

**SOUTH CAROLINA
OFFICE OF THE SECRETARY OF STATE**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

January 29, 2020

The Honorable Mark Hammond, Secretary of State
South Carolina Office of the Secretary of State
1205 Pendleton Street, Suite 525
Columbia, South Carolina 29201

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Office of the Secretary of State (the Office), on the systems, processes and behaviors related to financial activity of the Office for the fiscal year ended June 30, 2019. The Office's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted 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, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Office. Accordingly, we do not express 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 specified parties. Management of the Office 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.

This report is intended solely for the information and use of the management of the Office 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 Office of the Secretary of State (E08)**

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations over \$50,000 and 10% for the general fund and \$20,000 and 10% for the earmarked fund.
2. Randomly select five cash receipts transactions and inspect supporting documentation to:
 - Ensure transaction amount, date, payor, document number, and account classification are properly reported in the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
 - Determine that receipts are recorded in the proper fiscal year.
3. Randomly select five reconciliations to confirm that the revenue reported in the Office's system matches the amount reported in the South Carolina Enterprise Information System (SCEIS) for the given period and compare the amount of revenue to the corresponding journal entry.
4. Inspect Office general ledger records to ensure compliance with South Carolina (SC) Code of Laws Section 33-56-160.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

5. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$20,000 and 10% for the general fund and \$25,000 and 10% for the earmarked fund.
6. Randomly select five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by agency procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by agency procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the agency.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

Cash Disbursements/Non-Payroll Expenditures (Continued)

7. Haphazardly select eight purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for Fiscal Year 2019 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.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedures.

Payroll

8. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$20,000 and 10% for the general fund and \$25,000 and 10% for the earmarked fund.
9. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10%.
10. Haphazardly select two employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the agency's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
11. Haphazardly select three employees hired during the fiscal year to determine if they were added to the payroll in accordance with the agency's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedures.

Journal Entries

12. Haphazardly select five journal entries for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedure.

Reporting Packages

13. Obtain copies of fiscal year end reporting packages submitted to the CG. Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.

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

- Operating Leases Reporting Package

Confirm that the Office submitted copies of all leases to the CG in accordance with the CG's Reporting Policies and Procedures Manual.

- 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/or agency prepared records. Haphazardly select five receivable transactions for inspection.

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or agency prepared records. In addition, haphazardly select five payables from the subsequent events accounts payable worksheet and determine if the amounts were properly classified, calculated and reported and excluded from the original accounts payable reporting package submission.

We found no exceptions as a result of the procedures.

Composite Reservoir Accounts

15. Gain an understanding of the Office's limited use composite reservoir account through inquiry with the Office staff and applicable policies and procedures. Observe monthly reconciliations, receipts and disbursements for unusual activity and inspect activity not related to the account's intended use if any observed.

We found no exceptions as a result of the procedure.

Appropriation Act / Laws

16. Confirm compliance with SC Code of Laws 10-1-140 by observing the inventory count documentation completed by management.

17. Confirm compliance with Proviso 117.13 by observing management's submission documentation to the State Human Affairs Commission.

18. Confirm compliance with the selected agreed-upon agency-specific state provisos 96.1, 96.2 and 96.3 by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.