

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

**STATE AUDITOR'S REPORT**

**JUNE 30, 2012**

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# State of South Carolina



## Office of the State Auditor

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 28, 2013

The Honorable Nikki R. Haley, Governor  
and  
Members of the Commission  
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, 2012, 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 selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations.
- We inspected 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 general ledger code 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 agency's accounting records. The scope was based on agreed upon materiality levels (\$400 - general fund, \$6,400 - earmarked fund, and \$5,400 - federal fund) and  $\pm 10$  percent.

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The individual transactions selected were chosen randomly. Our finding as a result of the procedures is presented in Account Coding in the Accountant's Comments section of this report.

2. **Non-Payroll Disbursements and Expenditures**

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the agency'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 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 general ledger account code 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 agency's accounting records. The scope was based on agreed upon materiality levels (\$13,800 – general fund, \$6,200 – earmarked fund, and \$3,800 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. Our finding as a result of the procedures is presented in Account Coding in the Accountant's Comments section of this report.

3. **Payroll Disbursements and Expenditures**

- We inspected selected recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements and processed in accordance with the agency's policies and procedures and State regulations.
- We inspected payroll transactions for selected new employees and those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the agency'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 compared current year payroll expenditures at the subfund and major object code 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 agency's accounting records. The scope was based on agreed upon materiality levels (\$13,800 – general fund, \$6,200 – earmarked fund, and \$3,800 – federal fund) and  $\pm 10$  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  $\pm 10$  percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

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

4. **Journal Entries and Appropriation Transfers**

- We inspected selected recorded journal entries and appropriation transfers 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 agency's policies and procedures and State regulations.

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

5. **Appropriation Act**

- We inspected agency documents, observed processes, and/or made inquiries of agency personnel to determine the Commission's compliance with Appropriation Act general and agency specific provisos.

Our finding as a result of these procedures is presented in Personal Property Inventory 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, 2012, 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 finding as a result of these procedures is presented in Reporting Packages in the Accountant's Comments section 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, 2012, 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.

The Honorable Nikki R. Haley, Governor  
and  
Members of the Commission  
South Carolina Human Affairs Commission  
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We were not engaged to and did not conduct an audit, 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 Governor and 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.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**ACCOUNTANT'S COMMENTS**

## **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.

## **REPORTING PACKAGES**

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." Our testing of the Commission's reporting packages disclosed the following exceptions:

The Commission submitted four of its reporting packages several days to several weeks after their respective due dates.

Although no additional errors or omissions were noted as a result, two answers on the Master Reporting Checklist, form 2.0.1, were answered inaccurately. This was also the case for one question on the capital assets questionnaire, form 3.8.1.

Our testing of the Grants and Contributions Revenue Reporting Package revealed two grant numbers reported incorrectly on the grants activity form, 3.3.1. Also, although the details are included on the grants activity form, no amounts for grants receivable or deferred revenue were reported on the summary form, 3.3.2, in accordance with the reporting package instructions.

On the Refund Receivables Reporting Package no amounts were reported on the refund receivables and related accounts summary form, 3.5.2, even though the responses on the refunds collected and related transactions form, 3.5.1, indicate reportable refunds receivable.

## ACCOUNT CODING

In our testing of revenue and expenditure transactions we found the following coding exceptions: A receipt received to reimburse the Commission for a vehicle lease (account 5051540000) was recorded as in-state auto mileage (account 50500400000).

A disbursement transaction for a copier contingent rental payment (account 5040050000) was posted to the copying equipment service account (account 5020020000).

For another disbursement, the supporting documentation shows that the disbursement was to reimburse a firm for an overcharge of a photocopying fee (account 4380050000), but the disbursement was recorded as copying equipment supplies (account 5030020000).

Effective internal controls require safeguards to ensure that transactions are properly recorded. Expenditures and revenues reimbursed in the same fiscal year that the expenditure or revenue occurred should be recorded in the account that the transaction was originally charged. The Comptroller General's Office Policies and Procedures include the specific definitions for coding transactions to the proper revenue and expenditure accounts.

We recommend that the Commission strengthen its internal controls over the recording of financial transactions. The Commission should ensure that the person reviewing and approving accounting transactions verify that the preparer used the proper account code.

## **PERSONAL PROPERTY INVENTORY**

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.”

The Commission was unable to demonstrate compliance with Section 10-1-140 because it could not provide documentation supporting the performance of the inventory.

We recommend the Commission implement procedures to include documenting the performance of a property inventory to demonstrate compliance with Section 10-1-140.

**MANAGEMENT'S RESPONSE**

STATE OF SOUTH CAROLINA  
**HUMAN AFFAIRS COMMISSION**

Raymond Buxton, II  
Commissioner

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November 25, 2013

Mr. Richard H. Gilbert, Jr. CPA  
1401 Main Street, Suite 1200  
Columbia, SC 29201

RE: Report Release Authorization

Dear: Mr. Gilbert:

In response to the preliminary drafted copy of the SC Human Affairs Audit, we would like to submit the following responses to violations of State Laws, Rules or Regulations.

**Reporting Packages**

At the time reporting packages were due in 2012, the Agency's Budget Director was forced to retire due to illness. Therefore, the Senior Accountant was left to complete the 2012 Reporting Packages. The Senior Accountant had never completed these packages and with the workload of the daily operations of the Agency, she was unable to process them in a timely manner.

**Accounting Codes**

The incorrect use of accounting codes was clerical errors that should have been caught during processing. In the future, the SC Human Affairs Commission's Business Manager will closely monitor coding.

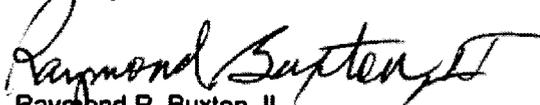
**Personal Property Inventory**

Again, because the Senior Accountant was the only financial person on staff, she was unable to perform inventory for that fiscal year. The SC Human Affairs Commission's Business Manager will ensure yearly property inventory is completed to demonstrate compliance with Section 10-1-140.

Per this letter we are giving our written release authorization of the 2012 SC Human Affairs Commission's State Auditor's Report. As requested, we are also attaching a current list of our Commission members and their mailing and email addresses.

Please contact me or our Business Manager, Lori Dean, should you have additional questions or concerns.

Sincerely,

  
Raymond R. Buxton, II  
Commissioner

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