

**SOUTH CAROLINA
HUMAN AFFAIRS COMMISSION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2015

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South Carolina
Office of the State Auditor

George L. Kennedy, III, CPA
State Auditor

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 31, 2017

Members of the Commission
and
Mr. Raymond Buxton, Commissioner
South Carolina Human Affairs Commission
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Human Affairs Commission (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2015, in the areas addressed. The Commission's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. **Cash Receipts and Revenues**

- We inspected seven selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Commission's policies and procedures and State regulations.
- We inspected five selected recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.
- We compared current year recorded revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that revenue was classified properly in the Commission's accounting records. The scope was based on agreed upon materiality levels (\$0 – general fund, \$10,100 – earmarked fund, and \$3,600 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

2. Non-Payroll Disbursements and Expenditures

- We inspected twenty-five selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Commission's policies and procedures and State regulations, were bona fide disbursements of the Commission, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected eight selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared current year expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that expenditures were classified properly in the Commission's accounting records. The scope was based on agreed upon materiality levels (\$17,800 – general fund, \$8,900 – earmarked fund, and \$3,600 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

3. Payroll Disbursements and Expenditures

- We inspected five selected employees' personnel records to determine if the selected employees' disbursements were properly described, classified, and distributed in the accounting records; they were bona fide employees; and payroll transactions were properly authorized and were in accordance with existing legal requirements and processed in accordance with the Commission's policies and procedures and State regulations.
- We inspected payroll transactions for five selected new employees and five individuals who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the Commission's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
- We inspected five selected recorded bonus payroll disbursements to determine if the selected disbursements were approved and processed in accordance with the Commission's policies and procedures and State regulations.
- We compared current year payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that expenditures were classified properly in the Commission's accounting records. The scope was based on agreed upon materiality levels (\$17,800 – general fund, \$8,900 – earmarked fund, and \$3,600 – federal fund) and ± 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of ± 10 percent to ensure that payroll expenditures were classified properly in the Commission's accounting records.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

4. **Journal Entries**

- We inspected ten selected recorded journal entries to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the Commission's policies and procedures and State regulations.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

5. **Appropriation Act**

- We inspected Commission documents, observed processes, and/or made inquiries of Commission personnel to determine the Commission's compliance with Appropriation Act general provisos as listed in the Appropriation Act work program, and Commission specific provisos, if applicable.

Our findings as a result of these procedures are presented in Personal Property Inventory and Allocation of Rental Charges in the Accountant's Comments section of this report.

6. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2015, prepared by the Commission and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's Reporting Policies and Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records.

Our findings as a result of these procedures are presented in Operating Leases Reporting Package and Tracking Assets in SCEIS in the Accountant's Comments sections of this report.

7. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2015, prepared by the Commission and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

8. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission resulting from our engagement for the fiscal year ended June 30, 2014, to determine if the Commission had taken corrective action.

Members of the Commission
and
Mr. Raymond Buxton, Commissioner
South Carolina Human Affairs Commission
January 31, 2017

Our findings as a result of these procedures are presented in Personal Property Inventory and Allocation of Rental Charges in the Accountant's Comments section of this report.

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-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.
- 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.
- Submission of the Schedule of Federal Financial Assistance less than three business days late.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the governing body and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.



George L. Kennedy, III, CPA
State Auditor

ACCOUNTANT'S COMMENTS

SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

OPERATING LEASES REPORTING PACKAGE

Condition:

1. During our review of the Operating Lease Reporting Package we noted that the current minimum lease payment for one of their postage machines was for an incorrect amount. The reporting package states that the minimum lease payment is \$828. Per review of the invoices for the lease payments it was discovered that the actual minimum lease payment is \$256.
2. We also noted that the Future Minimum Payment Schedule for two different postage machines were incorrectly calculated. For the first lease it was reported that the future minimum lease payment was \$948. However we discovered that a total tax of \$76 was left out of this calculation. This would have brought the future minimum lease payment to \$1,024. For the second lease it was reported that the future minimum lease payment was \$2,927. However this excluded the property tax of \$186 and the sales tax of \$249. The correct future minimum lease payment should have been \$3,362.

Cause:

Agency oversight.

Effect:

1. Overstatement to the current minimum lease payment of \$572.
2. Understatement to the annual future minimum lease liability of \$511.

