

**SOUTH CAROLINA  
STATE ETHICS COMMISSION  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2019**



## Independent Accountant's Report on Applying Agreed-Upon Procedures

October 6, 2020

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

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Ethics Commission (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2019. 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 State Ethics 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 – South Carolina State Ethics Commission (R52)**

**Cash Receipts/Revenues**

1. Haphazardly select twenty cash receipts transactions and inspect supporting documentation to:
  - Ensure supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, and account classification.
  - 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**

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: General ledger (G/L) Account Series 502 – Contractual Services and Earmarked Fund: G/L Account Series 502 – Contractual Services; G/L Account Series 503 – Supplies and Materials; and G/L Account Series 504 – Fixed Charges.
3. Haphazardly select twenty non-payroll disbursements and inspect supporting documentation to determine:
  - The 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.
  - 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**

4. Compare current year payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations for General Fund: G/L Account Series 501 – Personal Service and G/L Account Series 513 – Employer Contributions.
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%.

## Payroll (Continued)

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% when the proportion of employer contribution to personal service expenditures also varies at a rate greater than 5% between fiscal years.
7. Select all 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.
8. Select all 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 paycheck was properly calculated in accordance with applicable State law.
9. Haphazardly select three bonus pay disbursements to determine:
  - The employee does not make more than \$100,000 annually.
  - The bonuses received during the year did not exceed \$3,000.
  - The payment amount agreed to supporting documentation and the bonus was given for proper reason in accordance with Commission policy.
  - The bonus pay was approved by the appropriate supervisor.

We found no exceptions as a result of the procedures.

## Journal Entries and Transfers

10. Haphazardly select two journal entries and one transfer:
  - 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 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:
  - Operating Leases Reporting Package

Determine if amounts agree to the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Reporting Operating Lease Expense with Vendor report and/or Commission prepared records. 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) Five haphazardly selected contingent rental payments and (2) Five haphazardly selected payments in the Other Rental Charges not Classified Above classification. Confirm the future minimum lease payments on the Future Minimum Lease Payment Schedule. Confirm that the Commission submitted copies of all leases to the CG in accordance with the CG's Reporting Package Instructions.

## Reporting Packages (Continued)

- 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.

We found no exceptions as a result of the procedures.

## Assets and Personal Property

13. Select all (two) capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.
14. Confirm that an inventory of Commission property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

## Finding

Similar to the finding reported in the prior year, acquisitions valued below the State's capitalization threshold were capitalized. In each of the two instances, several individual pieces of office furniture with a cost below the threshold were combined and capitalized as one asset.

## Management's Response

We will separate individual items and report them accordingly and we will design procedures to assure future asset acquisitions are properly capitalized.

## Appropriation Act/Commission-Specific Provisos

15. Confirm compliance with fiscal year 2019 Commission-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of this procedure.

## Status of Prior Findings

16. Through inquiry and/or 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 Assets and Personal Property section above.