

**STATE OF SOUTH CAROLINA**

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

**June 30, 2014**

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**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

The Honorable Nikki R. Haley, Governor  
 and  
 Members of the General Assembly  
 State of South Carolina  
 Columbia, South Carolina

We have jointly audited, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina (the State) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 22, 2014. We conducted our joint audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to other auditors, including CliftonLarsonAllen LLP acting separately, who audited the financial statements of certain agencies and component units of the State of South Carolina, which represent the indicated percent of total assets and total revenues as described in our report on the State's financial statements and as presented in the following tables. The financial statements of the State Ports Authority, Public Service Authority, Connector 2000 Association, Inc., and South Carolina Medical Malpractice Liability Joint Underwriting Association, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the State Ports Authority, Public Service Authority, Connector 2000 Association, Inc., and South Carolina Medical Malpractice Liability Joint Underwriting Association. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

	Percentage Audited by CliftonLarsonAllen LLP Separately		Percentage Audited by Other Auditors	
	Total Assets	Total Revenue	Total Assets	Total Revenue
<b><u>Government-wide</u></b>				
Governmental activities	2%	10%	63%	9%
Business-type activities	-	-	72%	82%
Component units	-	-	100%	100%

	Percentage Audited by CliftonLarsonAllen LLP Separately		Percentage Audited by Other Auditors	
	Total Assets	Total Revenue	Total Assets	Total Revenue
<b><u>Fund Statements</u></b>				
Governmental Funds	-	-	17%	9%
Enterprise Funds	-	-	72%	82%
Internal Service Funds	30%	88%	59%	8%
Fiduciary Funds	83%	48%	16%	52%
Discretely Presented Component Units				
	-	-	100%	100%

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the State's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2014-001, 2014-002, 2014-003, 2014-004, and 2014-005 as described in the accompanying schedule of findings to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiencies 2014-006 and 2014-007 as described in the accompanying schedule of findings to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of South Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **The State of South Carolina's Response to Findings**

The State's responses to the findings identified in our audit are included in the section of this report titled "Management's Responses." The State's responses were not subjected to the auditing procedures applied in the joint audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Columbia, South Carolina  
December 22, 2014



Baltimore, Maryland  
December 22, 2014

## **MATERIAL WEAKNESSES**

**2014-001 FINANCIAL REPORTING – PREPARATION OF STATEWIDE ACCOUNTING RECORDS AND COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) – COMPTROLLER GENERAL’S OFFICE**

***Condition***

Internal controls over financial reporting were inadequate to prevent or detect multiple misstatements during the preparation of the State’s CAFR and the supporting accounting records, which required the Comptroller General’s Office to post adjustments to the State’s CAFR. Some of the individual misstatements were material.

***Context***

The Comptroller General’s Office is responsible for the reporting of State financial accounting data in the CAFR. Upon receipt of State agencies’ financial accounting data, the Comptroller General’s Office is responsible for compiling the State’s CAFR using the State agencies’ data, and recording statewide accounting adjustments to that data to properly reflect the State’s overall financial position at year end. Errors occurred in the CAFR and the related financial accounting data related to:

- The reporting of agency grants receivable and deferred grant revenue balances;
- The reporting of fund balance classifications;
- The reporting of balances within the financial statements and footnotes that did not match the underlying accounting records; and
- The reporting of balances and footnotes within the CAFR that were not presented in accordance with Generally Accepted Accounting Principles (GAAP)

The errors were not detected or corrected by the Comptroller General’s Office supervisory staff during the review process, and as a result, material misstatements were identified during the audit of the financial statements and footnotes.

***Cause***

The Comptroller General’s Office staff did not accurately compile and report financial accounting data during preparation of the CAFR. In addition, there was lack of adequate review by the Comptroller General’s Office supervisory staff, as errors were not detected during review.

***Effect***

Material audit adjustments were necessary to correct the errors.

## **Criteria**

Section 1.6, An Overview of the Year-End Reporting Process of the Comptroller General's GAAP Reporting Package Procedures Manual, states, "The Comptroller General's Office will use SCEIS functionality to compile the statewide financial statements. Specifically, they will evaluate the completeness of SCEIS and identify and post entries necessary for GAAP compliance in SCEIS." This policy acts as a control over financial reporting for the State's financial statements.

