

**SOUTH CAROLINA  
LIEUTENANT GOVERNOR'S OFFICE  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2016**



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

November 6, 2017

The Honorable Kevin L. Bryant, Lieutenant Governor  
South Carolina Lieutenant Governor's Office  
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Lieutenant Governor's Office (the Office), solely to assist you in evaluating the systems, processes and behaviors of the Office 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 Office. 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 Office has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Up On 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 Kevin L. Bryant, Lieutenant Governor  
South Carolina Lieutenant Governor's Office  
November 6, 2017

This report is intended solely for the information and use of the management of the South Carolina Lieutenant Governor's Office 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 South Carolina Lieutenant Governor's Office (E04)**

**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 \$2,500 – General Funds, \$36,000 – Earmarked Funds, \$12,500 – Restricted Funds, \$133,000 – 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 five cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

**Finding**

The inspection of cash receipts included transactions for state vehicle use by external parties. The Office is billed for the vehicle and pays with an Interdepartmental Transfer. The payment from the external party is received by the Office and credited against the expenditure account. It was determined that this receipting procedure ultimately will understate revenues and expense on the State's governmentwide financial statements.

**Management's Response**

The Lieutenant Governor's Office concurs with the finding that enhanced procedures should be developed that does not remove the payments from the external parties and overstate the agency revenues and expenditures. Our agency will work with the designated agencies to develop a solution to ensure that the revenues and expenditures are properly reported and included in the South Carolina Comprehensive Annual Financial Report. The Lieutenant Governor's Office is only a pass-through agency and does not provide the services to generate revenue.

**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 \$101,500 – General Funds, \$34,100 – Earmarked Funds, \$12,100 – Restricted Funds, \$132,700 – 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 Office procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Office procedures are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Office, properly coded to the general ledger.

## Cash Disbursements/Non-Payroll Expenditures (Continued)

- 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.

For federally funded cash disbursements/non-payroll expenditures selected 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.

We found no exceptions as a result of the procedures.

## Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$101,500 – General Funds, \$34,100 – Earmarked Funds, \$12,100 – Restricted Funds, \$132,700 – Federal Funds, and 10%.

8. Randomly select six payroll payments 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 Office.
- 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 Office.
- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

9. Randomly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Office's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

10. Randomly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Office'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.

11. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contribution expenditures between the current year and prior year. Obtain an explanation of changes of +/- 10%.

12. 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%.

## **Payroll (Continued)**

### **Finding**

An Accountant's Comment was made in the prior fiscal year report due to a lack of supporting documentation for one payroll transaction selected for inspection. For the fiscal year 2016 payroll transactions selected for inspection, the Office was not able to provide documentation adequate to perform the agreed upon inspections.

### **Management's Response**

The Lieutenant Governor's Office will ensure that adequate documentation is maintained in personnel and payroll files to ensure the agency is in compliance with state laws.

### **Journal Entries and Transfers**

13. Randomly select eighteen 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**

14. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
15. Confirm compliance with Office-specific state provisos by inquiring with management and observing supporting documentation.

We found no exceptions as a result of the procedures.

### **Reporting Packages**

16. Obtain copies of all fiscal year end reporting packages submitted to the Office of the State Comptroller General. Inspect the reporting packages to:
- Determine if preparation was in accordance with Comptroller General Office requirements.
  - Determine if amounts reported in the reporting packages agree with the supporting workpapers and accounting records.

### **Findings**

Discrepancies with accounts payable and compensated absences were reported in the Accountant's Comments section of the engagement for the prior fiscal year. The fiscal year 2016 exceptions encountered are as follows:

The liability reported for compensated absences was overstated by almost \$400,000 due to a clerical error made in attempting to report a corrected general fund amount to the Comptroller General's Office in part 2 of the Compensated Absences Summary Form.

The liability reported for accounts payable was understated by approximately \$4,450, due to the inadvertent omission of two payable transactions from the total liability.

## **Reporting Packages (Continued)**

### **Management's Response**

The Lieutenant Governor's Office will follow the policies and procedures established by the Comptroller General's Office to ensure that the appropriate reporting packages are completed using the provided instructions.

### **Status of Prior Findings**

17. Inquire about the status of findings reported in the Accountant's Comments section of the engagement for the prior fiscal year to determine if the Office has taken appropriate corrective action.

We determined that the Office has taken adequate corrective action on each of the findings, except where noted in the Payroll and Reporting Package findings above.