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State Auditor's report for the Fiscal Year ended June 30, 2022

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South Carolina Department of Agriculture

Columbia, South Carolina

State Auditor's Report

For the Fiscal Year Ended June 30, 2022



Independent Accountant's Report on Applying Agreed Upon Procedures

March 14, 2023

The Honorable Hugh E. Weathers, Commissioner
South Carolina Department of Agriculture
Columbia, South Carolina 29201

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the South Carolina Department of Agriculture (the Department) for the fiscal year ended June 30, 2022. 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 fiscal year ended June 30, 2022. 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-Up On 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 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 Agriculture (P16)**

Cash Receipts/Revenues

1. Haphazardly select fifteen deposits and for one transaction within the deposit inspect the deposit slips, wire transfers, and customer invoices to determine:
 - Transaction agrees with the general ledger as to amount, date, payor, and account classification.
 - The selected transaction was deposited in a timely manner in accordance with Proviso 117.1 of the fiscal year 2022 Appropriation Act.
 - For the selected transaction, both revenue collections and amounts charged are properly authorized by South Carolina Code of Laws Title 46 and Section 44 of the fiscal year 2022 Appropriation Act.
 - The selected transaction is recorded in the proper fiscal year.

We found no exceptions as a result of the procedure.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select fifteen non-payroll disbursements and inspect invoices and approvals to determine:
 - The transaction is properly completed and approved as required by Department procedures and the name of the vendor, amount, and date on the invoices agree with the general ledger.
 - The transaction is a valid expenditure of the Department.
 - The transaction is properly classified in the general ledger.
 - Disbursement is recorded in the proper fiscal year.

For federally funded cash disbursements/non-payroll expenditures, also inspect invoices and approvals 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.
3. Haphazardly select fifteen purchasing card transactions from the Comptroller General's (CG) listing of purchasing card transactions and inspect the monthly purchases summaries and applicable receipts to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Department policies.
 - The purchase is a valid expenditure.
 - 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.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Finding

For one attorney payment tested, we observed that the total attorney fees and hourly rates paid exceeded the maximum approved by the Attorney General's Office.

Management's Response

The attorney fees in question were paid to one attorney for one case using crop producer assessments, not public funds. In 2021, a grain and cotton dealer was unable to pay producer obligations for crop deliveries. Those producers filed claims for their losses with the Department under State law, and the Department made payments to producers from funds collected over the years for that purpose. The losses and resulting payouts were substantial. South Carolina Code of Laws Section 46-41-230 authorizes the Department to pay for outside legal counsel, from the fund, for the purposes of recovering commodity losses and replenishing the guaranty funds. Producers, who subrogated their claims to the Department, wanted to recover as much money as possible to go back into the grain and cotton guaranty fund to provide protection for any future losses. The Commissioner of Agriculture felt an obligation to the people he represents to do this. The Department followed the process to request approval from the Office of Attorney General (AG) to hire outside counsel who specialize in bankruptcy law at rates exceeding the state attorney fee schedule. This request was denied by the AG, despite sufficient justification and appeal from the Department. Because of the aforementioned reasons, the Department made the decision to proceed with employing the outside counsel who possessed the qualifications and experience necessary to navigate a complex and high-value bankruptcy matter.

Let it be noted that before employment of any other outside counsel, the Department gained the proper approval and followed the fee schedule authorized by the AG.

Payroll

4. Haphazardly select ten 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.
5. Haphazardly select ten 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 paycheck was properly calculated.

We found no exceptions as a result of these procedures.

Journal Entries and Transfers

6. Haphazardly select seven journal entries and three transfers and inspect journal entry form, original document number, and invoices to determine that the journal entries and transfers are valid and approved by someone with proper authority and different than the preparer.

We found no exceptions as a result of the procedure.

Reporting Packages

7. 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)

8. 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.

We found no exceptions as a result of these procedures.

Assets and Personal Property

9. Select ten capital asset acquisitions and inspect related invoices 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.

10. Select five capital asset retirements and inspect the South Carolina State Surplus Property Turn-In Document 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.

11. Inspect the inventory of personal property, including expendables, provided by the Department to determine that it was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

We found no exceptions as a result of these procedures.

Lease Reporting

12. Obtain the lease reporting package and for the one lease on the package, agree the leased asset value, lease principal, and interest expense in SCEIS to the Department's GASB 87 Lease Calculator.

We found no exceptions as a result of the procedure.

Appropriation Act / Department-Specific Provisos

13. Determine compliance with Department-specific state provisos 44.4 (Weights & Measures), 44.5 (Sale of Property Revenue), 44.6 (Export Certification), and 44.7 (Feed Label Registration) by inquiring with management and observing the general ledger and asset history sheet.

We found no exceptions as a result of the procedure.

Status of Prior Finding

14. Through inquiry of management determine the Department has taken appropriate corrective action on the finding reported during the engagement for the fiscal year 2020 (no engagement was performed for fiscal year 2021).

We determined that the Department had taken adequate corrective action on the prior year finding.