## **Recommendation**

We recommend that additional procedures and controls be developed and implemented to ensure that the State's financial accounting data is reported accurately in the CAFR in accordance with Section 1.6 of the procedures manual referenced above and the data compiled by the Comptroller General's Office staff is adequately reviewed by appropriate personnel. Additionally we recommend that additional procedures be established to ensure review of the financial information is performed timely at a supervisory level and that the review is adequate to detect and prevent errors in financial reporting.

## **Response**

See management's response on page 14.

## **2014-002 FINANCIAL REPORTING – RECONCILIATION OF CASH AND CASH EQUIVALENTS – COMPTROLLER GENERAL'S OFFICE**

### **Condition**

Internal controls over financial reporting were inadequate to prevent or detect misstatements of cash and cash equivalents related to transactions that were incorrectly reported in the South Carolina Enterprise Information System (SCEIS) and not adjusted during the State's year-end reconciliation process.

### **Context**

State agencies record budgetary transactions in SCEIS for budget monitoring functions related to the administration of the State's fiscal affairs. These transactions are posted to budgetary-cash accounts that are for monitoring spending authority and do not reflect the actual cash that is held by the State. The actual cash and cash equivalents held by the State are recorded in SCEIS as well, but are to be reported in a separate ledger for financial reporting. Budgetary cash transactions were recorded incorrectly into the sub-ledger used to report the actual cash and cash equivalents held by the State, resulting in material misstatements that were identified during the audit. The Comptroller General's Office performed a reconciliation of the cash and cash equivalents activity, but did not detect the errors.

### ***Cause***

There are not adequate procedures or policies established to reconcile cash and cash equivalent transactions between the year-end reporting package provided by the State Treasurer's Office and SCEIS. The reconciliation processes that the Comptroller General's Office have implemented were not adequately designed and executed to eliminate the budgetary cash transactions from the sub-ledger.

### ***Effect***

Cash and cash equivalents reported in the State's CAFR included amounts that did not accurately report the State's financial position and as a result, material audit adjustments were required to correct the errors.

### ***Criteria***

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the State's ability to ensure financial transactions are authorized and accurate. The preparation of reconciliations between ledgers and sub-ledgers is a key component of an entity's Internal Control Framework.

### ***Recommendation***

We recommend that additional procedures and controls be developed and implemented by the State to ensure that the cash and cash equivalents reported in SCEIS and the CAFR are reported accurately and in accordance with GAAP.

### ***Response***

See management's response on page 14.

## **2014-003 FINANCIAL REPORTING – REPORTING OF SECOND INJURY FUND CLAIMS LIABILITIES – SECOND INJURY FUND AND BUDGET AND CONTROL BOARD**

### ***Condition***

In the prior years, the amount reported for the claims liabilities payable related to the Second Injury Fund was not properly reported in the State's CAFR. As a result, the State recorded a material adjustment to correct the errors previously reported.

**Context**

Due to a change in the State's reporting structure, the State Budget and Control Board (BCB) is now responsible for administering the Second Injury Fund, which includes financial reporting responsibilities. During the completion of the current year claims payable reporting package, the BCB noted that the Second Injury Fund had not been properly reporting the claims liabilities payable in their prior year financial statements. Because the Second Injury Fund had understated claims liabilities payable in the prior years the State recorded a prior period adjustment to correct the error.

**Cause**

There was a lack of adequate review by the Second Injury Fund supervisory staff in the prior years.

**Effect**

A prior period adjustment was necessary to correct the error.

**Criteria**

Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. Section 6 of the Comptroller General's Audited Financial Statement Manual states, "The GAAP hierarchy determines the status of various professional pronouncements with respect to their application to governments. All GASB statements and interpretations that have not been amended or superseded apply to all activities, funds, and governmental component units (but not to non-governmental component units) reported in the State of South Carolina's Comprehensive Annual Financial Report (CAFR)." This requirement acts as a control over financial reporting for the State's financial statements to ensure that the agency's financial reporting is in compliance with GAAP.

**Recommendation**

We recommend that additional procedures and controls be developed to require that the agency director or another level of management review financial information to ensure that it is reported in compliance with GAAP.

**Response**

See management's response on page 15.

## **2014-004 FINANCIAL REPORTING – REPORTING OF GRANT RECEIVABLES AND DEFERRED GRANT REVENUE – ADJUTANT GENERAL’S OFFICE**

### ***Condition***

The Adjutant General's Office's (TAG) procedures and controls were inadequate to ensure proper reporting of grants receivable and deferred revenue balances on the agency's grant and contribution revenue reporting package. As a result, the State recorded a material adjustment.

