

**South Carolina
Department of Motor Vehicles**

Blythewood, South Carolina

State Auditor's Report

For the Period of July 1, 2023, to April 30, 2024

and

**Selected Procedures
For the Fiscal Year Ended June 30, 2023**



Independent Accountant's Report on Applying Agreed Upon Procedures

July 23, 2024

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 Department for the period July 1, 2023, to April 30, 2024, and selected procedures for the fiscal year ended June 30, 2023. 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 engagement periods. 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-Up on Procedures:

- Errors of less than \$500 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 Motor Vehicles, 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)**

The following procedures were performed for the period July 1, 2023, to April 30, 2024:

Cash Receipts/Revenues

1. Randomly select eighteen cash receipts and inspect the cash receipt transmittal form, deposit slip, and receipt slips to determine:
 - Approval by the Revenue Accounting Manager or Accounting Manager as evidenced by workflow approval in South Carolina Enterprise Information System (SCEIS).
 - All supporting documentation required by Department procedures are present and agrees with SCEIS entry as to the payor, amount, date, and general ledger account.
 - The receipt is recorded to the proper fiscal year based on the date goods or services were provided.
 - The receipt is properly classified in the general ledger based on the Comptroller General's (CG) revenue general ledger account definitions.
 - The receipt was deposited in the time frame established by fiscal year 2024 Proviso 117.1 (Revenues, Deposits Credited to General Fund).
 - Both the revenue collections and amounts charged are properly authorized by South Carolina Code of Law Sections 56-3-110, 56-3-785, 56-3-1270, 56-3-627, 56-3-645, 56-3-210(B), 56-3-1320, 56-3-780.

We found no exceptions as a result of the procedure.

Non-Payroll Disbursements

2. Randomly select eighteen non-payroll disbursements and inspect the Phoenix transaction detail display and invoices to determine:
 - Approval by an Accounts Payable Manager, General Accounting Manager, or Finance Director as evidenced by workflow approval in SCEIS.
 - All supporting documentation required by Department procedures are present and agrees with SCEIS entry as to the vendor, amount, date, and general ledger account.
 - The disbursement is recorded to the proper fiscal year based on the invoice date for goods or services received.
 - The disbursement is properly classified in the general ledger based on the CG's expenditure general ledger account definitions.
 - Proper calculation and payment of sales/use tax. If applicable, ensure any discounts/credits were taken.
 - Disbursement complied with South Carolina Code of Laws Sections 56-3-110, 1-11-220, 56-9-351, and 11-35-45.

We found no exceptions as a result of the procedure.

Purchasing Card Transactions

3. Haphazardly select ten purchasing card transactions from the CG's listing of purchasing card transactions and inspect monthly purchase summaries and applicable receipts to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with the Department's Procurement and Contract Policies and Procedures Manual.
 - The purchase is a valid expenditure.
 - The monthly purchase summary was submitted along with applicable receipts and signed by the cardholder and appropriate reviewer.

Purchasing Card Transactions (Continued)

- The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.
- The purchase did not exceed the procurement code's small purchase, no competition limit set forth in Section 11-35-1550(2)(a).

Finding

For one of ten purchasing card transactions, the Department was unable to provide a signed monthly purchase summary.

Management Response

The Department agrees with the finding. This was an instance in which the purchase card holder and the liaison for the cardholder had left the Department prior to the statement being received in the office. In the future, Procurement staff will work with liaisons to ensure the proper process is followed to get approval signatures in the absence of the card holder.

Payroll

4. Randomly select eighteen employee payments during the period and:
 - Confirm that the person is a bona fide employee of the Department. In addition, observe that a Personnel Action Form (PAF) was properly completed upon hiring, including approval of the appointing manager via signature.
 - Agree the employee's gross pay and payroll coding in SCEIS to the employee's most recent PAF applicable to the pay period selected, observing approval on the form via signature of the appointing manager.
 - Recalculate employee payment to determine that the employee was paid in accordance with their approved PAF.
 - Agree that any leave taken during the pay period was approved by an appropriate supervisor in SCEIS *Display Working Times* via electronic signature.
5. Haphazardly select five employees who terminated employment to determine if they were removed from the payroll in accordance with the best practices established by the South Carolina Human Resources Division, and that their last paycheck, including any leave payout or comp time, was properly calculated.
6. Haphazardly select five employees hired to determine if they were added to the payroll in accordance with the best practices established by the South Carolina Human Resources Division and that their first paycheck was properly calculated.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

7. Haphazardly select four journal entries and one transfer and inspect invoices, bank notification letters, and Department prepared journal entry reports to determine that the journal entries and transfers are valid and approved by someone with proper authority and different from the preparer.

