

**SOUTH CAROLINA
DEPARTMENT OF MOTOR VEHICLES**

BLYTHEWOOD, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2020



Independent Accountant's Report on Applying Agreed Upon Procedures

July 23, 2021

Mr. Kevin A. Shwedo, Executive Director
South Carolina Department of Motor Vehicles
Blythewood, 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 Department of Motor Vehicles (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 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 Department, 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 Motor Vehicles (R40)**

Payroll

1. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll and that their last paycheck, including any leave payout, was properly calculated.
2. Haphazardly select five employees hired during the fiscal year to determine if their start dates were added to the payroll correctly and that their first paycheck was properly calculated.
3. Haphazardly select five bonuses paid to determine:
 - The employee does not make more than \$100,000 annually.
 - The bonuses received during the year did not exceed \$3,000 per employee.
 - The payment amount agreed to supporting documentation and the bonus was given in accordance with Department policy.
 - The bonus pay was approved by the appropriate supervisor.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

4. Haphazardly select three journal entries and three 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 the procedure.

Reporting Packages

5. Inspect fiscal year end reporting packages submitted to the Office of the State Comptroller General (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 Department prepared records. Additionally, compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual.
6. In addition to the procedure above, perform the following:
 - Other Receivables Reporting Package

Agree reported amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting - Accounts Receivable Current with Customer* report and Department prepared records. In addition, haphazardly select five items and determine if reported amounts were properly identified, classified, and reported on the reporting package.

Reporting Packages (Continued)

- Prepaid Expenses Reporting Package

Agree amounts to the SCEIS *Yearend Reporting - Prepaid Expenses* report and Department prepared records. Haphazardly select five prepaid expenses and determine if the amounts were properly classified, calculated, and reported.

- Operating Leases Reporting Package

Agree amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting Operating Lease Expense with Vendor* report and Department prepared records. In addition, 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) the effective dates, and future minimum lease payments of five haphazardly selected operating leases; and (2) five haphazardly selected contingent rental payments.

- 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.

We found no exceptions as a result of the procedures.

Composite Reservoir Accounts

7. Obtain a listing of Department composite reservoir accounts and inquire of Department management that the listing is complete.
8. Determine that the Department 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 117.82 of the fiscal year 2020 Appropriations Act.
9. Obtain fiscal year monthly reconciliations for each composite reservoir account, and for a total of four reconciliations (two from each account), perform the following procedures:
 - Recalculate selected reconciliations and determine that they were timely performed, reviewed, and properly documented in accordance with Department procedures.
 - 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 explained and resolved.
 - Determine if adjusting entries were made in the accounting records.

We found no exceptions as a result of the procedures.

Assets and Personal Property

10. Haphazardly select five capital asset acquisitions and inspect supporting documentation to determine that each asset was properly capitalized and posted to the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
11. 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.

Finding

The Department understated the book value of three capital assets by a total of \$2,970 due to not capitalizing all costs required to place the asset into service for two assets and miscalculating the sales tax for another asset.

Management's Response

The Department agrees with the finding. In reviewing the documentation for the capital assets, it was determined in two cases the asset shells were not created on the initial shopping carts to allow for the shipping/delivery/installation charges to be allocated to the appropriate assets. The Department's asset manager will work with the procurement office and other necessary staff members to ensure in the future all needed asset shells are created to allow the correct allocation of cost to each asset. In reviewing the documentation concerning the sales tax distribution, it was determined all items included on the purchase order were marked for sales tax. When the accounts payable clerk processed the payment, the items not subject to taxation were not unchecked on the payment document causing the sales tax to be split incorrectly which caused the asset valuation to be miscalculated. The Department's accounts payable staff will continue to work with procurement staff to ensure items are reviewed and marked appropriately to ensure proper allocation to the assets.

Appropriation Act Provisos

12. Determine compliance with Department-specific state provisos (82.2 – Cost Recovery Fee/Sale of Photos or Digitized Images, 82.3 – DPPA Compliance Audit, 82.6 – Fund Balance Carry Forward, 82.7 – Phoenix III Migration Pilot, and 82.8 – Real ID) by inquiring with management and observing supporting documentation.
13. Through inquiry of management and inspection of supporting documentation, determine that the Department complied with Proviso 118.16 of the fiscal year 2020 Appropriations Act regarding nonrecurring revenue received during the fiscal year.

We found no exceptions as a result of the procedures.

Status of Prior Findings

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

We determined that the Department has taken adequate corrective action on the findings reported during the engagement for the prior fiscal year, except for the capital asset acquisition finding above.