

**SOUTH CAROLINA
DEPARTMENT OF ARCHIVES AND HISTORY**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2016



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 25, 2017

Dr. W. Eric Emerson, Director
South Carolina Department of Archives and History
8301 Parklane Road
Columbia, South Carolina 29223

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Archives and History (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-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.

This report is intended solely for the information and use of the management of the Department 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 SC Department of Archives and History (H79)**

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 \$10,000 and 10% for the Earmarked fund and over \$100,000 and 10% for the Federal Fund.
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 thirteen cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

Finding:

During our inspection of Cash Receipts and Revenues, we observed two documents out of twenty-five in which the attached supporting documentation had no received date stamped. This did not allow us to determine whether the funds were deposited in a timely manner. We also inspected three documents that were stamped as received but not deposited in a timely manner. Finally, we inspected one document that did not have proper support available to determine the deposit date for the funds received.

Management's Response:

As a result of this finding, the agency has developed protocol to ensure that all documentation is appropriately stamped, funds are deposited in a timely manner, and sufficient support documentation is compiled for each transaction.

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 \$50,000 and 10% for the General Fund, over \$20,000 and 10% for the Earmarked Fund, and over \$25,000 and 10% for the Federal Fund.
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.

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 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 nine 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 \$50,000 and 10% for the General Fund, over \$20,000 and 10% for the Earmarked Fund, and over \$25,000 and 10% for the Federal Fund.
8. Randomly select seven 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.

9. Randomly select five supplemental 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.
10. Haphazardly select five 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.

Payroll (Continued)

11. Haphazardly select five 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.
12. 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%.
13. 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

14. Randomly select four journal entries and one transfer 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

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

Finding:

During our inspection of the Appropriations Act Work Program, we observed the Department did not fully comply with S.C. Code of Laws Section 1-11-67 related to equitably sharing rent charges. Per inspection of the general ledger account for rent – state owned property, the Department paid facility rent using both general funds and earmarked funds, but not federal funds. During our inspection of the historical preservation grant, we observed that the grant allows for facility rent to be paid using grant funds.

Management's Response:

Following the FY 2006/07 budget year, the state no longer budgeted state funds for historic preservation. Prior to that time, a state historic preservation grant fund had been used to meet the requirement for a state match for all federal Historic Preservation Grant funds. To compensate for the loss of these matching funds, the agency counted the use of its facilities at the Archives and History Center as a state match for federal Historic Preservation Grant funds. As a result of this finding, the agency will ensure that Historic Preservation Grant funds are used as part of an equitable sharing of rent costs. To compensate for the loss of these matching funds, the agency will be forced to use generated revenue as a match for federal Historic Preservation Grant funds.

Reporting Packages

17. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package 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.
18. In addition to the above procedure, we will perform the following:
 - Inventory Reporting Package
 - Determine if reported amounts agree to the SCEIS Year-end Reporting – Inventory report. In addition, determine if the Department's reconciliation of physical inventory to SCEIS was properly completed by agreeing amounts to the SCEIS general ledger and/or Department prepared records.
 - Prepaid Expenses Reporting Package
 - Determine if amounts agree to the SCEIS Year-end Reporting – Prepaid Expenses report and/or Department prepared records. In addition, randomly select five prepaid expenses to determine if the amounts were properly classified, calculated and reported based on inspection of the SCEIS general ledger and invoices.
 - Subsequent Events Reporting Package
 - Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Department prepared records.

Finding:

During our inspection of the Department's Prepaid Expenses Reporting Package, we observed four of the five selected items had inadequate support provided in order to confirm their dates in SCEIS. In addition, each of the five selected items contained amounts which the Department reported as Current prepaid on their reporting package, rather than properly being reported as expensed. Upon further inspection, each of the amounts in Current prepaid, Non-Current prepaid, Expensed, and Total prepaid columns were misstated on the Department's Prepaid Expense Reporting Package. This was caused by Expensed items shown on the supporting schedule being reported in the Current prepaid column on the Reporting Package. This affected each of the other columns on the Reporting Package. Current prepaid items should relate to the following fiscal year. Non-current prepaid items would extend beyond the next twelve months. Expensed items relate to the current fiscal year ending.

Management's Response:

The agency discovered and corrected these errors to its Prepaid Expenses Reporting Package prior to the commencement of the current audit. As a result of the agency's discovery of this issue and this audit's subsequent finding, the agency has implemented protocol to ensure that future reporting found in the Prepaid Expenses Reporting Package is adequately supported and properly reported.

Status of Prior Findings

19. Inquire about the status of findings reported during the engagement for the prior fiscal year to determine if the Department has taken appropriate corrective action.

We found no exceptions as a result of the procedures, except for the Prepaid Expenses Reporting Package finding repeated above.

Minutes

20. We will inspect the Department's approved 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.