

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

**STATE AUDITOR'S REPORT**

**JUNE 30, 2016**



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 11, 2017

Members of the Commission  
South Carolina Human Affairs Commission  
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Human Affairs Commission (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 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 of the South Carolina Human Affairs Commission 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 Human Affairs Commission (L36)**

**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 General Fund variations, and variations over \$11,000 – Earmarked Fund, and \$6,500 – Federal Fund and 10%.
2. Randomly select 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 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 \$18,300 – General Fund, \$10,100 Earmarked Fund, and \$4,900 – Federal Fund and 10%.
5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
  - Transaction is properly completed as required by Commission procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Commission procedures are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Commission, 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 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.
6. Randomly select twelve 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 \$18,300 – General Fund, \$10,100 Earmarked Fund, and \$4,900 – Federal Fund and 10%.

8. Randomly select five 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 Commission.
- 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 Commission.
- 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 five 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 two employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

12. Randomly select one employee who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Commission'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.

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%.

## **Payroll (Continued)**

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 thirteen journal entries 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 and completed by management, noting areas of noncompliance, if any.
17. Confirm compliance with Commission-specific state provisos by inquiring with management and observing supporting documentation.

## **Finding**

Through our inspection of the Appropriation Act work program and our inquiry of the status of prior year findings, although significant progress has been made towards completion of an annual inventory of all Commission personal property, an inventory of the Commission's property was not completed during the 2016 fiscal year.

## **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 inventory was not completed. A Fiscal Tech II was hired in State Fiscal Year 2017 and he has completed the Commission's inventory.

## **Reporting Packages**

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

### Capital Assets

The Commission was required to file a Capital Assets Reporting Package, but as a result of incorrectly answering questions twenty-one and twenty-two on the Master Reporting Checklist, did not file a Capital Assets Reporting Package for fiscal year 2016.

### Accounts Receivable

Due to clerical errors made in the reporting package process, inconsistencies were noted regarding collectability and current/non-current classification of the Commission's \$1,400 year-end account receivable balance.

### Grants Receivable and Unearned Grant Revenue

Explanations on the reporting package for grants with no activity could not be substantiated and reported grants receivable and deferred revenues were both overstated by approximately \$14,000 due to the reporting of two closed grants on the reporting package.

## Management's Response

*Capital Assets Reporting Package* - This closing package was omitted due to an oversight on the part of the Administrative Manager; the Commission believed that it did not have to complete the Capital Assets Reporting Package. The Commission will complete this closing package in future years.

*Accounts Receivable Reporting Package* - The Commission showed an inconsistency regarding the collectability of the accounts receivable year-end balance due entering the receivable in the incorrect column of the closing package. The Administrative Manager will review the closing package more carefully to prevent this error in future closing packages.

*Grant Receivable and Unearned Grant Revenue Reporting Package* - The Commission intends to research and correct the grants reported with no activity on the closing package in State Fiscal Year 2018. Two closed grants were included on the Grants Receivable and Unearned Grant Revenue Reporting Package due to a journal entry that was completed in State Fiscal Year 2016. This journal entry was keyed in order to correct revenue that had been keyed to the incorrect grant in State Fiscal Year 2013.

## 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 Commission has taken appropriate corrective action.

We determined that the Commission has taken adequate corrective action on each of the findings, except as noted in Appropriation Act 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.