We found no exceptions as a result of the procedure.

Composite Reservoir Accounts

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 117.79 of the fiscal year 2024 Appropriation Act.

Composite Reservoir Accounts (Continued)

9. Obtain fiscal year monthly reconciliations for each composite reservoir account, haphazardly select four reconciliations (two from each account), and perform the following procedures:
 - Recalculate selected reconciliations and observe that they were timely performed, reviewed, and properly documented in accordance with the Department's Composite Reservoir Reconciliations procedures.
 - Agree month end balances from reconciliations to the general ledger.
 - Agree month end balances from reconciliations to the State Treasurer's Office monthly reports.
 - Observe that reconciling differences were explained and resolved.
 - Observe that adjusting entries were made in the accounting records.
10. Inspect all transactions during the haphazardly selected months of September, November, January, and March to determine that they were properly described and classified in the accounting records, consistent with the purpose of the account, and recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Assets

11. Haphazardly select five capital asset retirements and inspect turn-in documents and disposal forms to determine that each asset was approved for removal and removed from the general ledger in accordance with the CG's *Reporting Policies and Procedures Manual*.

We found no exceptions as a result of the procedure.

The following procedures were performed for the fiscal year ended June 30, 2023:

Reporting Packages

12. Inspect fiscal year end reporting packages submitted to the CG. Compare responses on the Master Reporting Package Checklist and any required supplemental information submitted to the SCEIS general ledger and Department prepared records.
13. In addition to the procedure above, perform the following:
 - Prepaid Expenses Reporting Package
 - Agree amounts to Department prepared records. Haphazardly select five prepaid expenses and determine if the amounts were properly classified, calculated, and reported.
 - Lease Reporting Package

Haphazardly select five leases and determine:

- The payment schedule in the reporting package agrees to the lease calculator provided by the Department.
- The lease calculator agrees to information from the lease agreement, and the interest rate aligns with CG's guidance.
- The principal amount for each leased asset agrees to the asset's value on the SCEIS *Asset History Sheet*.
- The Department accurately recorded the principal and interest payments reported on the payment schedule for each selected lease in the general ledger as to the amount and account for fiscal year 2023.

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, reported, and excluded from the original Accounts Payable Reporting Package submission.

Finding

For one of five prepaid expenses inspected, the Department incorrectly identified and reported the transaction as a prepaid expense.

Management Response

The Department agrees with the finding. When reviewing documentation for the payment, even though the dates provided were all within the same fiscal year, the contract period was a year and marked the document as a prepaid. In March, a new quote to renew all FireEye licenses together was received and a new invoice was created. When staff reviewed the prepaid expenditures while completing the reporting package, the invoice was included for the contract which had been cancelled and renewed separately. In the future, Finance staff will verify with IT all contracts to ensure any duplicate contracts prior to submitting the Prepaid reporting package.

Personal Property

14. Haphazardly select five branches and inspect the inventory of personal property, excluding expendables, provided by the Department to determine that it 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.

Non-Recurring Revenue Proviso 118.19

15. Through inquiry of management and inspection of SCEIS transaction and budget documents, and SCEIS attachments, determine that the Department complied with Proviso 118.19 of the fiscal year 2023 Appropriation Act regarding nonrecurring revenue received during the fiscal year.

We found no exceptions as a result of the procedure.

Status of Prior Finding

16. Through inquiry of management and inspection of cash receipts and revenue, determine the Department has taken appropriate corrective action on the finding reported during the engagement for the prior fiscal year.

We determined that the Department has taken adequate corrective action on the prior engagement finding.