

**SOUTH CAROLINA
HUMAN AFFAIRS COMMISSION
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

January 28, 2015

The Honorable Nikki R. Haley, Governor
and
Members of the Commission
South Carolina Human Affairs Commission
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Human Affairs Commission (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2013, in the areas addressed. The Commission'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 general, 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 (\$0 – general fund, \$9,400 – earmarked fund, and \$4,000 – federal fund) and ±10 percent.

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

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 Commission 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 (\$13,700 – general fund, \$8,400 – earmarked fund, and \$5,200 – federal fund) and ± 10 percent.

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

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 (\$13,700 – general fund, and \$8,400 – earmarked fund, and \$5,200 – 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.

We tested all operating transfers and appropriation transfers. The individual journal entry 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 Commission's compliance with Appropriation Act general and agency specific provisos.

Our finding as a result of these procedures is presented in Personal 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 Commission 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 Reporting Packages 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 Commission 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.

8. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission resulting from our engagement for the fiscal year ended June 30, 2012, to determine if the Commission had taken corrective action.

Our findings as a result of these procedures are presented in Reporting Packages and Personal Property Inventory in the Accountant's Comments section of this report.

The Honorable Nikki R. Haley, Governor
and
Members of the Commission
South Carolina Human Affairs Commission
January 28, 2015

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.

This report is intended solely for the information and use of the Governor and of the governing body and management of the South Carolina Human Affairs Commission 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

SECTION A - 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.

REPORTING PACKAGES

The accountant's comment titled Reporting Packages in the State Auditor's Report on the Commission for the fiscal year ended June 30, 2012 reported several exceptions associated with the completion of the year end reporting packages. Our testing of the 2013 reporting packages identified similar exceptions. The following describes the exceptions noted during our engagement:

- The Commission submitted six reporting packages several days to several weeks after their respective due dates.
- Several answers on the Master Reporting Checklist, form 2.0.1, and the Capital Assets Questionnaire, form 3.8.1, were inaccurately answered.
- Inaccurate or omitted information was noted on the Operating Leases Future Minimum Payment Schedule, form 3.09.1a, of the Operating Leases Reporting Package and on summary form 3.3.2 of the Grants and Contributions Revenue Reporting Package.
- The compensated absences liability reported on the Other Payroll Liabilities Reporting Package was understated due to the omission of the leave balance of a recently hired employee.

Section 1.7 of the Comptroller General's Reporting Policies and Procedures Manual states, "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."

We recommend the Commission implement procedures to ensure compliance with the guidelines set by the Comptroller General to ensure all reporting packages are accurately completed, reviewed, and submitted timely.

PERSONAL PROPERTY INVENTORY

Section 10-1-140 of the South Carolina Code of Laws, as amended, 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 prior year agreed-upon procedures engagement reported the Commission could not provide documentation supporting the performance of the inventory. Although the Commission was able to demonstrate that they had taken some corrective action, it was unable to provide documentation supporting the performance of the inventory for the fiscal year 2013.

We recommend the Commission continue implementing its corrective action plan and implement procedures to document the performance of a property inventory as required by Section 10-1-140.

SECTION B - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission for the fiscal year ended June 30, 2012, and dated October 28, 2013. We determined that the Commission has taken adequate corrective action on each of the findings, except we have repeated Reporting Packages and Personal Property Inventory.

MANAGEMENT'S RESPONSE



STATE OF SOUTH CAROLINA



HUMAN AFFAIRS COMMISSION

Raymond Buxton, II
Commissioner

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February 17, 2015

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

RE: State Auditor's Report Fiscal Year Ending June 30, 2013

Dear: Mr. Gilbert:

In response to the preliminary drafted copy of the SC Human Affairs Audit, we would like to submit the following responses to violations of State Laws, Rules or Regulations related to Reporting Packages.

The six reporting packages were late due to the Business Manager preparing the agency to relocate from 2611 Forest Drive to 1026 Sumter Street. The current Business Manager was only employed with this agency six months of the 2013 fiscal year. With the retirement of the former Budget Director due to health reasons and the senior accountant retiring at the end of January 2013, the current Business Director was not given guidance on the reporting package process. **This was the Business Manager's first year completing any closing packets.**

Regarding the answers submitted for the 2013 Master Reporting Checklist, the Business Manager followed the previous year's responses to submit the information to CAFR in a timely manner. Again, only working six of the twelve months with the agency, the Business Manager was not sure of the responses to provide.

Inaccurate or omitted information on the Operating Lease Reporting & the Grants and Contributions Revenue Reporting Packages were due to the Business Manager's lack of familiarity with the process. The Business Manager gave what was believed to be accurate information. No feedback from CAFR was received, so agency assumed the reported information was correct.

Finally, in regards to the Other Payroll Liabilities Reporting Package, the omission of the leave balance of a recently hired employee was not discovered until sixty days after hire. The correction was made to the employee's record which allowed the employee to earn annual leave on a monthly basis. At the time, the Business Manager was not aware that this information was also to be included in the final Subsequent Event Questionnaire Package.

Per this letter we are giving our written release authorization of the 2013 SC Human Affairs Commission's State Auditor's Report. As requested, we are also attaching a current list of our Commission members and their mailing and email addresses.

Please contact me or our Business Manager, Lori Dean, should you have additional questions or concerns.

Sincerely,


Raymond Buxton, II
Commissioner

Copy: Richard Gilbert – rgilbert@osa.sc.gov
Cynthia Counts – ccounts@osa.sc.gov
George Gentry - ggentry@osa.sc.gov
Raymond Buxton, II - Commissioner
Lori Dean – Business Manager

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