

**SOUTH CAROLINA
HUMAN AFFAIRS COMMISSION**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2020



Independent Accountant's Report On Applying Agreed-Upon Procedures

June 21, 2021

Ms. Janie A. Davis, Commissioner
and
Members of the Commission
South Carolina Human Affairs Commission
Columbia, South Carolina

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

The Commission'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 Commission 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 Commission 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 Commission's management. 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.

We are required to be independent of the Commission 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 governing body and management of the South Carolina Human Affairs 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 Human Affairs Commission (L36)**

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, 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 and that any fee increases are in accordance with Proviso 117.7 of the fiscal year 2020 Appropriations Act.
 - Receipts are recorded in the proper fiscal year.

Findings

The following discrepancies were found in our inspection of the cash receipt transactions:

- Approximately \$750,000 of contracted sales of services revenue was miscoded as unrestricted grant revenue.
- One receipt was deposited approximately one month after the receipt date.
- Timely deposit could not be determined for another receipt because the receipt date was not documented.
- One receipt transaction was recorded in the incorrect fund.

Similar discrepancies were reported as findings in the prior year report.

Management's Response

Effective November 4, 2020, the Commission entered into a Memorandum of Agreement (MOA) with the South Carolina Department of Administration (Admin) for finance and accounting services. With one dedicated in-house accounting position, we felt this arrangement would provide additional expertise in this area. As a result of this arrangement, the recently promoted in-house staffer consulted with Admin to determine how to monitor for coding errors using reports from the state accounting system. With instructions provided by Admin, the Commission will add a quarterly calendar notation to run report(s) from the SCEIS system that will help the Commission review the general ledger codes for accuracy. Additionally, we will now run reports periodically on revenue to ensure that the funds are coded correctly and that correct journal entries are made accordingly.

Regarding timely deposit of checks, the policy regarding timely submission and documenting check receipt dates will be covered. Additionally, in order to ensure timely deposit of funds, the Commission has completed the application steps and received approval for desktop deposits for the Commission. This will further address timely deposit of receipts.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select five non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Commission procedures and invoice(s) agree(s) with general ledger as to vendor, amount, and date.
 - All supporting documents and approvals required by Commission procedures are present and agree with the invoice.
 - The transaction is a true expenditure of the Commission.
 - The transaction is properly classified in the general ledger.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy.

For federally funded cash disbursements/non-payroll expenditures selected, 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.

We found no exceptions as a result of the procedures.

Payroll

3. Select all (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 and that their last paycheck, including any leave payout, was properly calculated in accordance with applicable State law.
4. Select all (four) 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.
5. Haphazardly select two bonuses 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 in accordance with Commission policy.
 - The bonus was approved by the appropriate supervisor.

We found no exceptions as a result of the procedures.

Journal Entries

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

We found no exceptions as a result of the procedures.

Reporting Packages

7. 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 packages were submitted by the due date 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

Select all grants and agree the reported beginning and ending fund balances, receipts, qualified expenditures, and grant number to the South Carolina Enterprise Information System (SCEIS) general ledger and SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue.
 - Operating Leases Reporting Package

Agree amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting - Operating Lease Expense with Vendor* report and Commission prepared records. In addition, based on inspection of invoices and lease agreements, determine that rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Five haphazardly selected contingent rental payments; (2) Three haphazardly selected payments in the remaining rental payment classifications (one time and other detailed rental charges). Additionally, inspect the information reported on the Future Minimum Lease Payment Schedule to determine that each lease was reported accurately and determine the reported amounts were properly classified and calculated.
 - Accounts Payable Reporting Package

Agree amounts to the SCEIS general ledger, SCEIS *Yearend Reporting - Prior Year Payables with Vendor* report and Commission prepared records. In addition, select all (three) payable transactions to determine if reported amounts were properly identified, classified, and reported on the reporting package.
 - Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and Commission prepared records.

Findings

Operating Leases Reporting Package – Similar to the finding reported in the prior year, approximately \$5,500 of expenditures were improperly classified and reported as contingent rental payments.

Accounts Payable Reporting Package – One disbursement for services received after year end was incorrectly reported as a payable.

Reporting Packages (Continued)

Findings (Continued)

Management's Response:

Operating Leases Reporting Package – The Year End Reporting Packages will be completed by Admin as a part of our November 4, 2020 shared services agreement. The Commission will work with Admin to ensure that payments are classified properly.

Accounts Payable Reporting Package – The Commission will review payment dates more carefully to ensure that new fiscal year invoices are not confused with prior year payables received in July for the previous fiscal year. Contract dates as well as invoice dates will be examined more carefully.

Assets and Personal Property

9. Select all capital asset acquisitions and determine that each asset was properly capitalized and posted to the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
10. Through inquiry of management and inspection of supporting documentation, determine 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

The Commission did not complete the property inventory required by South Carolina Code of Laws Section 10-1-140.

Management's Response:

The Commission is in a shared services agreement with Admin that will work with the Commission to ensure that the property inventory is conducted annually. Due to the unforeseen events of the COVID-19 pandemic, the Commission was closed and working remotely when the property inventory was planned to be completed.

Appropriation Act Provisos

11. Determine compliance with all Commission-specific state provisos by inquiring with management and observing supporting documentation, where applicable.
12. Through inquiry of management and inspection of supporting documentation, determine that the Commission 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 the procedures.

Status of Prior Findings

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

Prior year findings are repeated in the current year as described in the Cash Receipts/Revenues and Reporting Packages sections of this report.