

**South Carolina  
Department of Social Services**

**Columbia, South Carolina**

**State Auditor's Report**

**June 30, 2020**



Independent Accountant's Report on Applying Agreed Upon Procedures

November 9, 2021

Mr. Michael Leach, State Director  
South Carolina Department of Social Services  
Columbia, South Carolina

Dear Mr. Leach:

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the Department of Social Services (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 \$10,000 related to the operating lease reporting package and \$5,000 related to all other 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 Department, 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 Social Services (L040)**

**Cash Disbursements/Non-Payroll Expenditures**

1. Haphazardly select five cash disbursements/non-payroll expenditures and inspect supporting documentation to determine:
  - The transactions are properly completed as required by Department procedures and invoices agree with general ledger as to vendor, amount, and date.
  - All supporting documents and approvals are present and agree with the invoices.
  - The transactions are actual expenditures of the Department.
  - The transactions are properly classified in the general ledger.
  - Disbursements are recorded in the proper fiscal year.
  - Clerical accuracy.

For federally funded cash disbursements/non-payroll expenditures, inspect supporting documentation to determine:

- Charges are in accordance with the requirements of the program, incurred during the approved grant period, and applied uniformly to both federally assisted and other activities of the recipient.
2. Haphazardly select ten 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.

We found no exceptions as a result of the procedures.

**Payroll**

3. 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 their last paycheck, including any leave payout, was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedure.

**Reporting Packages**

4. Inspect fiscal year end reporting packages submitted to the CG. Compare responses in the Master Reporting Package Checklist and any required supplemental information to year end reporting packages submitted to the CG, the South Carolina Enterprise Information System (SCEIS) and Department prepared records. Additionally, compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual.

## Reporting Packages (Continued)

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

- Operating Leases Reporting Package

Agree amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting Operating Lease Expense with Vendor* report and Department prepared records. In addition, based on inspection of invoices and lease agreements, determine that rental payments were properly classified, coded, and calculated by inspecting and recalculating the following reported amounts: (1) two haphazardly selected contingent rental payments; (2) two haphazardly selected transactions in the one time or unusual in nature rental payments classification; and (3) the future minimum payments for five haphazardly selected leases.

- 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.

## Findings

**Timeliness of Reporting Packages** – The Other Receivables Reporting Package and Capital Assets Reporting Package were submitted to the CG after the due date.

**Operating Lease Reporting Package** – Similar to the finding reported in the prior year, future minimum lease payments were understated by \$25,944 when compared to the lease agreements.

**Subsequent Events Questionnaire** – Two vendor payables totaling \$50,695 were misclassified as intergovernmental payables.

## Management's Response

**Timeliness of Reporting Packages** – Management agrees with this finding. The Other Receivables Reporting Package due Friday, August 14, 2020 was submitted on Sunday, August 16, 2020, and the Capital Assets Reporting Package due Friday, September 11, 2020 was submitted on Thursday, September 17, 2020. We added staff in fiscal year 2021, and all fiscal year 2021 reporting packages were submitted on or before their due dates.

**Operating Lease Reporting Package** - Management agrees with this finding. Additional time was spent in review of the fiscal year 2021 package to ensure identification and correction of any mistakes before submission. We believe the fiscal year 2021 report is free of errors due to these additional year end procedures.

**Subsequent Events Questionnaire** - Management agrees with this finding. University of South Carolina (USC) invoices were classified as intergovernmental instead of vendor payables. We have contacted the CG for clarification of reporting package instructions to help avoid this misclassification. After learning of this misclassification, we ensured we reported these as vendor payables in the fiscal year 2021 reporting package, and we have implemented these steps in our year end procedures.

## Assets and Personal Property

6. Haphazardly select five capital asset retirements and inspect supporting documentation 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.

7. 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)**

### **Finding**

**Capital Asset Retirements** – Similar to the finding reported in the prior year, the Department was unable to provide adequate documentation to support the approval of four capital asset retirements. Additionally, two capital assets were not removed from SCEIS in the fiscal year of retirement.

### **Management's Response**

Management agrees with this finding. We will carry out an initiative to make sure all staff are fully trained on the proper execution and handling of asset retirement approvals and disposal documentation. We will also assign specific staff responsibility for monitoring retirements throughout the year to ensure they are recorded correctly and promptly.

### **Non-Recurring Revenue Proviso 118.16**

8. Through inquiry of management and inspection of supporting documentation, determine that the Department complied with Proviso 118.16 of the fiscal year 2020 Appropriations Act regarding nonrecurring revenue received during the fiscal year.

We found no exceptions as a result of the procedure.

### **Appropriation Act / Department-Specific Provisos**

9. Determine compliance with Department-specific provisos (38.1 – Fee Retention, 38.14 - Family Foster Care Payments, and 38.17 – Child Support Enforcement System) by inquiring with management and observing supporting documentation.

We found no exceptions as a result of the procedure.

### **Status of Prior Findings**

10. 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 that the Department has taken adequate corrective action on the prior findings, except for the operating lease reporting package and capital asset retirement findings above.