

**SOUTH CAROLINA  
BOARD OF FINANCIAL INSTITUTIONS**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2017**



## Independent Accountant's Report on Applying Agreed-Upon Procedures

March 9, 2018

The Honorable Curtis M. Loftis, Jr., Chairman  
South Carolina Board of Financial Institutions  
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Board of Financial Institutions (the Board), on the systems, processes and behaviors related to financial activity of the Board for the fiscal year ended June 30, 2017. The Board's management is responsible for the systems, processes and behaviors related to financial activity. 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 either for the purpose for 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 related to financial activity of the Board. 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 Board 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 \$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 \$10,000 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.

The Honorable Curtis M. Loftis, Jr., Chairman  
South Carolina Board of Financial Institutions  
March 9, 2018

This report is intended solely for the information and use of the governing body and management of the Board 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 Board of Financial Institutions (R23)**

**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 variations over \$50,000 and 10% for the Earmarked Funds.
2. Randomly select twenty-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, in accordance with Proviso 117.1 of the Appropriation Act.
  - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Randomly select six cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

**Finding**

During our comparison of revenue changes, we observed that 379 mortgage originator renewal fees totaling \$18,950 were incorrectly posted to general ledger account 4160620002 Mortgage Lender Branch License Renewal Fees. These fees should have been coded to general ledger account 4160630002 Mortgage Loan Originator License Renewal Fees.

**Management's Response**

This was a clerical error by staff. Renewal fees were inadvertently posted to the wrong general ledger account. While this is factually an error in reporting these revenues, it should be noted that the actual revenue figures are accurately accounted for and the revenues were credited to the correct industry, just in the wrong entity code. No evidence of other errors of this kind have been found. A process is now in place to avoid an error of this type from happening in the future. The complete posting is attached to all bank deposits prior to approval. Going forward there will be dual verification of exact figures in each accounting code prior to approving any bank deposit.

**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 \$30,000 and 10% for the Earmarked Funds.
5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
  - Transaction is properly completed as required by Board procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Board procedures and good business practice are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Board, 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 / confirm proper sales/use tax.

## **Cash Disbursements/Non-Payroll Expenditures (Continued)**

6. Randomly select fifteen 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 \$30,000 and 10% for the Earmarked Funds.
8. Randomly select five employees 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 Board.
  - Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.
9. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Board's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
  10. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Board'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.
  11. 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%.

We found no exceptions as a result of the procedures.

## **Journal Entries and Transfers**

12. Randomly select five journal entries and transfers 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**

13. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
14. Confirm compliance with Board-specific state provisos by inquiring with management and observing supporting documentation.

We found no exceptions as a result of the procedures.

## Reporting Packages

15. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by CG's Reporting Policies and Procedures Manual.

16. In addition to the procedure above, we will perform the following:

- Capital Assets Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet and/or Board prepared records. Haphazardly select five assets to inspect for proper recording of amount and useful life in SCEIS, and haphazardly select five assets to inspect for proper retirement inspecting if the assets had been fully depreciated over an appropriate estimated useful life and the amounts calculated for depreciation and accumulated depreciation were correct for the selected asset.

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Board records.

We found no exceptions as a result of the procedures.

## Minutes

17. We will inspect the Board'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 agreed-upon procedures.

## Status of Prior Finding

18. Through inquiry and inspection, determine if the Board has taken appropriate corrective action on the finding reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures.