

**SOUTH CAROLINA
DEPARTMENT OF VETERANS' AFFAIRS**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2020



Independent Accountant's Report On Applying Agreed-Upon Procedures

June 1, 2021

William F. Grimsley, Secretary
South Carolina Department of Veterans' Affairs
Columbia, South Carolina 29201

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 Veterans' Affairs (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 Veterans' Affairs, 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 Veterans' Affairs (E260)**

Cash Receipts/Revenues

1. Haphazardly select five 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.
 - 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.
 - Receipts are recorded in the proper fiscal year.

Finding

We could not determine that three of five receipts transactions were deposited in a timely manner. The Department of Veterans' Affairs staff did not always document when checks were received before sending them to the Department of Administration for deposit.

Management's Response

We concur with the finding. Because of ambiguity in how we defined the date revenue was received by the Department, our records did not provide the necessary clarity to assess timeliness of deposits. We are now examining options to both better document and accelerate the movement of revenue from the first point of receipt at the Veterans' Cemetery, to the Department of Veterans' Affairs who then receives the revenue and prepares a transmittal form, and to the Department of Administration who makes the deposits.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select five non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Department procedures and invoice(s) agree(s) with general ledger as to vendor, amount, invoice number, and date.
 - All supporting documents and approvals required by Department procedures are present and agree with the invoice.
 - The transaction is an expenditure of the Department.
 - The transaction is properly classified in the general ledger.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy and that proper sales tax is calculated correctly.
3. Haphazardly select five grants that were awarded during the fiscal year from the South Carolina Military Family Relief Fund and determine:
 - The grant amounts were properly classified in the general ledger.
 - Grant payments were made directly to an eligible applicant.
 - Grant applications were properly approved by appropriate Department staff.
 - The payment amount did not exceed the maximum for that grant type (i.e. need, status, or next-of-kin based) as defined by South Carolina Code of Laws Section 25-11-330.
4. Haphazardly select five purchasing card transactions from the monthly Bank of America invoices 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.

Cash Disbursements/Non-Payroll Expenditures (Continued)

- The monthly purchase summary and applicable receipts were submitted 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

A distribution of \$350,000 of state appropriated funds to a non-governmental entity was miscoded as a distribution of other than state appropriated funds. Also, a payment for lawn services was miscoded as a payment for supplies.

Management's Response

We agree with the findings. After discussion with the Comptroller General's Office it has been determined that we will code future Military Connected Children appropriation disbursements to general ledger account 5040810000 (Contributions).

Payroll

5. Haphazardly select five employees who terminated employment during the fiscal year to determine if they 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.
6. Haphazardly select ten employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Department's policies and procedures, and that the employee's first pay check was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedures.

Transfers From/To the Department of Administration

7. Haphazardly select five transfers for the fiscal year and determine that the related account balance activity was properly transferred to the Department or that expenditures were properly reimbursed to the Department of Administration by agreeing to the South Carolina Enterprise Information System (SCEIS) general ledger and supporting documentation.

We found no exceptions as a result of the procedure.

Reporting Packages

8. 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 on the Master Reporting Package Checklist and any required supplemental information to SCEIS and Department prepared records.

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

- Operating Leases Reporting Package

Agree amounts to the SCEIS general ledger, the SCEIS *Yearend Rptg - Operating Lease Expense with Vendor* report and Department prepared records. In addition, based on inspection of invoices, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Two haphazardly selected contingent rental payments; and (2) Three haphazardly selected one time or unusual in nature rental payments. In addition, determine that the Department submitted copies of all leases to the CG in accordance with the CG's Reporting Package instructions.

Reporting Packages (Continued)

- Accounts Payable Reporting Package

Agree amounts to the SCEIS *Yearend Reporting - Prior Year Payables with Vendor* report, SCEIS *Inter-Agency Prior Year Payables with Vendor Business Warehouse* reports and Department prepared records. In addition, select all (five) payable transactions to determine if reported amounts were properly identified, classified, and reported on the reporting package.

- Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and Department prepared records. In addition, select and inspect all (three) payables from the Subsequent Events Accounts Payable Worksheet and determine amounts were properly classified, calculated, and reported and excluded from the original Accounts Payable Reporting Package submission.

Findings

Capital Assets – The Department indicated on the Master Reporting Checklist that it owned capital assets but did not submit a capital assets reporting package to the CG. We observed that capital assets owned by the Department were not transferred from the Department of Administration's business area to the Department's business area in SCEIS after the Department was created in fiscal year 2020.

Accounts Payable – Vendor payables totaling \$1,782 were misclassified as intergovernmental payables on the Accounts Payable Summary Form (\$1,056) and the Subsequent Events Accounts Payable Worksheet (\$726).

Management's Response

We agree with the findings. All applicable assets have since been transferred from D500 (Department of Administration business area) to E260 (Department of Veterans' Affairs business area). The Department of Administration's Admin Services Finance department has reviewed the Accounts Payable finding with its Year-End Reporting staff to ensure proper categorization and calculation of payables going forward.

Personal Property

10. 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.

We found no exceptions as a result of the procedure.

Rental of Office Space

11. Obtain the lease agreement associated with the Department's rented office space from the Department of Administration and determine compliance with South Carolina Code of Laws Sections 1-11-55 and 1-11-56.

We found no exceptions as a result of the procedure.

Department-Specific Provisos

12. Determine compliance with proviso 93.7 (DOA: M.J. "Dolly" Cooper Veterans Cemetery Carry Forward) of the fiscal year 2020 Appropriation Act 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 Appropriation Act regarding nonrecurring revenue received during the fiscal year.

We found no exceptions as a result of the procedures.