

**SOUTH CAROLINA GOVERNOR'S OFFICE –
EXECUTIVE CONTROL OF STATE**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2020



Independent Accountant's Report On Applying Agreed-Upon Procedures

May 13, 2021

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 on the systems, processes and behaviors related to financial activity of the South Carolina Governor's Office – Executive Control of State (the Agency) for the fiscal year ended June 30, 2020. The Agency's management is responsible for the systems, processes and behaviors related to financial activity.

The Agency'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 Agency 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 Agency 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 Agency's management. 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.

We are required to be independent of the Agency 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 Governor's Office – Executive Control of State, 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 – Executive Control of State (D05)

Cash Disbursements/Non-Payroll Expenditures

1. Haphazardly select five purchasing card transactions from the Comptroller General's (CG) listing of purchasing card transactions for fiscal year 2020 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Agency policies.
 - The purchase is authorized based on the cardholder's job title/position
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder or purchase was approved and signed electronically through the Bank of America Works program.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.
2. Haphazardly select five attorney payments to determine if the payments were properly approved by the Attorney General's Office, did not exceed the approved limit, and were for services within the approved time period.

Finding

We observed the Agency paid \$1,110 to an attorney who was not approved by the South Carolina Attorney General.

Management Response

The Agency acknowledges that there was one instance in which an invoice from a law firm approved by the Attorney General's Office included time entries of an attorney who was not specifically listed on the Form 1 approved by the Attorney General's Office. The Attorney General's Office also serves as counsel of record for the Governor in this matter. The approved attorneys asked another attorney associated with the approved firm who had a lower hourly rate to assist temporarily with a specific project in an effort to reduce costs. This attorney did not serve as counsel of record in this case and is no longer with the approved firm. Nevertheless, outside counsel was notified that the addition of other attorneys with the approved firm as counsel for the Governor may require separate approval from the Attorney General's Office. The approved firm subsequently wrote-off time entries on future invoices in an amount greater than or equal to the cited portion.

The Department of Administration's Admin Services Finance management has reviewed this finding with Accounts Payable staff to ensure attorneys listed on the invoice are matched against the Attorney General's approval form prior to payment.

Payroll

3. Haphazardly select five employees hired during the fiscal year to determine if the employees were added to the payroll in accordance with the Agency'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 the procedure.

Journal Entries and Transfers

4. Haphazardly select five journal entries and transfers for the fiscal year 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 CG. Compare the Master Reporting Package Checklist to reporting packages that were submitted. Compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual. Compare responses in the Master Reporting Package Checklist and any required supplemental information to the South Carolina Enterprise Information System (SCEIS) and Agency prepared records.
6. In addition to the procedure above, perform the following:
 - Operating Leases Reporting Package

Agree amounts to the SCEIS general ledger, *Yearend Rptg – Operating Lease Expense w/Vendor* report, and Agency prepared records. Additionally, select all leases reported on the Future Minimum Payment Schedule (the Schedule) to determine if the effective date, expiration date, and future minimum payment amounts were properly calculated and reported on the Schedule. Lastly, haphazardly select five contingent rental payments from the *Yearend Rptg – Operating Lease Expense w/Vendor* report to determine if the payments were properly classified, coded, and calculated.
 - Subsequent Events Questionnaire

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

We found no exceptions as a result of the procedures.

Assets and Personal Property

7. Through inquiry of management and inspection of supporting documentation, determine that an inventory of Agency property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

We found no exceptions as a result of the procedure.

Appropriation Act / Agency-Specific Provisos

8. Determine compliance with Proviso 92.4 (Use of Funds Report) of the fiscal year 2020 Appropriation Act by inquiring with management and observing supporting documentation.

We found no exceptions as a result of the procedure.

Status of Prior Finding

9. Through inquiry of management and inspection of supporting documentation, determine the Agency 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 its prior year finding regarding the Litigation Reporting package.