

**SOUTH CAROLINA DEPARTMENT OF  
HEALTH AND ENVIRONMENTAL CONTROL**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2020**



Independent Accountant's Report on Applying Agreed-Upon Procedures

May 13, 2021

Dr. Edward Simmer, MD, Director  
and  
Members of the Board  
South Carolina Department of Health and Environmental Control  
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 Department of Health and Environmental Control (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 governing body and management of the South Carolina Department of Health and Environmental Control, 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 Department of Health and Environmental Control (J04)**

**Cash Disbursements/Non-Payroll Expenditures**

1. Haphazardly select five disbursements from General Ledger (G/L) Account 5021490000 (Audit Acct Finance) and G/L Account 5111010015 (Medical Service – Individual Office Medical Services) and inspect supporting documentation to determine the transaction is properly classified in the G/L.
2. Haphazardly select five purchasing card transactions from the Office of the State 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 Department 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.
  - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

**Finding**

The Department incorrectly coded expenditures totaling \$80,272 to G/L Account 5111010015 (Medical Service – Individual Office Medical Services). These expenditures should have been coded to G/L Account 5021540000 (Non-IT & Non-Real Estate Other Professional Services). A similar finding was observed in the 2019 State Auditor's Report.

**Management Response**

The Department agrees with this finding. This was an oversight due, in part, to the increased workload caused by the COVID-19 response and staff turnover. Staff will be notified of the error and will be provided with the correct G/L code to use for future invoices.

**Journal Entries and Transfers**

3. Haphazardly select ten journal entries 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**

4. 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 Department prepared records.

## Reporting Packages (Continued)

5. In addition to the procedure above, perform the following:

- Other Receivables Reporting Package

Determine if reported amounts are accurate based on inspection of the SCEIS general ledger, the SCEIS *Yearend Rptg - Accounts Receivable Current with Customer* report and Department prepared records.

- Inventory Reporting Package

Determine if reported amounts agree to the SCEIS *Yearend Rptg - Inventory* report. In addition, determine if the Department's reconciliation of physical inventory to SCEIS was properly completed by agreeing amounts to the SCEIS general ledger and Department prepared records. In addition, inquire of management regarding the completion and valuation of inventory during fiscal year 2020.

- Interfund Payable Reporting Package

Agree reported amounts to the SCEIS general ledger.

- Accounts Payable Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS *Yearend Rptg - Prior Year Payables with Vendor* report, and Department prepared records.

- Subsequent Events Questionnaire

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

We found no exceptions as a result of the procedures.

## Composite Reservoir Accounts

6. Determine 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 Appropriation Act.

7. Determine if the Department has established and implemented policies and procedures over its Women, Infants and Children composite reservoir account for the new Electronic Benefit Transfer system by inquiring with management and inspecting supporting documentation.

We found no exceptions as a result of the procedures.

## Assets and Personal Property

8. Haphazardly select five 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.

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.

## Assets and Personal Property (Continued)

10. Inspect the Department's portion of the Summary of Permanent Improvement Projects from the South Carolina 2018 Comprehensive Permanent Improvement Plan for the Plan Years 2019-2023 in accordance with South Carolina Code of Laws Section 2-47-55. Through inquiry, document the status of each project to determine if the plan is an accurate representation of the Department's activities.

### Findings

**Asset Acquisitions** – The Department incorrectly recorded one asset as a low value asset. Since the asset's total value exceeded the State's asset capitalization threshold of \$5,000, this asset should have been recorded in SCEIS as a capital asset. The Department did not capitalize installation, shipping, and software charges totaling \$4,324 for another asset. Further, the Department did not capitalize an integrated accessory totaling \$486 for a third asset.

A similar finding was observed in the 2019 State Auditor's Report.

**Annual Inventory** – The Department did not complete an annual inventory as required by SC Code of Law Section 10-1-140 during fiscal year 2020.

### Management Response

**Asset Acquisitions** – The Department agrees with the finding related to asset acquisitions. Additional training will be provided to staff to ensure all applicable costs are included in the total cost of the asset.

**Annual Inventory** – The Department agrees with this finding related to the annual inventory. A physical inventory could not be completed due to "in-office and person-to-person" restrictions imposed by the COVID-19 pandemic.

## Governance, Risk and Compliance (GRC) SCEIS Module

11. Select all (three) controls identified through the SCEIS GRC system that were in place during fiscal year 2020 and inspect mitigating control documentation. Through inquiry with management determine the controls are operating as designed.

We found no exceptions as a result of the procedure.

## Appropriation Act / Department-Specific Provisos

12. Determine compliance with Department-specific state provisos 34.5 (Cancer/Hemophilia); 34.11 (Sickle Cell Programs); 34.38 (South Carolina Health Integrated Data Services -SCHIDS); 34.48 (Data Center Migration); 34.59 (Storm Water and Ocean Outfalls) of the fiscal year 2020 Appropriation Act by inquiring with management and observing supporting documentation, where applicable.
13. Through inquiry of management and inspection of supporting documentation, determine Department compliance with Proviso 118.16 of the fiscal year 2020 Appropriation Act regarding nonrecurring revenue received during the fiscal year.

### Finding

The Department spent only \$488,452 of the \$510,026 appropriated for the Community Based Sickle Cell Programs as required by fiscal year 2020 Proviso 34.11(1). In addition, the Department did not spend any of the \$251,207 appropriated for the Community Based Sickle Cell Program as required by fiscal year 2020 Proviso 34.11(2). The Department lapsed the unspent funds and included them as part of its ten percent carryforward for fiscal year 2021 which was not allowed by the proviso.

### Management Response

The Department agrees with this finding. Due to restrictions imposed by the COVID-19 pandemic, clinical services were severely curtailed resulting in the Program lapsing funds at fiscal year-end.

## Status of Prior Findings

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

## Observations

Through inquiry with management and inspection of supporting documentation, we determined two prior year findings were corrected before the end of fiscal year 2020: (1) Cash Receipts/Revenues - Improper Reversal Entries; and (2) Reporting Packages - Other Receivables Reporting Package.

We further identified two similar findings related to (1) Expenditure G/L Account Coding; and (2) Asset Acquisitions that will be repeated. See findings at **Cash Disbursements/Non-Payroll Expenditures** and **Assets and Personal Property**.