

**SOUTH CAROLINA
COMMISSION FOR THE BLIND
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2016

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 13, 2017

Members of the Commission
South Carolina Commission for the Blind
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Commission for the Blind (the Commission), solely to assist you in evaluating the systems, processes and behaviors of the Commission 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 Commission. 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 Commission 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 governing body and management the South Carolina Commission for the Blind 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
Schedule of Agreed Upon Procedures – South Carolina Commission for the Blind (L24)**

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 the largest General Fund variation, variations over \$2,500 and 10% for the Earmarked Fund, and variations over \$53,600 and 10% for the Federal Fund.
2. Randomly select twenty 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 \$28,400 and 10% for the General Fund, \$1,600 and 10% for the Earmarked Fund, and \$56,300 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 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.
 - 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.

Cash Disbursements/Non-Payroll Expenditures (Continued)

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 except as associated with and described in the findings of Appropriation Act and Reporting Packages.

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 \$28,400 and 10% for the General Fund, \$1,600 and 10% for the Earmarked Fund, and \$56,300 and 10% for the Federal Fund.
8. Randomly select thirteen employee paychecks 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 agency.
- 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 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 eight 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.
11. Randomly select 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.
12. Randomly select 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.

Payroll (Continued)

13. 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%.
14. 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

15. Randomly select nineteen journal entries 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

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

Finding

The Commission was unable to provide documentation supporting the performance of a personal property inventory in accordance with South Carolina Code of Law Section 10-1-140. This prevented confirmation of the completion of the inventory as well as confirmation of the tagging and tracking of an equipment purchase selected for inspection in the cash disbursements section of this report.

Management's Response

SCCB is in agreement with this finding. Internal Audit will continue to work with staff responsible for asset reporting. Adjusting entries will be made into SCEIS to correct depreciation and asset values.

Reporting Packages

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

As a result of our procedures, we identified the following:

Loans Receivable - Similar to the finding reported in the prior year, discrepancies were noted between the amounts reported on the loans receivable reporting package and the Commission's supporting documentation and therefore the reported loan receivable balance could not be confirmed. Per inquiry with Commission personnel, it was determined that the amounts reported on the reporting package were not the amounts intended to be reported.

Operating Leases - The Commission failed to provide lease documentation for confirmation of amounts reported on the Future Minimum Payment Schedule, where lease dates/payment discrepancies were noted. For two leases reported, future minimum lease payments were overstated by approximately \$22,000 based on the reported lease dates. For another lease, current expense was overstated by approximately \$2,200 based on the reported lease dates.

Accounts Payable - Several discrepancies were found in the accounts payable balance reported through the reporting package process. The net result of the noted discrepancies was an approximate \$31,000 understatement of the payable balance, primarily due to the inadvertent omission of an Interdepartmental Transfer transaction required by Comptroller General's Office instructions to be reported as an account payable. The federal portion of the accounts payable discrepancies totaled approximately \$27,000 resulting in an understatement of the reported grants receivable balance.

Capital Assets - The Commission filed a Capital Assets Reporting Package, however several exceptions were encountered due to a lack of supporting documentation including, and primarily associated with, asset postings, similar to those reported in the prior year. In addition, several depreciable assets were found to be incorrectly classified, such as being classified as low value assets.

Management's Response

Loans Receivables

While the closing package submitted was in accordance with the guidelines, and it agreed with the Loans Receivable Subsidiary ledger, a reconciliation of cash receipts and payments per the Loans Receivable Subsidiary with SCEIS will need to be implemented to help provide assurance that the subsidiary produces accurate balances.

This will require revising the current SCEIS account that includes both loan repayments from blind license vendors, agency disbursements that increase loan balances, as well as other BEP cash transactions unrelated to Loans Receivable. This will be coordinated by Finance, Internal Audit and the BEP staff.

Operating Leases

SCCB is in agreement with the Operating Leases discrepancies. We will ensure that the schedule is documented so that it is clear and that future minimum payments are calculated correctly.

Accounts Payable

We are in agreement with this finding. We will ensure that we follow the Comptroller General's Office instructions when it comes to IDT transfer transactions.

Management's Response (Continued)

Capital Assets

SCCB is in agreement with this finding. Internal Audit will continue to work with staff responsible for asset reporting. Adjusting entries will be made into SCEIS to correct depreciation and asset values.

Status of Prior Findings

19. 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 determined that the Commission has taken adequate corrective action on each of the findings, except where noted in the findings above.

Minutes

20. We will inspect the Commission'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 procedures.