

**SOUTH CAROLINA
DEPARTMENT OF AGRICULTURE
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2016



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 8, 2017

The Honorable Hugh E. Weathers, Commissioner
and
Members of the Agriculture Commission
South Carolina Department of Agriculture
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Agriculture (the Department), solely to assist you in evaluating the systems, processes and behaviors of the Department for the fiscal year ended June 30, 2016. 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 in Attachment 1 for the purpose of which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted 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, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors of the Department. Accordingly, we do not express 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 specified parties. 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:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 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 inspected 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.

The Honorable Hugh E. Weathers, Commissioner
and
Members of the Agriculture Commission
South Carolina Department of Agriculture
November 8, 2017

This report is intended solely for the information and use of the Agriculture Commission, Commissioner, and management of the South Carolina Department of Agriculture 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 Department of Agriculture (P16)**

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations over \$1,000 in General Funds, \$100,000 in Earmarked Funds, \$10,000 in Restricted Funds, and \$50,000 in Federal Funds and 10%.
2. Randomly select twenty-five cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Randomly select twenty-five cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

Finding

Three receipt transactions were not deposited in a timely manner. The revenue was deposited approximately two weeks after the date of receipt.

Management's Response

The three deposits that were noted as late were for the Columbia State Farmers Market. Discussions have taken place with Market management to remind them of state law regarding timely submission of deposits. Accounts receivables staff will actively monitor and address late deposits with the division director.

Cash Disbursements/Non-Payroll Expenditures

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$75,000 in General and Earmarked Funds and \$20,000 in Federal Funds and 10%.
5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Department procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Department procedures and good business practice are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Department, properly coded to the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
 - Clerical accuracy / verify proper sales/use tax.

Cash Disbursements/Non-Payroll Expenditures (Continued)

For selected federally funded cash disbursements/non-payroll expenditures we will inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.
6. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.
 7. Haphazardly select ten procurement card purchases and inspect supporting documentation to determine:
 - The cardholder is an authorized user.
 - The purchase is reasonable based on the cardholder's position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the cardholder and supervisor.
 - The transaction did not exceed the single transaction limit or the individual credit card limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedures.

Payroll

8. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$75,000 in General and Earmarked Funds and \$20,000 in Federal Funds and 10%.
9. Randomly select twenty-five employees and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Department.
- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Department.
- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

10. Randomly select five bonus pay disbursements to determine:
 - Employee does not make more than \$100,000 annually.
 - Bonuses received during the year did not exceed \$3,000.
 - Transaction was appropriately documented and approved.

Payroll (Continued)

11. Randomly select twelve bonus pay disbursements authorized by the 2015-2016 Supplemental Appropriations to determine:
 - Employee is a permanent state employee in a full-time equivalent position who has been in continuous state service for at least six months prior to July 1, 2015.
 - Employee does not make more than \$100,000 annually.
 - Bonus pay was split between funds according to the ratio of the employee's base salary.
12. Randomly select sixteen 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 pay check was properly calculated in accordance with applicable State law.
13. Randomly select sixteen 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, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
14. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes of +/- 10%.
15. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of changes of +/- 10%.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

16. Randomly select thirteen journal entries and five transfers for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Appropriation Act

17. Inspect the Appropriation Act work program, provided to and completed by management, noting areas of noncompliance, if any.
18. Confirm compliance with Department-specific state provisos by inquiring with management and observing supporting documentation.
19. Randomly select five travel advances provided during the fiscal year to:
 - Determine the travel advance was not made to an employee for travel within the State without proper approval from the Comptroller General.
 - Determine the travel advance was not made for more than 80% of the estimated amount of total travel expenses or made in instances where 80% of the estimated travel expense does not exceed \$250.

Appropriation Act (Continued)

- Determine that the Department maintained adequate records/supporting documentation regarding the advance.
- Determine that the travel advance was submitted for approval no later than seven business days prior to the beginning of the trip.
- Confirm the traveler repaid the advance within thirty days after the end of the trip.

