

**SOUTH CAROLINA STATE
COMMISSION FOR MINORITY AFFAIRS**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2013

CONTENTS

	<u>PAGE</u>
I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1
II. ACCOUNTANT'S COMMENTS	
SECTION A - VIOLATION OF STATE LAWS, RULES OR REGULATIONS	4
GRANTS ACCOUNTING AND REPORTING	5
SECTION B – OTHER WEAKNESSES	6
PROCUREMENT OF CONTRACT SERVICES	7
EXPENDITURE RECORDING AND RECOGNITION	8
SECTION C - STATUS OF PRIOR FINDING	9
MANAGEMENT'S RESPONSE	10

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 8, 2014

The Honorable Nikki R. Haley, Governor
and
Members of the Commission
South Carolina State Commission for Minority Affairs
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina State Commission for Minority Affairs (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2013, 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 account level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in earmarked funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality level of \$4,300 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 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 account level to those of the prior year. We investigated changes in the general and earmarked funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$7,400 – general fund and \$4,000 – earmarked fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented in Procurement of Contract Services and Expenditure Recording and Recognition 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 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 employees who terminated employment to determine if the employees 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.
- We compared current year payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the general and earmarked funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$7,400 – general fund and \$4,000 – earmarked 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 agency's accounting records.

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

4. **Journal Entries, Operating Transfers 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.

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 provisos.

We found no exceptions as a result of the procedures.

6. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2013, 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 Grants Accounting and Reporting in the Accountant's Comments section of this report.

7. **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, 2012, to determine if the Commission had taken corrective action.

Our finding as a result of these procedures is presented in Grants Accounting and Reporting in the Accountant's Comments section of this report.

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 State Commission for Minority Affairs and is not intended to be and should not be used by anyone other than these specified parties.



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

ACCOUNTANT'S COMMENTS

SECTION A - VIOLATION 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 condition described in this section has been identified as a violation of State Laws, Rules or Regulations.

GRANTS ACCOUNTING AND REPORTING

The accountant's comment titled Reporting Packages reported in the State Auditor's Report on the Commission for the fiscal year ended June 30, 2012, reported several exceptions associated with the completion of the year end reporting packages including untimely submission of some reporting package forms.

Our testing of the Commission's fiscal year 2013 reporting packages revealed no untimely submissions. However, on the Grants and Contribution Revenues Reporting Package, the Grants Activity Form (Form 3.3.1) did not support the grant receivable reported on Form 3.3.2 as required by form instructions. Also, two columns of the Grants Activity Form, the "SCEIS Grant No" field and the "CFDA" field were not populated in accordance with the requirements of Section 3.3 of the Comptroller General's Reporting Policies and Procedures Manual. Misinterpretation of the applicable guidance caused the noted exceptions.

In addition, our review of the current year grant activity revealed that the grants on the Grants Activity Form are being accounted for and reported as non-federal grants, but are federal grant funds subgranted to the Commission. The accounting and reporting of these grants is therefore not consistent with Section 19 of the Comptroller General's disbursement regulations.

We recommend the Commission develop and implement internal controls to ensure reporting packages are completed in accordance with the Comptroller General's Reporting Policies and Procedures Manual and form instructions. In addition, we recommend that the Commission reevaluate its grants to identify those that are federally funded and coordinate with the Comptroller General's Office to ensure they are properly accounted for in SCEIS and properly reported at year-end.

SECTION B – OTHER WEAKNESSES

The conditions described in this section have been identified while performing the agreed-upon procedures but are not considered violations of State Laws, Rules or Regulations.

PROCUREMENT OF CONTRACT SERVICES

The Commission contracted for temporary employment services during the fiscal year. The terms of the contract specified that the contractor's hours shall exceed no more than seventeen per week. Two of twenty-five non-payroll disbursements selected for testing were to pay billings for the services associated with this contract. Both transactions included payment for hours billed in excess of the contract terms. Commission documentation was not adequate to explain the reason payments exceeded the contract terms. Additionally, there was a lack of adequate procurement documentation supporting the contract. The Commission explained and documented the circumstances of the contract during our review, but the documentation was not prepared at the time the contracting occurred.

Effective internal controls require documentation adequate to support individual transactions and procurement contracting decisions. Transactions that deviate from written contract terms should be supported with additional explanatory documentation, approved by an appropriate official.

We recommend the Commission review and update procedures associated with service contracts to ensure that all procurement decisions are adequately documented and that payments are consistent with the terms of the contract.

EXPENDITURE RECORDING AND RECOGNITION

One of eight expenditure transactions selected for testing proper year-end cut-off revealed an expenditure transaction charged to the wrong fiscal year. The transaction selected for testing was to pay a recurring monthly bill to a vendor. A review of the associated payments revealed that thirteen months were charged in fiscal year 2013 and eleven months had been charged in the previous fiscal year. The monthly billing at the end of the previous fiscal year was recorded in 2013 and was not recognized as a payable in the previous year.

Effective internal controls require safeguards to ensure that expenditures are recorded in the correct fiscal year including consistent treatment of recurring monthly expenses.

We recommend the Commission strengthen its policies and procedures, over the recording of transactions and the identification of year-end payables, to ensure that transactions are recorded in the proper fiscal year.

SECTION C - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on the finding reported in the Accountant's Comments section of the State Auditor's Report on the Commission for the fiscal year ended June 30, 2012, and dated September 3, 2013. We will repeat the prior year finding in Grants Accounting and Reporting in the Accountant's Comments section of this report.

MANAGEMENT'S RESPONSE

State of South Carolina



Commission for Minority Affairs

2221 Devine Street, Suite 408
Columbia South Carolina 29205

PHONE: (803) 333-9621
FAX: (803) 333-9627

September 22, 2014

Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201

Dear Mr. Gilbert:

The purpose of this letter is to authorize the release of the report resulting from the performance of agreed-upon procedures to the accounting records of the SC Commission for Minority Affairs for the fiscal year ended June 30, 2013. I have completed my review of the preliminary draft copy of the report and I have no questions regarding the content.

As requested, I have attached a current list of our Commission members and their mailing and e-mail addresses. Also attached is my written response regarding the information in the Accountant's Comments which I would like included in the final report. I would also like to thank the staff for the professionalism and attentiveness displayed during their time in our office. Please contact me at 803/8322-8160 if you need additional information.

Sincerely,

A handwritten signature in cursive script that reads "Thomas J. Smith".

Thomas J. Smith
Executive Director

Executive Director's Response

Section A - Violation of State Laws, Rules or Regulation

Grants Accounting and Reporting

Error on Grants and Contribution Revenues Reporting Package. The agency acknowledges that information was incorrect on this reporting package due to a misinterpretation of the instructions. In addition, we acknowledge the fact that we had not identified grant funds received from State agencies as Federal money. The agency has begun communications and meetings with the appropriate staff at the Budget and Control Board and SCEIS to ensure these funds are properly accounted for in the current fiscal year.

Procurement of Contract Services

The Agency will develop internal procedures to ensure that procurement decisions are adequately documented and payment is consistent with the terms of the contract.

Expenditure Recording and Recognition

The agency will review its process regarding the processing of year end payables. In addition, the Agency has hired an Administrative Assistant whose duties include assisting with all of the areas mentioned during this audit. This new hire will be of great benefit to the Agency in all areas of Fiscal Management.

4 copies of this document were published at an estimated printing cost of \$1.49 each, and a total printing cost of \$5.96. Section 1-11-425 of the South Carolina Code of Laws, as amended, requires this information on printing costs be added to the document.