

**SOUTH CAROLINA  
DEPARTMENT OF AGRICULTURE**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 1998**

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

June 25, 1999

The Honorable D. Leslie Tindal, Commissioner  
South Carolina Department of Agriculture  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Department of Agriculture, solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 1998, in the areas addressed. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the 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. We tested selected recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the tested receipt transactions were adequate. We also tested selected recorded receipts to determine if these receipts were recorded in the proper fiscal year. We compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement. 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 from sources other than State General Fund appropriations to those of the prior year to determine the reasonableness of collected and recorded amounts by revenue account. The individual transactions selected for testing were chosen randomly. We found no exceptions as a result of these procedures.

2. We tested selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records, were bona fide disbursements of the Department, and were paid in conformity with State laws and regulations and if internal controls over the tested disbursement transactions were adequate. We also tested selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year. We compared amounts recorded in the general ledger and subsidiary ledgers to various STARS reports to determine if recorded expenditures were in agreement. We compared current year expenditures to those of the prior year to determine the reasonableness of amounts paid and recorded by expenditure account. The individual transactions selected for testing were chosen randomly. Our finding as a result of these procedures is presented in Expenditures in the Accountant's Comments section of this report.
3. We tested selected recorded payroll disbursements to determine if the tested 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 internal controls over the tested payroll transactions were adequate. We tested selected payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS. We also tested payroll transactions for selected new employees and those who terminated employment to determine if internal controls over these transactions were adequate. We compared amounts recorded in the general ledger and subsidiary ledgers to various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement. We performed other procedures such as comparing current year payroll expenditures to those of the prior year; comparing the percentage change in personal service expenditures to the percentage change in employer contributions; and comparing the percentage distribution of recorded fringe benefit expenditures by fund source to the percentage distribution of recorded payroll expenditures by fund source to determine if recorded payroll and fringe benefit expenditures were reasonable by expenditure account. The individual transactions selected for testing were chosen randomly. Our finding as a result of these procedures is presented in Personnel Records in the Accountant's Comments section of this report.
4. We tested selected recorded journal entries and all appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct; and the internal controls over these transactions were adequate. The journal entries selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
5. We tested 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 the internal controls over the tested transactions were adequate. The transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.

6. We obtained all monthly reconciliations prepared by the Department for the year ended June 30, 1998, and tested selected reconciliations of balances in the Department's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if they were accurate and complete. For the selected reconciliations, we recalculated the amounts, agreed the applicable amounts to the Department's general ledger, agreed the applicable amounts to the STARS 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 and/or in STARS. The reconciliations selected for testing were chosen randomly. Our finding as a result of these procedures is presented in Reconciliations in the Accountant's Comments section of this report.
7. We tested the Department's compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 1998. Our findings as a result of these procedures are described in procedures 2, 3, 6 and 8.
8. We reviewed the status of the deficiencies described in the findings reported in the Accountant's Comments section of the State Auditor's Report on the Department resulting from our engagement for the fiscal year ended June 30, 1997, to determine if adequate corrective action has been taken. Our finding as a result of these procedures is presented in Personnel Records in the Accountant's Comments section of this report.
9. We obtained copies of all closing packages as of and for the year ended June 30, 1998, prepared by the Department and submitted to the State Comptroller General. We reviewed them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. We found no exceptions as a result of the procedures.
10. We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 1998, prepared by the Department and submitted to the State Auditor. We reviewed it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. We found no exceptions as a result of the procedures.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Further, we were not engaged to express an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express such opinions. Had we performed additional procedures or had we conducted an audit or review of the Department's financial statements or any part thereof, other matters might have come to our attention that would have been reported to you.

The Honorable D. Leslie Tindal, Commissioner  
South Carolina Department of Agriculture  
June 25, 1999

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

Thomas L. Wagner, Jr., CPA  
State Auditor

**ACCOUNTANT'S COMMENTS**

**SECTION A - MATERIAL WEAKNESSES AND/OR VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS**

The procedures agreed to by the agency require that we plan and perform the engagement to obtain reasonable assurance about whether noncompliance with the requirements of State Laws, Rules, or Regulations occurred and whether internal accounting controls over certain transactions were adequate. Management of the entity is responsible for establishing and maintaining internal controls. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Therefore, the presence of a material weakness or violation will preclude management from asserting that the entity has effective internal controls.

The conditions described in this section have been identified as material weaknesses or violations of State Laws, Rules, or Regulations.



## EXPENDITURES

The Department reported \$126,982 on its accounts payable closing package that represents goods and services received in fiscal year (FY) 1998 but paid with FY 1999 funds. Of twelve vouchers (representing \$97,988 of these expenditures), we found that eleven for \$89,237 should have been paid before fiscal year-end because the invoices were received by the Department in time to process them for payment. We were told that the Department discovered in May 1998 that it had incurred expenditures in excess of available earmarked funds. The Department was unable to make an interfund loan to earmarked funds from other sources to cover the expenditures (total accounts payable from earmarked funds reported on the closing package was \$109,722) because other funds weren't available. Further, we were told that division managers are responsible for monitoring their budgets and informing the appropriate personnel of anticipated expenditures that were not expected during the preparation of the original budget. Some of the managers, however, are not closely monitoring their available budget balances.

