

**SOUTH CAROLINA
DEPARTMENT OF ARCHIVES AND HISTORY**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2013

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State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 15, 2014

The Honorable Nikki R. Haley, Governor
and
Commissioners
South Carolina Department of Archives and History
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Department of Archives and History (the Department) solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2013, in the areas addressed. The Department's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. **Cash Receipts and Revenues**

- We inspected selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations.
- We inspected selected recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.
- We compared current year recorded revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the earmarked and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$9,900 – earmarked fund and \$10,200 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in General Ledger Account and Sub-Fund in the Accountant's Comments section of this report.

2. **Non-Payroll Disbursements and Expenditures**

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations, were bona fide disbursements of the Department, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared current year expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$19,900 – general fund, \$9,800 – earmarked fund, and \$10,200 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures are presented in General Ledger Account and Sub-Fund in the Accountant's Comments section of this report.

3. **Payroll Disbursements and Expenditures**

- We inspected selected recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions were properly authorized and were in accordance with existing legal requirements and processed in accordance with the agency's policies and procedures and State regulations.
- We inspected payroll transactions for selected new employees and those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the agency's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
- We compared current year payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$19,900 – general fund, \$9,800 – earmarked fund, and \$10,200 – federal fund) and ± 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of ± 10 percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

4. **Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected selected recorded journal entries, operating transfers, and appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the agency's policies and procedures and State regulations.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

5. **Appropriation Act**

- We inspected agency documents, observed processes, and/or made inquiries of agency personnel to determine the Department's compliance with Appropriation Act general and agency specific provisos.

Our finding as a result of these procedures is presented in Property Inventory in the Accountant's Comments section of this report.

6. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2013, prepared by the Department and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's Reporting Policies and Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records.

Our finding as a result of these procedures is presented in Inventory Reporting Package in the Accountant's Comments section of this report.

7. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2013, prepared by the Department and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The Honorable Nikki R. Haley, Governor
and
Commissioners
South Carolina Department of Archives and History
September 15, 2014

This report is intended solely for the information and use of the Governor and of the governing body and management of the South Carolina Department of Archives and History and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

ACCOUNTANT'S COMMENTS

VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

GENERAL LEDGER ACCOUNT AND SUB-FUND

We noted three instances in which the Department recorded disbursements and receipts to the incorrect general ledger account and/or sub-fund:

- Rent revenue received from the Palmetto Trust Foundation and The South Carolina Archives and History Foundation was recorded to GL Account 4480020000 Sale of Services, instead of GL Account 4470020000 Rent-Studios and Rooms.
- A contractual reimbursement received from the South Carolina Department of Transportation was recorded to GL Account 428002000 Federal Operating Grants-Restricted and Sub-fund 5055, instead of GL Account 4890080000 Allocations from State Agencies and Sub-fund 3035.
- Disbursements for rolls of microfilm were recorded to GL Account 5030010000 Office Supplies, instead of GL Account 5030040000 Microfilm File Fiche Supplies.

The Comptroller General's Office Policies and Procedures include specific definitions for coding transactions to the proper revenue and expenditure accounts.

We recommend the Department implement procedures to ensure receipts and disbursements are properly classified.

INVENTORY REPORTING PACKAGE

Section 1.7 of the Comptroller General's Reporting Policies and Procedures Manual states: "Each agency is responsible for designing and implementing internal controls for the accurate reporting of agency assets, liabilities, fund balance or net assets, revenue, and expenditures as required by the State Reporting Policies and Procedures Manual. Each agency's executive director and finance director are responsible for submitting to the Comptroller General's Office reporting packages and/or financial statements that are accurate and prepared in accordance with instructions, complete, (and) timely."

The Department operates a gift shop that held inventory for resale as of June 30, 2013. The Department did not file an Inventory Reporting Package for FY2013.

We recommend the Department follow the policies and procedures established by the Comptroller General's Office to ensure that the appropriate reporting packages are completed.

PROPERTY INVENTORY

Section 10-1-140 states: "The head of each department, agency, or institution of this State is responsible for all personal property under his supervision and each fiscal year shall make an inventory of all such property under his supervision, except expendables." The Department did not conduct a property inventory during FY2013.

We recommend the Department implement policies and procedures to ensure that an annual inventory of all personal property is performed.

MANAGEMENT'S RESPONSE



October 14, 2014

Mr. Richard H. Gilbert, Jr. CPA
Deputy State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201

Dear Mr. Gilbert,

Please allow this letter to serve as the agency's response to the preliminary draft copy of the report resulting from our performance of agreed-upon procedures relative to the Accounting records of the South Carolina Department of Archives and History for the Fiscal year ended June 30, 2013. Our response relates to the following findings:

1) General Ledger Account and Sub-Fund

With regards to the three instances in which the Department recorded disbursements and receipts to the incorrect general ledger account and/or sub-fund, the agency has implemented procedures that will reduce future instances of recording errors on the part of agency Finance staff.

2) Inventory Reporting Package

With regards to the agency holding a small inventory for resale as of June 30, 2013 and not filing an Inventory Reporting Package for FY2013, we have established new procedures that will ensure that the agency files an Inventory Reporting Package in future years.

3) Property Inventory

With regards to the agency conducting an annual inventory of personal property, we have developed new procedures that will ensure that an inventory of items ranging in value from \$1,000 to \$5,000 will be conducted annually as well as an inventory of all capital items with a value in excess of \$5,000.

The South Carolina Department of Archives and History has acted upon the auditors' recommendations, and we are working to prevent future instances of the issues listed above. We would like to compliment the audit team for their professionalism and diligence during the process, and we also would like to thank Ms. Sue Moss and the auditors for their thorough and explanative post-audit briefing.

This letter concludes our review of the preliminary draft copy, and you have our permission to release the report at your earliest convenience. Attached is a list of our current commissioners and their addresses. Thank you for your assistance, and please let me know if we may answer any questions.

Best regards,

A handwritten signature in cursive script that reads "W. Eric Emerson". The signature is written in black ink and is positioned above the typed name.

W. Eric Emerson, Ph.D.
Director and SHPO

4 copies of this document were published at an estimated printing cost of \$1.46 each, and a total printing cost of \$5.84. Section 1-11-425 of the South Carolina Code of Laws, as amended, requires this information on printing costs be added to the document.