### ***Context***

The TAG did not properly reconcile the grant receivable and deferred grant revenue balances reported in the year end reporting package to the balances recorded in their general ledger system. The year end reporting package submitted by TAG did not contain all grants expenditures and payables included in the general ledger.

Additionally, the TAG reported grant receivable balances that have been outstanding from the granting agency in excess of a year and was not able to substantiate the collectibility of the receivable balance that they reported.

The TAG's management has established internal control processes to review year end reporting packages prior to submitting to the Comptroller General's Office. The review process was not adequate nor thorough enough to detect errors in the preparation of the year end reporting package.

### ***Cause***

There was a lack of adequate review by TAG supervisory staff.

### ***Effect***

An adjustment was necessary as of June 30, 2014 to correct the errors.

### ***Criteria***

Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. Section 1.7 of the Comptroller General's Reporting Package Procedures Manual states, "Each agency executive director and finance director are responsible for submitting to the Comptroller General's Office reporting packages that are accurate and prepared in accordance with instructions, complete, and timely." This requirement acts as a control over financial reporting for the State's financial statements.

### ***Recommendation***

We recommend that additional procedures and controls be developed and implemented by the TAG to ensure that the financial information provided in reporting packages are reported accurately in accordance with Section 1.7 of the procedure's manual referenced above.

## ***Response***

See management's response on page 16.

## **2014-005 FINANCIAL REPORTING – REPORTING OF LOSS LIABILITIES – DEPARTMENT OF SOCIAL SERVICES**

### ***Condition***

The Department of Social Services (DSS) procedures and controls were inadequate to ensure proper reporting of loss liabilities resulting from violations of grant program rules on the agency's grant disallowance reporting package.

### ***Context***

The grant disallowance reporting package should include all liabilities related to violations of grant rules and regulations. DSS is in violation of a federal program requirement to develop and implement automated child support data processing and information retrieval system. As a result the Federal government has assessed significant financial penalties on DSS. The agency's grant disallowance reporting package did not include all loss liabilities payable, and as a result, loss liabilities resulting from violations of grant program rules and regulations were understated.

### ***Cause***

There was a lack of adequate review by DSS supervisory staff.

### ***Effect***

An adjustment was necessary as of June 30, 2014 to correct the errors.

### ***Criteria***

Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. Section 1.7 of the Comptroller General's Reporting Package Procedures Manual states, "Each agency executive director and finance director are responsible for submitting to the Comptroller General's Office reporting packages that are accurate and prepared in accordance with instructions, complete, and timely." This requirement acts as a control over financial reporting for the State's financial statements.

### ***Recommendation***

We recommend that additional procedures and controls be developed and implemented by DSS to ensure that the financial information provided in reporting packages are reported accurately in accordance with Section 1.7 of the procedure's manual referenced above.

## ***Response***

See management's response on page 18.

**SIGNIFICANT DEFICIENCIES**

## **2014-006 FINANCIAL REPORTING – CAPITAL ASSETS – DEPARTMENT OF COMMERCE**

### ***Condition***

The Department of Commerce's procedures and controls were inadequate to ensure proper reporting of capital assets in the year end capital asset reporting package.

### ***Context***

The Department of Commerce incorrectly reported and classified property owned by the Palmetto Railways, a division of the Department, in their year-end reporting package. The Palmetto Railways is considered a blended component unit that is classified as an enterprise fund and accounted for as a business-type activity. The Department of Commerce recorded the land acquisition made by Palmetto Railways in their capital asset ledger and reported the acquisition in the Department's governmental activities capital assets reporting package. As a result the State's capital assets relating to governmental activities were overstated.

### ***Cause***

There was a lack of adequate review by Department of Commerce supervisory staff.

### ***Effect***

An adjustment was necessary as of June 30, 2014 to correct the errors.

### ***Criteria***

Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. Section 1.7 of the Comptroller General's Reporting Package Procedures Manual states, "Each agency executive director and finance director are responsible for submitting to the Comptroller General's Office reporting packages that are accurate and prepared in accordance with instructions, complete, and timely." This requirement acts as a control over financial reporting for the State's financial statements.

