

**South Carolina
Office of the Secretary of State**

Columbia, South Carolina

State Auditor's Report

For the years ended June 30, 2020 and 2021



Independent Accountant's Report on Applying Agreed-Upon Procedures

September 10, 2021

The Honorable Mark Hammond, Secretary of State
South Carolina Office of the Secretary of State
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 Office of the Secretary of State (the Office) for the fiscal years ended June 30, 2020 and June 30, 2021. The Office's management is responsible for the systems, processes and behaviors related to financial activity.

The Office'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 Office 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 Office for the years ended June 30, 2020 and June 30, 2021. 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 Office's management. 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.

We are required to be independent of the Office 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 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 Secretary of State (E08)**

The following procedures were performed for the fiscal year ended June 30, 2020:

Reporting Packages

1. Inspect fiscal year end 2020 reporting packages submitted to the Office of the State Comptroller General (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 Office prepared records. Additionally, compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual.
2. In addition to the procedure above, perform the following for fiscal year 2020:
 - Other Receivables Reporting Package
Agree reported amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting - Accounts Receivable Current with Customer* report and Office prepared records. In addition, haphazardly select three receivables to determine they were properly classified, calculated, and reported.
 - Subsequent Events Questionnaire
Compare responses and any required supplemental information to the SCEIS general ledger and Office prepared records.

We found no exceptions as a result of the procedures.

The following procedures were performed for the fiscal year ended June 30, 2021:

Cash Receipts/Revenues

3. Haphazardly select five fiscal year 2021 cash receipts transactions and inspect supporting documentation to determine:
 - Supporting documentation for transaction agrees with the general ledger as to amount, date, payor, and account classification.
 - Revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2021 Appropriations Act.
 - Both revenue collections and amounts charged are properly authorized by law.
 - Receipts are recorded in the proper fiscal year.

Finding

The Office could not provide supporting documentation for the receipt date of a check in the amount of \$14,247. We could not determine that the revenue was deposited in a timely manner.

Management Response

The Office was only able to provide the email document from PEBA Retirement Services stating we would be receiving a paper check in the amount of \$14,247 and the deposit slip with the date we deposited the check. The Office will now date stamp support when we receive a payment that is not operating revenue.

Cash Disbursements/Non-Payroll Expenditures

4. Haphazardly select five purchasing card transactions from the CG listing of purchasing card transactions for fiscal year 2021 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Office 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 procedure.

Payroll

5. Haphazardly select three employees who terminated employment during fiscal year 2021 to determine if they were removed from the payroll in accordance with the Office's policies and procedures, and that their last paycheck, including any leave payout, was properly calculated in accordance with applicable State law.
6. Haphazardly select three employees hired during fiscal year 2021 to determine if they were added to the payroll in accordance with the Office's policies and procedures and that their first paycheck was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedures.

Journal Entries

7. Haphazardly select five fiscal year 2021 journal entries and inspect supporting documentation to determine:
 - Postings in the general ledger agree to supporting documentation.
 - Transaction is properly approved.
 - The purpose of the transaction.

Finding

The Office records revenue in a single account and then allocates revenue to appropriate accounts using journal entries. The Office failed to allocate revenue of \$73,117.

Management Response

We agree a journal entry should have been posted to allocate the revenue. We have added steps to our year-end procedures manual to ensure that this does not occur in the future.

Assets and Personal Property

8. Haphazardly select three fiscal year 2021 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.
9. Haphazardly select one fiscal year 2021 capital asset retirement and inspect supporting documentation to determine that the asset was approved for removal and removed from the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.

Assets and Personal Property (Continued)

10. Through inquiry of management and inspection of supporting documentation, determine that an inventory of Office property, excluding expendables, was completed during fiscal year 2021 as required by South Carolina Code of Laws Section 10-1-140.

We found no exceptions as a result of the procedures.

Appropriation Act / Office-Specific Provisos

11. Determine compliance with Office-specific state provisos 96.1 UCC Filing Fees, 96.2 Charitable Funds Act Disclosure Violations, and 96.3 Charitable Funds Act Misrepresentation Violations by inquiring with management and observing supporting documentation.

We found no exceptions as a result of the procedure.