

**SOUTH CAROLINA STATE AGENCY
OF VOCATIONAL REHABILITATION
WEST COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2016



**South Carolina
Office of the State Auditor**

**George L. Kennedy, III, CPA
State Auditor**

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 5, 2017

Board of Directors
South Carolina State Agency of Vocational Rehabilitation
West Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Agency of Vocational Rehabilitation (the State Agency), solely to assist you in evaluating the systems, processes and behaviors of the State Agency 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.

The procedures and results are described in Attachment 1.

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 State Agency. 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 State Agency 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 \$100 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class tested.
- Clerical errors of less than \$100 related to reporting packages.

Board of Directors
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- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions tested 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.

This report is intended solely for the information and use of the governing body and management of the South Carolina State Agency of Vocational Rehabilitation 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.



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**South Carolina Office of the State Auditor
Agreed Upon Procedures Related to the South Carolina State Agency of Vocational
Rehabilitation (H73)**

Revenue

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 \$12,500 – General Funds, \$131,300 – Earmarked Funds, and \$525,800 – Federal Funds and 10%.
2. Randomly select twenty-five revenue transactions and inspect supporting documentation to determine:
 - That the receipt transaction amount, date, payor, document number, and account coding agreed to the general ledger.
 - The revenues / receipts were deposited in a timely manner.
 - That both revenue collections and amounts charged are authorized by law.
3. Randomly select twenty-five revenue transactions and inspect supporting documentation to determine revenue is recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements and 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 \$95,400 – General Funds, \$152,500 – Earmarked Funds, and \$539,900 – 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 agency procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by agency procedures and good business practice are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the agency, properly coded to the general ledger.
 - Disbursement complied with all State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Recalculate mathematical accuracy and proper sales/use tax.

For Federal Assisted Programs we will inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, conform to any limitations or exclusions in the award, do not include costs properly chargeable to other federally assisted programs, 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 \$95,400 – General Funds, \$152,500 – Earmarked Funds, and \$539,900 – Federal Funds and 10%.
8. Randomly select twenty-five payroll disbursements and inspect supporting documentation during the fiscal year to determine:

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 agency.
- Using the personnel records, agree gross pay to supporting documentation noting 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 agency.
 - Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.
9. Randomly select twenty-five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the agency's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
 10. Randomly select twenty-five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the agency'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 to the percentage change in employer contributions expenditures. 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%.

We found no exceptions as a result of the procedures.

Journal Entries

13. Randomly select twenty-five non-recurring journal entries for the fiscal year and determine:
 - Postings trace to the general ledger, and transaction amounts agree with supporting documentation.
 - Whether explanations, together with supporting documentation, adequately explain the purpose of the entry.
 - There was evidence of proper approval.

We found no exceptions as a result of the procedures.

Appropriation Act

14. Complete the Appropriation Act work program provided to management noting areas of noncompliance, if any.
15. Obtain agency-specific state provisos and confirm compliance through inquiry and observation.

We found no exceptions as a result of the procedures.

Reporting Packages

16. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General. Inspect 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.

We found no exceptions as a result of the procedures.

Composite Reservoir Accounts

17. Obtain from the South Carolina Office of the State Auditor (OSA) a listing of agency composite reservoir accounts and confirm with agency management that the listing is complete.
 - *Revolving Fund*
 - *Client Stipends*
18. Obtain fiscal year monthly reconciliations for each composite reservoir account and for two judgmentally selected reconciliations, perform the following procedures:
 - Determine the selected reconciliations were timely performed and properly documented in accordance with State regulations, and are mathematically correct.
 - Agree applicable amounts from reconciliations to the general ledger.
 - Agree applicable amounts from reconciliations to the State Treasurer's Office monthly reports.
 - Determine if reconciling differences were adequately explained and properly resolved.
 - Determine if necessary adjusting entries were made in the accounting records.
19. Randomly select and inspect thirteen revolving fund and twelve client stipend composite reservoir account disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations, were bona fide disbursements of the agency, were paid in conformity with State laws and regulations and that goods and/or services were procured in accordance with applicable laws and regulations.

We found no exceptions as a result of the procedures.

Board Minutes

20. Obtain the State Agency's approved Board minutes beginning with the end date of prior year fieldwork and inspect them for possible financial implications (Period: 6/8/2016 – 3/1/2017)

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

Federal Reports

21. Inspect the State Agency's 2016 RSA-2 annual report, and the State Agency's final SF-425 report for the 2015 Basic Support grant. The inspection will be performed to determine if the reports were complete and accurate and if reported amounts trace to applicable agency accounting records.

We found no exceptions as a result of the procedures.

Cost Allocation

22. Inspect the State Agency's allocation of indirect cost for the quarter ended September 30, 2016 to determine if the allocation was performed in accordance with the State Agency's federally approved cost allocation plan.

We found no exceptions as a result of the procedures.

Status of Prior Findings

23. 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 agency has taken appropriate corrective action.

We found no exceptions as a result of the procedures.