

**SOUTH CAROLINA GOVERNOR'S OFFICE –
MANSION AND GROUNDS**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

February 7, 2020

Mr. Steven W. Lake, Director of Administrative Services/SCEIS
South Carolina Department of Administration
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Governor's Office – Mansion and Grounds (the Agency) on the systems, processes and behaviors related to financial activity of the Agency for the fiscal year ended June 30, 2019. The 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 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 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 management of the South Carolina Governor's Office – Mansion and Grounds 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 Governor's Office – Mansion and
Grounds (D20)**

Cash Disbursements/Non-Payroll Expenditures

1. 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 over \$15,000 in General Funds and \$5,000 in Earmarked Funds and 10%.
2. Haphazardly select five non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Agency procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Agency procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Agency.
 - 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.

We found no exceptions as a result of the procedures.

Payroll

3. Compare current year payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations over 10%.
4. 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%.
5. 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%.
6. Haphazardly select four employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the 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.
7. Haphazardly select four employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Agency's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

Payroll (Continued)

Finding

We observed that four employees who were hired for 48-week contracts remained in the South Carolina Enterprise Information System (SCEIS) payroll system after their contracts ended for periods ranging from nine months to approximately three years. We determined none of the employees received a paycheck after their contracts ended. In addition, one of the contract employees still remained in SCEIS for three pay periods after his employment was to be terminated.

Management's Response

The Department of Administration (the Department) provides Human Resource support to the Governor's Office – Mansion and Grounds. The Department's Human Resources department implemented process improvements in August 2019 to monitor and track temporary employment status to ensure separations are processed timely.

Journal Entries and Transfers

8. Haphazardly select five 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 procedures.

Reporting Packages

9. 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.
10. 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 SCEIS general ledger, the SCEIS Yearend Rptg - Cash and Investments report and/or Agency prepared records. In addition, determine if amounts agree to State Treasurer's Office Composite Bank Account reports and year end reconciliations.
 - 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 Agency prepared records.

We found no exceptions as a result of the procedures.

Composite Reservoir Accounts

11. Obtain a listing of Agency composite reservoir accounts and confirm with management that the listing is complete.

Composite Reservoir Accounts (Continued)

12. Confirm that the Agency submitted the required Bank Account Transparency and Accountability Report to the State Fiscal Accountability Authority by October first of the fiscal year in accordance with Proviso 117.83 of the fiscal year 2019 Appropriation Act.
13. Obtain fiscal year monthly reconciliations for each composite reservoir account and for two of the 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 three composite reservoir account receipts to determine that they were properly described and classified in the accounting records in accordance with the Agency's policies and procedures and State regulations and that they were recorded in the proper fiscal year, and that any retention or remittance of revenue is supported by law.
15. Haphazardly select three composite reservoir account disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Agency's policies and procedures and State regulations, were bona fide disbursements of the 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.

Appropriation Act / Agency-Specific Provisos

16. Confirm compliance with the selected agreed-upon Agency-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.