

**South Carolina
Department of Insurance
Columbia, South Carolina**

State Auditor's Report

For the Fiscal Year Ended June 30, 2022

And

**Selected Procedures
For the Fiscal Year Ended June 30, 2021**



Independent Accountant's Report on Applying Agreed Upon Procedures

August 19, 2022

Mr. Michael Wise, Acting Director
South Carolina Department of Insurance
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 Department of Insurance (the Department) for the fiscal years 2021 and 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 years ended 2021 and 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-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 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 South Carolina Department of Insurance, 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 Insurance (R20)**

These procedures were performed for the fiscal year ended June 30, 2022:

Cash Receipts/Revenues

1. Haphazardly select fifteen 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 2022 Appropriation Act.
 - Both revenue collections and amounts charged are properly authorized by law and that any fee increases are in accordance with Proviso 117.7 of the fiscal year 2022 Appropriation Act.
 - Receipts are recorded in the proper fiscal year.

We found no exceptions as a result of this procedure.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Department procedures and invoice(s) agree(s) with general ledger as to vendor, amount, and date.
 - All supporting documents and approvals are present and agree with the invoice.
 - The transaction is an actual expenditure of the Department.
 - The transaction is properly classified in the general ledger.
 - Disbursement is recorded in the proper fiscal year.
 - Clerical accuracy.
3. Haphazardly select ten purchasing card transactions from the Comptroller General's (CG) listing of purchasing card transactions 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.

Finding

Three equipment items above the State's capitalization threshold were not capitalized.

Management Response

We concur with the finding. We have historically leased these items, but recently purchased and used the incorrect general ledger classification to record the payment. We tagged the items as assets and have now added them to the accounting system as capital assets. To prevent this from occurring in the future, we will implement stronger review of invoices to ensure that all assets are capitalized and recorded properly in accordance with the CG's Reporting Policies and Procedures Manual.

Payroll

4. 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.
5. 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 paycheck was properly calculated. For staff attorneys that were hired, confirm compliance with SC Code of Laws Section 1-7-160.

We found no exceptions as a result of these procedures.

Journal Entries and Transfers

6. Haphazardly select five 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.

We found no exceptions as a result of this procedure.

Assets and Personal Property

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 2022 as required by South Carolina Code of Laws Section 10-1-140.

We found no exceptions as a result of this procedure.

Credit Card System

8. Obtain the Department's year-end reconciliation of the credit card system to the South Carolina Enterprise Information System (SCEIS) and determine if it was performed timely and properly documented and if reconciling differences were adequately explained and properly resolved.

We found no exceptions as a result of this procedure.

Lease Reporting

9. Obtain the lease reporting package due on March 31, 2022, and for five haphazardly selected leases, agree leased asset values in SCEIS to Department supporting documentation. In addition, agree lease principal and interest expense general ledger account balances in SCEIS to Department supporting documentation.

We found no exceptions as a result of this 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 the Department has taken corrective action on the findings except where noted in the **Cash Disbursements/Non-Payroll Expenditures** finding above.

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

Reporting Packages

11. 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.

12. In addition to the procedure above, inspect the Subsequent Events Questionnaire and compare responses and any required supplemental information to the SCEIS general ledger and Department prepared records.

We found no exceptions as a result of these procedures.