

South Carolina Department of Agriculture

Columbia, South Carolina

State Auditor's Report

June 30, 2020



Independent Accountant's Report On Applying Agreed-Upon Procedures

July 13, 2021

The Honorable Hugh E. Weathers, Commissioner
South Carolina Department of Agriculture
Columbia, South Carolina

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the Department for the fiscal year ended June 30, 2020. The Department's management is responsible for the systems, processes and behaviors related to financial activity.

The Department's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of understanding the systems, processes and behaviors related to financial activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the Department to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Department for the year ended June 30, 2020. Accordingly, we do not express such 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 Department's management. Management of the Department 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.

We are required to be independent of the Department and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the management of the South Carolina Department of Agriculture, 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 Department of Agriculture (P160)**

Cash Receipts/Revenues

1. Haphazardly select five cash receipts transactions and inspect supporting documentation to determine:
 - Supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, and account classification.
 - Revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2020 Appropriation Act.
 - Both revenue collections and amounts charged are properly authorized by law.
 - Receipts are recorded in the proper fiscal year.

We found no exceptions as a result of this procedure.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select five non-payroll disbursements from the 502 - Contractual Services General Ledger (GL) accounts from funds 51C10024 and 51C20000 and inspect supporting documentation to determine:
 - Charges are in accordance with the requirements of the program, incurred during the approved grant period, and applied uniformly to both federally assisted and other activities of the recipient.
 - The transaction is properly completed as required by Department procedures, and invoice(s) agree(s) with general ledger as to vendor, amount, invoice number, and date.
 - All supporting documents and approvals required by Department procedures are present and agree with the invoice.
 - The transaction is a true expenditure of the Department.
 - The transaction is properly classified in the general ledger.
 - Disbursements are recorded in the proper fiscal year.
3. Haphazardly select five non-payroll disbursements from the 505 - Travel GL accounts and inspect supporting documentation to determine:
 - The purpose of the travel was reasonable in accordance with the Department's mission.
 - Travel was accomplished by the most economical method.
 - Foreign travel was approved by the Comptroller General (CG).
 - Travel by commercial airlines was accomplished by coach or tourist class.
 - Lodging rates did not exceed the applicable maximum lodging rate as established by the U.S. General Services Administration.
 - Meal reimbursements were made in accordance with the schedule provided by the CG.
 - Mileage allowance reimbursements did not exceed the applicable standard mileage rate established by the Internal Revenue Service.
 - Receipts for all expenditures, other than taxi fares and meals, supported the reimbursement.

We found no exceptions as a result of these procedures.

Payroll

4. Haphazardly select ten employees who terminated employment during the fiscal year to determine if the employee was removed from the payroll in accordance with the Department'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.
5. Haphazardly select five employees hired during the fiscal year to determine if the employee was added to the payroll in accordance with the Department's policies and procedures and that the employee's first paycheck was properly calculated in accordance with applicable State law.

We found no exceptions as a result of these procedures.

Journal Entries and Transfers

6. Haphazardly select five journal entries and transfers and inspect supporting documentation to determine:
 - Postings in the general ledger agree to supporting documentation.
 - Transaction is properly approved.
 - The purpose of the transaction.

We found no exceptions as a result of this procedure.

Reporting Packages

7. Inspect fiscal year end reporting packages submitted to the CG. Compare responses in the Master Reporting Package Checklist and any required supplemental information to year end reporting packages submitted to the CG, the South Carolina Enterprise Information System (SCEIS) and agency prepared records. Additionally, compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual.
8. In addition to the procedure above, perform the following:

- Grants and Contributions Revenue Reporting Package

Haphazardly select three grants and agree the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number to the SCEIS general ledger and SCEIS Display Grant Master. Inquiry with management regarding the status of the deferred revenue reported on the Grants Receivables and Deferred Revenue Summary Form.

- Operating Leases Reporting Package

Agree amounts to the SCEIS general ledger, SCEIS *Yearend Reporting Operating Lease Expense with Vendor* report and Department prepared records. In addition, inspect the two leases reported on the Future Minimum Payment Schedule to determine if the effective date, expiration date, and future minimum payment amounts were properly calculated and reported on the schedule. Also select five contingent rental payments from the *Yearend – Reporting Operating Leases Expense with Vendor* report to determine if the payments were properly classified, coded, and calculated.

Reporting Packages (Continued)

- Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and Department 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.

Finding

Operating Lease Reporting Package

The Department overstated the future liability for one lease by \$184,225 on the Future Minimum Payment Schedule.

The Department also understated the fiscal year 2021 future rental revenue amount for one fund by \$70,620 on the Operating Lease Summary Form – Lessor.

Management's Response

The lease in question requires annual payments of \$184,225 in advance of the lease periods beginning April 1, 2014 thru March 31, 2034. Therefore the 20th and final payment will be made in fiscal year 2033, not in fiscal year 2034 as was incorrectly reported on the fiscal year 2020 Operating Lease Reporting Package.

The spreadsheet used to track future rental payments to be received contained a formula error that was missed by the reporting package preparer which resulted in future rental revenue being understated by \$70,620 on the Operating Lease Reporting Package.

Corrective Action

We will implement an additional layer of checks and balances by having a second finance team member review reporting packages for accuracy before they are forwarded to the supervisor for final approval.

Assets and Personal Property

9. Through inquiry of management and inspection of supporting documentation, determine that an inventory of Department property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.
10. Haphazardly select three ending balances from the Asset Under Construction asset classes and inquire with management to determine:
 - The asset under construction was for a project that was properly approved per the Executive Budget Office's Establishment and Maintenance of Permanent Improvements Projects.
 - The progress and status of the asset under construction at year-end and whether the project was ongoing or substantially complete.
 - The financial activity for the asset under construction was properly tracked and recorded in SCEIS.

We found no exceptions as a result of these procedures.

Non-Recurring Revenue Proviso 118.16

11. Through inquiry of management and inspection of supporting documentation, determine that the Department complied with Proviso 118.16 of the fiscal year 2020 Appropriation Act regarding nonrecurring revenue received during the fiscal year.

We found no exceptions as a result of this procedure.

Appropriation Act - Department-Specific Provisos

12. Determine compliance with Department-specific state provisos 44.4 (Weights & Measures), 44.5 (Sale of Property Revenue), 44.6 (Export Certification), and 44.7 (Feed Label Registration) of the fiscal year 2020 Appropriation Act by inquiring with management and observing supporting documentation.

We found no exceptions as a result of this procedure.

Status of Prior Finding

13. Through inquiry of management and inspection of supporting documentation, determine the Department has taken appropriate corrective action on the finding reported during the engagement for the prior fiscal year.

We determined the Department has taken adequate corrective action on the finding reported during the engagement for the prior fiscal year.