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**SOUTH CAROLINA
DEPARTMENT OF DISABILITIES
AND SPECIAL NEEDS**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report On Applying Agreed-Upon Procedures

August 21, 2020

Members of the Commission
South Carolina Department of Disabilities and Special Needs
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Disabilities and Special Needs (the Department), on the systems, processes and behaviors related to financial activity of the Department for the fiscal year ended June 30, 2019. The Department'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 Department. 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 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.

This report is intended solely for the information and use of the governing body and management of the South Carolina Department of Disabilities and Special Needs 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 – South Carolina Department of Disabilities and Special Needs (J16)**

Cash Receipts/Revenues

1. Compare current year revenues at the fund 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 \$30,000 - General Funds, \$1,900,000 – Earmarked Funds, \$10,000 - Restricted Funds, \$10,000 - Federal Funds and 10%.
2. Randomly select fifteen cash receipts transactions and inspect supporting documentation to:
 - Ensure supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, and account classification.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2019 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.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

3. Compare current year non-payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations over \$1,200,000 - General Funds, \$1,900,000 – Earmarked Funds, \$10,000 - Restricted Funds, \$15,000 – Federal Funds and 10%.
4. Randomly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Department procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Department procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Department.
 - 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.

We found no exceptions as a result of the procedures.

Payroll

5. Compare current year payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations over \$1,200,000 - General Funds, \$1,900,000 – Earmarked Funds, \$10,000 - Restricted Funds and 10%.
6. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.

Payroll (Continued)

7. 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 variations greater than 10%.
8. 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, 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.
9. Haphazardly select five 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 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 and Transfers

10. Haphazardly select nine journal entries and six transfers 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 procedures.

Reporting Packages

11. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General. (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
12. In addition to the procedure above, perform the following:
 - Cash and Investments Reporting Package

Determine if responses are reasonable/accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Reporting - Cash and Investments report and/or Department prepared records. In addition, determine if amounts agree to State Treasurer's Office Composite Bank Account reports and year end reconciliations.
 - Operating Leases Reporting Package

Confirm that the Department submitted copies of leases to the CG in accordance with the CG's Reporting Package Instructions. Additionally, agree applicable effective lease dates and future minimum payments on the Future Minimum Payment Schedule to the prior year Schedule. Inspect any changes to determine if the effective lease dates and future minimum payments were properly calculated and reported on the Future Minimum Payment Schedule.

Reporting Packages (Continued)

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

Findings

Cash and Investments Reporting Package - Not all of the required information was submitted with the reporting package for one bank account not reflected in SCEIS and reported on the Deposits with Banks Reporting Form. The Department omitted the bank statement and the reason for the account not being recorded in SCEIS.

Operating Leases Reporting Package - Similar to the finding reported in the prior year engagement, we were unable to confirm part of the \$2,200 in future minimum lease payments which were reported. We were also unable to confirm that all leases were submitted to the CG.

Subsequent Events Questionnaire - Similar to the finding reported in the prior year engagement, amounts of approximately \$7,700 were reported incorrectly as fiscal year 2019 payables.

Management's Response

The Department concurs with the finding under Reporting Packages that not all the required account information was submitted, operating leases did not contain enough information to confirm future minimum payments and the Department incorrectly reported an amount as prior year payable.

Cash and Investments Reporting Package - The one bank account in question had a zero balance. In the future, the Department will provide all required account composite information including those statements with a zero balance. In previous years, the Department did not submit account composite information with zero balances.

Operating Leases Reporting Package - The Department is currently working with state-wide Department staff to obtain copies of all lease agreements. Obtaining these copies has proven difficult on all levels. The Department's Finance and Information Technology are working to compile a master list lease agreement to ensure all lease information is captured and reported as required. This information will be provided to the Comptroller General's office in the current year Subsequent Event Closing Package for FY2020.

Subsequent Events Questionnaire - The Department incorrectly reported approximately \$7,700 as a prior year payable in the Subsequent Event package. Beginning with FY2020 closing packages, Finance will print and view each disbursement being included in both closing packages, Prior Year Payable and Subsequent Event. These additional steps should identify disbursement entries incorrectly labeled or coded as "Prior Year Payables" in the system.

Composite Reservoir Accounts

13. Obtain a listing of Department composite reservoir accounts and confirm with management that the listing is complete.

Composite Reservoir Accounts (Continued)

14. Obtain fiscal year monthly reconciliations for select Department composite reservoir accounts and for five haphazardly selected reconciliations, perform the following procedures:
 - Determine that selected reconciliations were timely performed, reviewed, and properly documented in accordance with State regulations, and are mathematically correct.
 - Agree applicable amounts from reconciliations to the general ledger.
 - Agree applicable amounts from reconciliations to the State Treasurer's Office monthly reports.
 - Determine if reconciling differences were adequately explained and properly resolved.
 - Determine if necessary adjusting entries were made in the accounting records.

Finding

Similar to the finding reported in the prior year engagement, two of the five reconciliations selected were not prepared in a timely manner in accordance with the Department's procedures.

Management's Response

Composite Reservoir Accounts - The Department concurs with the finding under Composite Reservoir Accounts that reconciliations were not prepared in a timely manner in accordance with the Department's procedures. The Department did not have adequate staffing to provide segregation of duties when there was an extended absence. As a result, the reconciliations were delayed in order to maintain segregation of duties. Since this time, the Department has hired a regional finance manager that will provide backup to all regions to prevent this from happening in the future.

Assets and Personal Property

15. Haphazardly select five capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.
16. Haphazardly select five capital asset retirements and inspect supporting documentation, and the SCEIS Asset History Sheet, to determine that each asset was approved for removal, and that the asset was properly removed from the Department's books/general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
17. Confirm that an inventory of Department property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Law 10-1-140.

We found no exceptions as a result of the procedures.

Appropriation Act / Department-Specific Provisos

18. Confirm that the Department submitted to the State Human Affairs Commission employment and filled vacancy data by race and sex by October thirty-first of the fiscal year in accordance with Proviso 117.13 of the Appropriation Act.
19. Confirm compliance with the Bank Account Transparency and Accountability proviso of the Appropriation Act.

Appropriation Act / Department-Specific Provisos (Continued)

20. Confirm compliance with fiscal year 2019 Department-specific state provisos 36.9, 36.10, 36.13, and 36.15 by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Status of Prior Findings

21. Through inquiry and inspection, determine if 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 the prior year findings except where identified in the Composite Reservoir Accounts and Reporting Packages findings above.