

**SOUTH CAROLINA DEPARTMENT OF LABOR**

**LICENSING AND REGULATION**

**COLUMBIA, SOUTH CAROLINA**

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING  
AGREED-UPON PROCEDURES**

**FOR THE YEAR ENDED JUNE 30, 2013**

*State of South Carolina*



*Office of the State Auditor*

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June 4, 2014

The Honorable Nikki R. Haley, Governor  
and  
Ms. Holly Pisarik, Director  
South Carolina Department of Labor, Licensing and Regulation  
Columbia, 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 Labor, Licensing and Regulation for the fiscal year ended June 30, 2013 was issued by Greene, Finney & Horton, LLP, 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 black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

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

RHGjr/cwc

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# Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Richard H. Gilbert, Jr., CPA  
Deputy State Auditor  
State of South Carolina  
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 Labor Licensing and Regulation (the "Department") and by the South Carolina Office of the State Auditor (the "State Auditor"), 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 Department'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 general, earmarked, restricted and federal funds to ensure that revenue was classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels (\$9,700 – general fund, \$200,000 – earmarked fund, \$260 – restricted fund, and \$27,000 – 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 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 Department'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, restricted and federal funds to ensure that expenditures were classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels (\$12,000 – general fund, \$180,000 – earmarked fund, and \$25,000 – 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, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements and processed in accordance with the Department'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 Department'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, restricted and federal funds to ensure that expenditures were classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels (\$12,000 – general fund, \$180,000 – earmarked fund, \$0 – restricted fund, and \$25,000 – 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 Department'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 Department'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. **General Ledger and Subsidiary Ledgers**

- We inquired of any general ledger and subsidiary ledgers and noted only one area of receivables maintained outside of SCEIS. This receivable was tested through cash receipts and revenue and the reporting packages sections.

6. **Composite Reservoir Accounts**

- We obtained all monthly reconciliations prepared by the Department for the year ended June 30, 2013 and inspected selected reconciliations of balances in the Department'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 Department'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 Department's accounting records.
- The composite account is used only to fund non-sufficient fund check activity. There were no cash receipts or cash disbursements processed by the Department during the year.

With respect to the selected cash reconciliations tested, which were chosen randomly, we found no exceptions as a result of the procedures.

7. **Appropriation Act**

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

We found no exceptions as a result of the procedures.

8. **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 findings as a result of these procedures are presented as “Reporting Packages” in the Accountant’s Comments section of this report.

9. **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.

10. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant’s Comments section of State Auditor’s Report on the Department resulting from the Agreed-Upon Procedures engagement for the fiscal year ended June 30, 2011, to determine if Department had taken corrective action. We applied no procedures to the Department’s accounting records and internal controls for the year ended June 30, 2012.

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.

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



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Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
May 15, 2014

**ACCOUNTANT'S COMMENTS**

**SECTION A – OTHER WEAKNESSES**

Management of the 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 while performing the agreed-upon procedures but they are not considered violations of State Laws, Rules or Regulations.

<b>Reporting Packages</b>
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Condition: During our review of the reporting packages we noted a capital asset inventory was completed but the capital asset detail was not updated as of the date of the reporting package.

Cause: After the inventory was taken, there were many asset shells with a zero value (no cost or accumulated depreciation) on the capital asset detail which should have been removed from the asset detail.

Effect: The Department’s capital asset detail had asset shells that should have been removed from the asset detail as a result of the inventory as the Department did not have any assets related to these items.

Criteria: The capital asset detail should only have currently owned assets recorded in the listing and be properly updated for any changes during the year.

Recommendation: We recommend that the Department keep up with the capital assets detail on an ongoing basis and adjust the capital asset records to match the capital asset inventory once taken.

**SECTION B – STATUS OF PRIOR AUDIT FINDINGS**

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant’s Comments section of the Independent Accountant’s Report on Applying Agreed-Upon Procedures on the Department of Labor Licensing and Regulation for the fiscal year ended June 30, 2011, dated May 15, 2012. We applied no procedures to the Department’s accounting records and internal controls for the year ended June 30, 2012. We determined that the Department has taken adequate corrective action on each of the findings.

**MANAGEMENT'S RESPONSE**



South Carolina  
Department of Labor, Licensing and Regulation



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Nikki R. Haley  
Governor

**Director's Office**

Holly G. Pisarik  
Director

May 1, 2014

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

Dear Mr. Gilbert:

The South Carolina Department of Labor, Licensing and Regulation's staff has reviewed the agreed upon procedures report for fiscal year 2013 completed by Green, Finney & Horton, LLP. The Agency has recently hired a new Procurement Director who is having staff inventory the Agency's Capital Assets. Steps will be taken to ensure that capital assets are recorded correctly and adjustments made after inventory is taken each year.

Please do not hesitate to contact me with any questions or concerns.

Sincerely,



Holly G. Pisarik  
Director