

**SOUTH CAROLINA STATE LIBRARY  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2017**



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 17, 2018

Members of the South Carolina State Library Board  
South Carolina State Library  
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Library (the Library), solely to assist you in evaluating the systems, processes and behaviors of the Library for the fiscal year ended June 30, 2017. 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 Library. 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 Library 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 \$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 Board and management of the South Carolina State Library 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 State Library (H87)**

**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 \$500 in General Funds, \$10,000 in Earmarked Funds, \$1,000 in Restricted Funds, and \$50,000 in Federal Funds and 10%.
2. Randomly select sixteen 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.

We found no exceptions as a result of the procedures.

**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 \$100,000 in General Funds, \$10,000 in Earmarked Funds, \$20,000 in Restricted Funds, and \$50,000 in 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 Library procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Library procedures and good business practice are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Library, properly coded to the general ledger.
  - 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 twenty-five non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

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

### Finding

The Library did not capitalize an asset totaling \$7,599 in the SCEIS General Ledger and SCEIS asset system. The Comptroller General's Reporting Policies and Procedures Manual requires that an asset costing more than \$5,000 and with a useful life greater than two years be capitalized.

### Management's Response

The State Library has now capitalized this asset and has had employee discussions to make sure that this type of issue does not happen moving forward.

### 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 \$100,000 in General Funds, \$10,000 in Earmarked Funds, \$20,000 in Restricted Funds, and \$50,000 in Federal Funds and 10%.
8. Randomly select five 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 Library.
  - Agree gross pay to supporting documentation noting all changes to gross salary for the year. Determine that all changes have been properly approved.
9. Randomly select five bonus pay disbursements to determine:
  - Employee does not make more than \$100,000 annually.
  - Bonuses received during the year did not exceed \$3,000.
  - Transaction was appropriately documented and approved.
10. Randomly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Library's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
11. Randomly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Library'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 contribution 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 three journal entries and four 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**

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

We found no exceptions as a result of the procedures.

## **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 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:
  - Grants and Contributions Revenue Reporting Package
    - For the two reported grants determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the SCEIS general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue to determine accuracy.
  - Prepaid Expense Reporting Package
    - Determine if amounts agree to the SCEIS Year-end Reporting – Prepaid Expenses report and/or Library prepared records. In addition, inspect the four prepaid expenses to determine if the amounts were properly classified, calculated and reported based on inspection of the SCEIS general ledger and invoices.
  - Capital Assets Reporting Package
    - Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet and/or Library prepared records.
  - Operating Leases Reporting Package
    - Determine if amounts agree to the SCEIS general ledger, the SCEIS Year-end Reporting – Operating Lease Expense with Vendor report and/or Library prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Three haphazardly selected contingent rental payments; (2) One haphazardly selected payment for each vendor included in the remaining rental payment classifications (One Time Rental Payments and Other Adjustments).

## Reporting Packages (Continued)

### Findings

Prepaid Expenses Reporting Package – The Library incorrectly reported the total prepaid expense for one item listed on the reporting package. This resulted in an understatement of \$73,437 of the total prepaid and current prepaid expense amounts.

Capital Assets Reporting Package – The Library responded on the Capital Assets Questionnaire that its acquisitions plus transfers-in and retirements plus transfers-out equaled the debit and credit balances reflected in SCEIS, respectively. However, we noted a variance of \$24,833 between these balances which should have prompted the Library to report updated information to the preparers of the financial statements.

### Management's Response

A calculation error was made on the Prepaid Expense reporting package. This error was caused by dividing instead of multiplying. Our Agency will review these calculations more thoroughly in the future.

The Capital Assets reporting package did have \$24,833 in debits and credits with net zero balances. The State Library will report the credit/debit variance on Form 3.08.5 if there is a variance in the future.

### Capital Assets

19. Randomly select five capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine the asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the Comptroller General's Reporting Policies and Procedures Manual.

### Finding

The Library capitalized two assets totaling \$1,923 and \$1,835 in the SCEIS General Ledger and SCEIS asset system. The Comptroller General's Reporting Policies and Procedures Manual requires moveable assets with a value greater than \$1,000 but less than \$5,000 be tagged and tracked in SCEIS as a low value asset rather than a capital asset.

### Management's Response

The State Library acknowledges that these two assets should not have been capitalized and we are working to have the asset reclassified in SCEIS.

### Minutes

20. We will inspect the Board's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no exceptions as a result of the procedures.

### Status of Prior Findings

21. Through inquiry and inspection, determine if the Library has taken appropriate corrective action on the findings reported in the Accountant's Comments section of the engagement for the prior fiscal year.

We found similar exceptions regarding the prepaid expenses reporting package. See finding in **Reporting Packages**.