

**SOUTH CAROLINA
DEPARTMENT OF ADMINISTRATION**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2020



Independent Accountant's Report on Applying Agreed-Upon Procedures

May 13, 2021

Ms. Marcia S. Adams, Executive Director
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 Department of Administration (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 management of the South Carolina Department of Administration, 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 Administration (D50)**

Cash Receipts/Revenues

1. Haphazardly select fifteen cash receipts transactions and inspect supporting documentation to determine:
 - Supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, 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 Appropriation Act.
 - Receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedure.

Cash Disbursements/Non-payroll Expenditures

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.

We found no exceptions as a result of the procedure.

Payroll

3. Haphazardly select ten employees who terminated employment during the fiscal year to determine if the employees were removed from the payroll in accordance with the Department's policies and procedures and that the employee's last pay check, including any leave payout, 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 Office of the State Comptroller General (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)

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

- Prepaid Expenses Reporting Package

Agree amounts to the SCEIS *Yearend Rptg - Prepaid Expenses* report and Department prepared records. Additionally, 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, *Yearend Rptg - Operating Lease Expense w/Vendor* report, and Department prepared records. Haphazardly select five leases reported on the Future Minimum Payment Schedule ("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, calculated, and reported.

- Accounts Payable Reporting Package

Agree amounts to the SCEIS general ledger, SCEIS *Yearend Rptg - Prior Year Payables with Vendor* report, and Department prepared records. Haphazardly select ten payables to determine if the amounts were properly classified, calculated, and reported.

- Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and Department prepared records. Haphazardly select five payables to determine if the amounts were properly classified, calculated, reported, and excluded from the original Accounts Payable Reporting Package.

Findings

Accounts Payable Reporting Package – The Department improperly reported \$49,389 of vendor payables as intergovernmental payables on the Accounts Payable Summary Form.

Subsequent Events Questionnaire – The Department reported \$338,591 of interfund payables as part of its response to Question 17 on the Subsequent Events Questionnaire. The Department also reported these payables on the Subsequent Events Accounts Payable Worksheet; therefore, the payables were duplicative.

Management Response

We agree with the Accounts Payable and Subsequent Events findings. Admin Services Finance (Finance) has reviewed the findings with Year-End Reporting staff to ensure proper categorization and calculation of payables.

Assets and Personal Property

7. 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.

8. Haphazardly select five ending balances from Asset Under Construction asset classes (1300-) and inquire with management to determine:

- The asset under construction was for a project that was properly approved by the Joint Bond Review Committee / State Fiscal Accountability Authority.
- The associated project was accurately included and reported on the South Carolina Comprehensive Permanent Improvement Plan.

Assets and Personal Property (Continued)

- The progress and status of the asset under construction at year-end and whether the project was ongoing or substantially complete.
- The financial activity for the asset under construction was properly tracked and recorded in SCEIS.

Findings

The Department improperly capitalized two assets in SCEIS with acquisition costs less than the State's asset capitalization threshold of \$5,000. These assets should have been recorded as low value assets.

For another asset, the Department did not capitalize installation charges of \$1,000.

Management Response

We agree with this finding and have reviewed it with appropriate staff. In addition, Finance has implemented a monthly review of asset values to ensure proper low value asset and capital asset thresholds are observed.

Non-Recurring Revenue Proviso 118.16

9. Through inquiry of management and inspection of supporting documentation, determine that the Department 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 procedure.

Appropriation Act / Department-Specific Provisos

10. Determine compliance with Department-specific state provisos 93.1 (Developmental Disabilities Council); 93.9 (State house Operation & Maintenance Account); 93.10 (Compensation – Reporting of Supplemental Salaries); 93.14 (First Responder Interoperability); 93.15 (Sale of Surplus Real Property); and 93.18 (Nuclear Advisory Council) 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 Findings

11. 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 the Department has taken adequate corrective action on all prior year findings.