We found no exceptions as a result of the procedures.

Reporting Packages

20. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
21. In addition to the above procedure, we will perform the following:
 - Grants and Contributions Revenue Reporting Package
 - Haphazardly select five grants to determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the SCEIS general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue to determine accuracy.
 - Other Receivables Reporting Package
 - Haphazardly select two additional amounts reported on the package but not included with SCEIS – Accounts Receivable Current with Customer Report to determine if amounts were properly classified and agreed to Department supporting documentation.
 - Capital Assets Reporting Package
 - Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet and/or Department prepared records.
 - Select two capital asset retirements and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine to the asset was properly removed from the Department's books and the disposal was properly approved.
 - Determine if the capitalized costs reported in the SCEIS Asset History Sheet for the Columbia Farmer's Market are accurate based on inspection of Department records/supporting documentation.
 - Operating Leases Reporting Package
 - Determine if amounts agree to the SCEIS general ledger, the SCEIS Yearend Rptg – Operating Lease Expense with Vendor report and/or Department prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Five haphazardly selected contingent rental payments; (2) One haphazardly selected payment for each vendor included in the remaining rental payment classifications (Payments for Supplies and Other Billing Charges and Other Adjustments); (3) The effective dates, current expense and future minimum lease payments of all property leases; (4) All costs of property leased to others under operating leases; and (5) All future rental payments to be received for property leased to others.

Reporting Packages (Continued)

- Other Payroll Liabilities Reporting Package
 - Determine if reported amounts agree to the SCEIS Compensated Absences report and/or Department prepared records.
- Subsequent Events Questionnaire
 - Determine if responses and any related supplemental information are reasonable/accurate based on inspection of the SCEIS general ledger, invoices, and/or Department prepared reports/spreadsheets.

Findings

Capital Assets Reporting Package - The Department incorrectly reported accumulated depreciation for the asset recorded on the Reporting of Adjustments and Errors Identified in SCEIS Asset History Sheet. As a result, accumulated depreciation was understated by \$2,697. Additionally, the Department was unable to provide documentation to support the disposal of one asset. As a result, we were unable to verify that the asset was properly approved for disposal.

Operating Leases Reporting Package - On the Operating Lease Summary Form – Lessor, accumulated depreciation for the total cost of property leased to others under operating leases was overstated by \$1,818,198. Additionally, reported future rental payments to be received by the Department were understated by \$65,070, and future rental payments to be received from a state entity of \$77,583 were incorrectly included on the reporting package. This resulted in a net overstatement of \$12,513 for future rental payments to be received.

Other Payroll Liabilities Reporting Package - The Department was unable to provide supporting documentation for the total leave liability reported for fund 10010000 on the Compensated Absence Summary Form. We confirmed the reported amount did not agree to the Compensated Absences Report. As a result, we were unable to determine the amount that should have been reported.

Management's Response

Capital Assets – This error was due to a capital lease asset that was not added to SCEIS in the proper fiscal year. This asset has been added, therefore, this error should not reoccur. The Surplus Property Turn-In-Document (TID) was misplaced and was never located. The agency has taken steps to ensure all TIDs are scanned and attached to the asset in SCEIS so that appropriate documentation is in place for all disposed assets.

Operating Leases – SCDA has used a spreadsheet for several years to report accumulated depreciation for property leased to others. As a result of the use of this spreadsheet, the accumulated depreciation being used did not match what was reported in SCEIS, which is the book of record for all assets. This reporting process continued through the end of FY 2017, but should be corrected in 2018.

Other Payroll Liabilities – The worksheet used to prepare the total leave liability on the Compensated Absence Summary form was misplaced, therefore the agency was unable to identify the source of inconsistency. A process is in place to retain files in both Human Resources and Administration.

Minutes

22. We will inspect the Department's approved Commission minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.

Status of Prior Findings

23. Through inquiry and inspection, determine if the Department has taken appropriate corrective action on the status of findings reported in the Accountant's Comments section of the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures.