

South Carolina Department of Motor Vehicles

Blythewood, South Carolina

Independent Accountant's Report on

Applying Agreed-Upon Procedures

for the year ended June 30, 2015



**South Carolina
Office of the State Auditor**

**George L. Kennedy, III, CPA
State Auditor**

June 8, 2016

The Honorable Nikki R. Haley, Governor
and
Mr. Kevin A. Shwedo, Executive Director
South Carolina Department of Motor Vehicles
Blythewood, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the South Carolina Department of Motor Vehicles for the fiscal year ended June 30, 2015, was issued by Scott and Company, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA
State Auditor

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. George L. Kennedy, III, CPA, State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by management of the South Carolina Department of Motor Vehicles (the "DMV") and the South Carolina Office of the State Auditor (the "State Auditor"), solely to assist you in evaluating the performance of the DMV for the fiscal year ended June 30, 2015, in the areas addressed. The DMV'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.

Our procedures and findings are as follows:

1. Cash Receipts and Revenues

- We inspected 25 recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the DMV's policies and procedures and State regulations.
- We inspected 25 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 restricted, earmarked, and federal funds to ensure that revenue was classified properly in the DMV's accounting records. The scope was based on agreed upon materiality levels (\$42,000 – restricted, \$370,000 – earmarked fund, and \$7,500 – federal fund) and +/- 10 percent.
- We made inquiries of management pertaining to the agency's policies for accountability and security over permits, licenses, and other documents issued for money. We observed agency personnel performing their duties to determine if they understood and followed the described policies.

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

2. Non-Payroll Disbursements and Expenditures

- We inspected 25 recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the DMV's policies and procedures and State regulations, were bona fide disbursements of the DMV, and were paid in conformity with State laws and regulations and if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected 25 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 restricted, earmarked, and federal funds to ensure that expenditures were classified properly in the DMV's accounting records. The scope was based on agreed upon materiality levels (\$42,000 – restricted, \$370,000 – earmarked fund, and \$7,500 – federal fund) and +/- 10 percent.

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

3. Payroll Disbursements and Expenditures

- We inspected 25 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; and payroll transactions were properly authorized and were in accordance with existing legal requirements and processed in accordance with the DMV's policies and procedures and State regulations.
- We inspected payroll transactions for 25 selected new employees and 25 individuals who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the DMV'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 restricted, earmarked, and federal funds to ensure that expenditures were classified properly in the DMV's accounting records. The scope was based on agreed upon materiality levels (\$42,000 – restricted fund, \$370,000 – earmarked fund, and \$7,500 – 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 DMV's accounting records.

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

4. Journal Entries, Operating Transfers, and Appropriation Transfers

- We inspected 25 journal entries, 9 operating transfers, and 17 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 DMV's policies and procedures and State regulations.

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

5. General Ledger and Subsidiary Ledgers

- We inspected 5 selected entries and monthly totals in the subsidiary records of the DMV to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and selected entries were processed in accordance with the agency's policies and procedures and State regulations.

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

6. Composite Reservoir Accounts

Reconciliations

- We obtained all monthly reconciliations prepared by the DMV for the year ended June 30, 2015 and inspected 2 monthly reconciliations of balances in the DMV's accounting records to those reflected on the State Treasurer's Office monthly reports to determine if accounts reconciled. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amounts to the DMV's general ledger, agreed the applicable amounts to the State Treasurer's Office monthly reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the DMV's accounting records. The DMV has two composite reservoir accounts. The accounts record returned checks which are processed at two different financial institutions. All transactions are electronically credited to each account by the financial institution. The accounts do not have any other deposits nor are there any disbursements for expenses made from each account.

The reconciliations were chosen haphazardly. We found no exceptions as a result of the procedures.

6. Appropriation Act

- We inspected DMV documents, observed processes, and/or made inquiries of DMV personnel to determine the DMV's compliance with Appropriation Act general provisos as listed in the Appropriation Act work program and DMV specific provisos.

We found no exceptions as a result of the procedures.

7. Reporting Packages

- We obtained copies of all reporting packages as of and for the year ended June 30, 2015, prepared by the DMV 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.

We found no exceptions as a result of the procedures.

8. Schedule of Federal Financial Assistance

- We obtained a copy of the Schedule of Federal Financial Assistance for the year ended June 30, 2015, prepared by the DMV 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 and if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

9. Status of Prior Findings

- There were no findings reported in the Accountant's Comments section of the Independent Accountant's Report on Applying Agreed-Upon Procedures on the Department resulting from our engagement for the fiscal year ended June 30, 2013. We applied no procedures to DMV's accounting records and internal controls for the year ended June 30, 2014

Mr. George L. Kennedy, III, CPA, State Auditor
South Carolina Office of the State Auditor
June 8, 2016

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 DMV has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$100 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class tested.
- Clerical errors of less than \$100 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions tested were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.
- Submission of the Schedule of Federal Financial Assistance less than three business days late.

We were not engaged to and did not conduct an examination, 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.

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

Scott and Company LLC

Columbia, South Carolina
June 8, 2016