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State Auditor's report June 30, 2019

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**SOUTH CAROLINA
COMMISSION FOR MINORITY AFFAIRS**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

June 22, 2020

Dr. Delores Dacosta, Executive Director
and
Members of the Commission
South Carolina Commission for Minority Affairs
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Commission for Minority Affairs (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2019. The Commission'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 Commission. 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 Commission 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 Commission for Minority 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 Commission for Minority Affairs (L46)**

Cash Disbursements/Non-Payroll Expenditures

1. Haphazardly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Commission procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Commission procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Commission.
 - 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.

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

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.

Finding

One disbursement selected for inspection was incorrectly coded in the South Carolina Enterprise Information System (SCEIS) general ledger (G/L). The purchase of equipment was coded to G/L account 5030067101 (PRGMS&LIC- Application Support) but it should have been coded and classified as a Low-Value Asset since its value was over \$2,500 but less than \$5,000.

Management's Response

The Commission has engaged the services of the Department of Administration's Shared Services to ensure compliance going forward.

Payroll

2. Compare current year payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations in G/L Account series 501- (Salaries) in the General and Earmarked Funds.
3. 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%.
4. 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% when the proportion of employer contribution to personal service expenditures also varies at a rate greater than 5% between fiscal years.

Payroll (Continued)

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 Commission'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.
6. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
7. Haphazardly select two bonus pay disbursements to determine:
 - The employee does not make more than \$100,000 annually.
 - The bonuses received during the year did not exceed \$3,000.
 - The payment amount agreed to supporting documentation and the bonus was given for proper reason in accordance with Commission policy.
 - The bonus pay was approved by the appropriate supervisor.

We found no exceptions as a result of these procedures.

Journal Entries and Transfers

8. Haphazardly select three journal entries and 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 these procedures.

Reporting Packages

9. 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.
10. In addition to the procedure above, perform the following:
 - Grants and Contributions Revenue Reporting Package

Haphazardly select two grants to determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the SCEIS general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue to determine accuracy.
 - Operating Leases Reporting Package

Confirm that the Commission submitted copies of all leases to the CG in accordance with the CG's Reporting Package Instructions.
 - 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 Commission prepared records.

We found no exceptions as a result of these procedures.

Assets and Personal Property

11. Select the sole capital asset acquisition and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that the 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.
12. Confirm that an inventory of Commission property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

Findings

During our inspection of asset acquisitions, we observed one asset was coded to Other Equipment instead of Data Processing Equipment. As a result, the asset was capitalized with a useful life of 10 years instead of 3-7 years as required by the CG's Reporting Policies and Procedures Manual.

The Commission did not complete an inventory of personal property as required by South Carolina Code of Laws Section 10-1-140 during fiscal year 2019. We observed that the Commission's inventory was completed on 8/8/19 (fiscal year 2020).

Management's Response

The Commission has engaged the services of the Department of Administration's (the Department) Shared Services to ensure compliance going forward. The Department currently conducts the annual asset inventory earlier in the fiscal year with a requirement to return reviews prior to June 30th to ensure ample time for review, responses, and corrections. For the fiscal year 2020 inventory, the listing was sent to the Commission on April 2, 2020 and returned to the Department on June 4, 2020.

Appropriation Act / Commission-Specific Provisos

13. Confirm compliance with the selected agreed-upon Commission-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of these procedures.

Status of Prior Findings

14. Through inquiry and inspection, determine if the Commission has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of these procedures.