
South Carolina Department of Agriculture

Columbia, South Carolina

Independent Accountant's Report on Applying Agreed-Upon
Procedures for the year ended June 30, 2012

State of South Carolina



Office of the State Auditor

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June 21, 2013

The Honorable Hugh E. Weathers, Commissioner
South Carolina Department of Agriculture
Columbia, South Carolina

This report on the application of agreed-upon procedures to the accounting records and internal controls of the South Carolina Department of Agriculture for the fiscal year ended June 30, 2012, was issued by Brown CPA, 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 black ink, appearing to read "Richard H. Gilbert Jr.", written in a cursive style.

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

RHGjr/trb

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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 South Carolina Office of State Auditor and management of South Carolina Department of Agriculture (the "Department"), solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2012, 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 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 \$77,000 – earmarked fund, \$10,000 – restricted fund, and \$12,000 – 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 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 \$35,000 – general fund, \$83,000 – earmarked fund, and \$15,000 – 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 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 \$35,000 – general fund, \$83,000 – earmarked fund, and \$15,000 – 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 ± 15 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 inspected selected entries and monthly totals in the subsidiary records of the Department 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 Department's policies and procedures and State regulations.

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

6. **Appropriation Act**

- We inspected documents, observed processes, and/or 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.

7. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2012 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 reportinging packages agreed with the supporting workpapers and accounting records.

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

8. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2012, 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.

9. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the Independent Accountant's Agreed-Upon Procedures report on the Department resulting from the engagement for the fiscal year ended June 30, 2010, to determine if the Department has taken corrective action. We applied no procedures to the Department's accounting records and internal controls for the fiscal year ended June 30, 2011.

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 South Carolina Office of the State Auditor, and the Commissioner and management of the Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties.

BROWN CPA, L.L.C.

Irmo, South Carolina
June 19, 2013

Accountant's Comments

SECTION A - OTHER WEAKNESS

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 condition described in this section has been identified while performing the agreed-upon procedures but it is not considered a violation of State Laws, Rules or Regulations.

Reporting Package – Grants Activity

Condition – During the testing of the Grants and Contribution Revenues Reporting Package we determined that the balances reported for cash and use tax payable were misstated for two grants at the grant level.

	Grant #	Reporting Package Amount Reported	Difference	Amount Recorded in SCEIS
Cash	P1601SCBGP12	(190,342.74)	91.54	(190,251.20)
	P16010CPPW11	2,010.72	(91.54)	1,919.18
Use Tax Payable	P1601SCBGP12	0	(91.54)	(91.54)
	P16010CPPW11	0	91.54	91.54

Cause – The Department posted Document Number 6900007213 to the wrong grant.

Effect – Overall cash and use tax were properly reported however the amounts at the grant level were misstated. This resulted in a misstatement in the ending fund balance for these grants as reported on the Grants and Contribution Revenues Reporting Package Grants Activity From and the Schedule of Federal Financial Assistance submitted to the SC Office of the SC State Auditor.

Criteria – Proper financial reporting.

Recommendation – The Department should more closely review the amounts reported in year-end reporting packages to ensure that they are supported by the underlying documentation.

SECTION B – STATUS OF PRIOR 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 the Department for the fiscal year ended June 30, 2010, and dated May 24, 2011. We applied no procedures to the Department's accounting records and internal controls for the year ended June 30, 2011. We determined

that the Department has taken adequate corrective action on each of the findings.

Comment - June 30, 2010 Report	Status
<p>#1 <u>Capital Assets Closing Package – Outstanding Construction Commitments</u> During the testing of the Office of Comptroller General <i>Capital Assets Overview Questionnaire</i> it was observed that the Department did not indicate any outstanding construction commitments as of yearend. Based upon testing in other areas and information publically available, it was noted that the Department is in the process of constructing a State Farmers Market in the Lexington, SC area.</p>	Corrective Action Taken.
<p>#2 <u>Accounts Payable Closing Package – Retainage Payable and Construction Payable</u> It was noted that the Department did not list as a payable amounts due at year end for ongoing construction of \$484,778 at the Lexington State Farmers Market and the associated related retainage payable of \$214,693.</p>	Corrective Action Taken.
<p>#3 <u>Operating Lease – Lessor Closing Package – Future Minimum Lease Payments to Be Received</u> The Department operates three State Farmers Markets and leases space at those markets to numerous tenants under varying lease terms. During the testing of the Office of Comptroller General <i>Operating Lease Lessor Summary Form Closing Package</i> it was observed that the Closing Package did not indicate any amounts for future rental payments to be received.</p>	Corrective Action Taken.
<p>#4 <u>Accounts Receivable Summary Form Closing Package</u> During the testing of the <i>Accounts Receivable Summary Form Closing Package</i> it was observed that an amount was improperly reported by \$10,000. The amount shown for Gross Accounts Receivable was reported at \$43,753 and should have been reported as \$53,753.</p>	Corrective Action Taken.

Attachment A



Hugh E. Weathers, Commissioner

State of South Carolina Department of Agriculture

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June 20, 2013

Matt Brown
Brown, CPA LLC
P. O. Box 3288
Irmo, SC 29063

Dear Mr. Brown:

We have reviewed the audit report prepared for the South Carolina Department of Agriculture. We wish to respond to the Accountant's Comments:

Section A – Other Weakness; Reporting Package – Grants Activity:

During the preparation of the Sales and Use Tax Return for the second quarter of calendar year 2012 (quarter ending June 2012), sales and use tax was paid out of the incorrect grant due to administrative oversight. This error was not discovered until after the closing package had been prepared. This error has been corrected in this fiscal year and will be reflected in the closing package prepared for 2013.

We strive to make sure we have no audit exceptions during the year. We sincerely thank you for meeting with us.

Sincerely,

A handwritten signature in cursive script that reads "Beverly S. Cleare".

Beverly S. Cleare
Director of Administration