Criteria:

Section 1.7 of the Comptroller General's Reporting Policies and Procedures Manual states, "Each agency's executive director and finance director are responsible for submitting to the Comptroller General's Office reporting packages and/or financial statements that are: accurate, and prepared in accordance with instructions, complete, and timely."

Recommendation:

We recommend the Commission follow the policies and procedures established by the Comptroller General's Office to ensure that the reporting packages are completed correctly using the provided instructions.

Management's Response:

The agency entered these amounts incorrectly. Agency will ensure amounts entered are the minimum payment and not the yearly payment.

PERSONAL PROPERTY INVENTORY

Condition:

The Commission did not conduct an inventory of its personal property as required by Section 10-1-140 of the South Carolina Code of Laws, as amended.

Cause:

Per Commission staff, an inventory was not conducted due to being understaffed, but an assistant has been hired and they will begin the process of taking inventory.

Effect:

Property was not properly accounted for and tracked.

Criteria:

Section 10-1-140 of the South Carolina Code of Laws, as amended, states, "The head of each department, agency or institution of this State is responsible for all personal property under his supervision and each fiscal year shall make an inventory of all such property under his supervision, except expendables."

Recommendation:

We recommend the Commission implement procedures to ensure compliance with Section 10-1-140 of the South Carolina Code of Laws, as amended.

Management's Response:

As reported on past audits, the Administrative Manager was the only financial person (HR, Finance, Procurement, and Budgets) and a master list of agency inventory was not completed. As of today, a Fiscal Tech II has been hired and he is working to complete the agency inventory. Therefore, agency will have a list of assets available for the next audit conducted. Any new assets or inventory purchased will be added accordingly.

ALLOCATION OF RENTAL CHARGES

Condition:

The Commission did not charge rental expense proportionately among major funds as required by Section 1-11-67 of the South Carolina Code of Laws, as amended. The Commission charged \$60,668 to the General fund and \$46,856 to the Earmarked funds, but did not charge any rental expense to the Federal fund.

Cause:

Per Commission staff, the amount of Federal funds received was not enough to pay administrative costs and other expenditures required per the grant.

Effect:

Commission is not in compliance with South Carolina Code of Laws.

Criteria:

Section 1-11-67 of the South Carolina Code of Laws, as amended, states, "All departments and agencies against which rental charges are assessed and whose operations are financed in whole or in part by federal or other non-appropriated funds are both directed to apportion the payment of these charges equitably among all funds to ensure that each bears its proportionate share."

Recommendation:

We recommend the Commission implement procedures to ensure compliance with Section 1-11-67 of the South Carolina Code of Laws, as amended.

Management's Response:

Agency was informed that all funds (including federal funds) should be used when paying rental charges. The agency did use federal funds for rental charges such as copiers, mail machine, etc. However, the agency did not use federal funds for the office rent in part due to the amount of federal funds received. The agency's other funds (state and earmarked) were substantially higher and therefore were used to pay the office rent. Agency will make every effort to use all funds (including federal funds) for future office rent payments.

SECTION B - OTHER WEAKNESS

The condition described in this section has been identified while performing the agreed-upon procedures but it is not considered a violation of State Laws, Rules or Regulations.

TRACKING ASSETS IN SCEIS

Condition:

During our review of asset acquisitions at our capital assets reporting package test work, we noted that a low value asset was for a purchase of 32 computers. However, these computers were entered as one low value asset in SCEIS, which inhibits the ability to track each individual computer.

Cause:

Lack of adequate SCEIS training.

Effect:

Inability to track each of the computers in SCEIS.

Criteria:

An effective set of internal controls should be in place to ensure that assets are properly posted to enable tracking the asset in SCEIS.

Recommendation:

We recommend the Commission strengthen its procedures in order to ensure assets are correctly posted in SCEIS to enable proper tracking of each asset.

Management's Response:

SCEIS training regarding assets was offered after this transaction occurred. Being new to the position, Administrative Manager was unclear of the process. Administrative Manager/Fiscal Tech with both ensure future assets are tracked and entered appropriately.

SECTION C - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the South Carolina Human Affairs Commission for the fiscal year ended June 30, 2014, and dated December 14, 2015. We determined the Commission has taken adequate corrective action on each of the findings except we have repeated the Personal Property Inventory and Allocation of Rental Charges findings.

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