select ten employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the House'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.

8. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the House'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

9. Haphazardly select three 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 procedure.

Reporting Packages

10. 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.
11. In addition to the procedure above, perform the following:
- Capital Assets Reporting Package
Determine if responses and reported amounts are reasonable/accurate based on inspection of House provided supporting documentation and agree amounts reported on the Non-South Carolina Enterprise Information System (SCEIS) Agencies Only – Capital Assets Summary Form and Capital Assets Intra-State Reconciliation Form to the House's capital assets worksheet.
 - Operating Leases Reporting Package
Confirm that the House submitted copies of all leases to the CG in accordance with the CG's Year-end Reporting Procedures Manual.
 - 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 House prepared records.

We found no exceptions as a result of the procedures.

Assets and Personal Property

12. Haphazardly select five capital asset acquisitions and inspect supporting documentation to determine that each asset was properly capitalized and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.
13. Select all capital asset retirements and inspect supporting documentation to determine that each asset was approved for removal, and proper documentation supports the retirement in accordance with the CG's Reporting Policies and Procedures Manual.
14. Confirm that an inventory of House property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Law Section 10-1-140.

We found no exceptions as a result of the procedures.

Payroll Liabilities Reporting

15. Haphazardly select five employees and determine if reported annual leave and compensatory hours agree to leave statements. In addition, confirm the House properly reported its payroll liability to the CG.

We found no exceptions as a result of the procedure.

Status of Prior Findings

16. Through inquiry and inspection, determine if the House 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 procedure.