Sound management practice requires timely review and assessment of available funds and anticipated expenditures. Further, Proviso 2.1 of Part 1B of the 1997-98 Appropriation Act states "Subject to the terms and conditions of this act, the sums of money set forth in this Part, if so much is necessary, are appropriated ... to meet the ordinary expenses of the state government for Fiscal Year 1997-98, and for other purposes specifically designated."

We recommend that the Department's division managers monitor available budget balances and notify appropriate personnel when anticipated expenditures exceed available funds so that appropriate actions may be taken.

## **RECONCILIATIONS**

During our review of the Department's reconciliations, we found the following errors:

1. The Department does not explain variances noted between amounts in the Department's records and those in the State's accounting system (STARS) as reflected on the Comptroller General's reports.
2. The Department does not reconcile earmarked revenues recorded in its records to those in the Comptroller General's records.
3. The Department performs revenue reconciliations at the major revenue subfund level rather than at the subfund and object code level due to an accounting system limitation.

Section 2.1.7.20 of the Comptroller General's Policies and Procedures Manual, commonly referred to as the STARS Manual, requires that monthly reconciliations for revenues, expenditures, and ending cash balances be performed at the level of detail that will ensure that errors are detected and corrected in a timely manner. Also, reconciliations must be documented in writing in an easily understandable format with all variances explained in sufficient detail to facilitate corrections and for audit purposes.

We recommend the Department implement procedures to ensure that monthly reconciliations are prepared for all departmental funds at the subfund and object code level of detail. We also recommend that the Department modify its accounting software so that revenues can be recorded at the subfund and object code level.

## **PERSONNEL RECORDS**

Of the 25 personnel files that we requested for our test of pay transactions for persons terminating employment with the Department, the Department was unable to provide us with 16. Also, of the 25 personnel files we requested for our test of fiscal year 1998 personnel and payroll transactions, 20 did not contain current and up-to-date personnel information (i.e., missing, incomplete or non-current employee profiles and termination notices). We were told that the Human Resource Manager terminated in April 1999 and no one knew where the personnel files and the updated personnel information were located. We reported a similar finding regarding a missing personnel file in the State Auditor's Report for fiscal year 1997.

Section 19-708.03 of the State Human Resources Regulations requires each agency to maintain an official individual personnel file for each employee which must include copies of the employment application, all personnel actions reflecting a history of the employee's service, and all performance appraisals and correspondence directly related to the employee's work record.

We recommend the Department develop and implement procedures to ensure that all personnel files are properly maintained, controlled, and safeguarded. We also recommend that the Department locate the missing personnel files.

## **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 State Auditor's Report on the South Carolina Department of Agriculture for the fiscal year ended June 30, 1997, and dated June 11, 1998. We determined that the Department has taken adequate corrective action on the findings regarding Payments to Fruit and Vegetable Inspectors and the Compensated Absences Closing Package. We have repeated the Personnel Records deficiency in Section A of the Accountant's Comments section of this report.

**MANAGEMENT'S RESPONSE**

August 31, 1999

Mr. Thomas L. Wagner, Jr., CPA  
State Auditor  
1401 Main Street, Suite 1200  
Columbia, SC 29201

Dear Mr. Wagner:

We have reviewed the draft of the report resulting from your performance of agreed-upon procedures to the accounting records of the South Carolina Department of Agriculture for the fiscal year ended June 30, 1998. We hereby authorize the release of the report.

Attached is a current list of the members of the Agriculture Commission and their mailing addresses as requested. Also attached are our responses and comments regarding the matters discussed in the Accountant's Comments.

Sincerely,

D. LESLIE TINDAL

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Attachments

## **EXPENDITURES**

We are in the process of talking to all Department Division managers requesting that they monitor their budget balances each month and they do not exceed their budgets unless proper personnel is notified so we can make necessary provisions.

## **RECONCILIATIONS**

1. The Department does explain variances noted between amounts in the Department's records and those in the State's Accounting System (STARS) as reflected on the Comptroller General's reports. For well over twenty years we have explained our variances in the same way and every auditor has understood them. I do not understand why this is a major audit finding because one auditor does not understand our explanations. We balance every month and explain our variances. We were just told that we should attach a separate sheet of paper to explain our differences because of the limited space on the Comptroller General report.
2. The Department has never reconciled the earmarked revenues in its records to those in the Comptroller General's reports because we balance with the General Fund Control and Cash Status Report and it would be impossible to be out of balance since we balance every month with that report. We, however, will begin reconciling this report, but we do not believe this should be a major audit finding because for over twenty years other auditors found our reconciliations to be sufficient.
3. The Department does perform revenue reconciliations at the major revenue subfund level but our accounting software does not have the capacity at this time to reconcile at a subfund and object code level.

## **PERSONNEL RECORDS**

The Department recruited and hired a new Human Resource Manager as of June 1, 1999. The Department was aware of inadequacies in the agency's filing system prior to hiring the new Human Resource Manager. The Human Resources Department is currently in the process of implementing an accurate and up-to-date filing system. This process will include the locating of personnel files for all S.C. Department of Agriculture employees and the accurate and timely filing of all human resource documents. It is expected that the new filing system will be in place by the end of the calendar year 1999.