### ***Recommendation***

We recommend that additional procedures and controls be developed and implemented by the Department of Commerce to ensure that the financial information provided in reporting packages are reported accurately in accordance with Section 1.7 of the procedure's manual referenced above. Additionally, if the Department of Commerce continues to record capital assets of Palmetto Railways within their capital asset ledger, we recommend that policies and procedures be implemented to identify and report separately to the Comptroller General's Office, such capital assets related to Palmetto Railways.

### ***Response***

See management's response on page 19.

**2014-007 INTERNAL CONTROL MONITORING – SOUTH CAROLINA ENTERPRISE INFORMATION SYSTEM**

***Condition***

The Budget and Control Board – Division of State Information Technology (DSIT), which manages SCEIS, does not properly monitor and evaluate permissions and segregations of duties within the software. Additionally, SCEIS does not have a tool integrated to assist in the evaluation of segregation of duties and sensitive access within SCEIS.

***Context***

The security structure within SCEIS is a complex system and is very difficult to review and manage through manual procedures. During our review of system access, we noted that user access rights were not reevaluated and redefined as user duties changed and some users' access rights contained conflicting duties within the system.

***Cause***

There was a lack of established controls to perform a periodic review of segregation of user duties and access rights.

***Effect***

The absence of controls and procedures presents the risk of encountering either one or a combination of common issues such as: inheritance, broad access designed in roles (i.e. ranges and/or wildcards assigned to authorization objects), assignment of roles with broad access (i.e. providing access to a TCODE which may result in assigning a role beyond the scope of need to know/job duties), improper segregation of duties and sensitive access, limited visibility into role conflicts due to the need for considerable manual effort to extract data and perform analysis.

***Criteria***

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the State's ability to ensure financial transactions are authorized and accurate and the financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP).

***Recommendation***

We recommend that DSIT evaluate available tools including, GRC and Approva, to assist in monitoring of SCEIS system access, and develop policies and procedures to consistently monitor user access and segregation of duties in SCEIS.

***Response***

See management's response on page 20.

## **SUMMARY OF PRIOR FINDINGS**

During the current engagement, we reviewed the status of corrective action taken on the findings in the prior report on compliance and internal control over financial reporting at the basic financial statement level, dated February 14, 2014 to determine if the conditions still existed. Based on our audit procedures, we determined that the State has not taken adequate corrective action on all aspects of the identified deficiencies 2013-001 and 2013-005. Therefore, we have incorporated the uncorrected portions of the prior year findings into our comments at findings 2014-001 and 2014-005, respectively, in addition to current year specific findings. Comments 2013-002, 2013-003, 2013-004, 2013-006, and 2013-007 have not been repeated in this report.

## **MANAGEMENTS' RESPONSES**



State of South Carolina  
**Office of Comptroller General**

1200 Senate Street  
305 Wade Hampton Office Building  
Columbia, South Carolina 29201

Telephone: (803) 734-2121  
Fax: (803) 734-1765  
E-Mail: [cgooffice@cg.sc.gov](mailto:cgooffice@cg.sc.gov)

**RICHARD ECKSTROM, CPA**  
COMPTROLLER GENERAL

**WILLIAM E. GUNN**  
CHIEF OF STAFF

February 20, 2015

Mr. Richard H. Gilbert, Jr., CPA  
Interim State Auditor  
Office of the State Auditor  
1401 Main Street, Ste. 1200  
Columbia, South Carolina 29201

Dear Mr. Gilbert:

2014-001: Our agency continues to restore its financial reporting capabilities, which were severely degraded both by complications resulting from protracted delays in the statewide SCEIS implementation (which even after ten years remains incomplete) and by budget limitations in 2008 - 2011 leading to major losses of experienced financial reporting staff. Since FY 2012 we have experienced consistent and measurable improvements in the timeliness and quality of our financial reporting function, which we have achieved by successfully recruiting high quality, professional, and experienced accountants and by developing improved financial reporting processes. While our efforts are by no means complete, they continue to produce significant improvements in our agency's financial reporting function. Furthermore, the agency's financial reporting section has made these improvements and fulfilled its reporting responsibilities with a significantly smaller staff size than the financial reporting staff size in most other states. Our agency continues efforts to improve controls over financial reporting, consciously striving to do so with a minimal impact to South Carolina's hard-working taxpayers.

2014-002: In connection with state government's ongoing conversion from STARS to SCEIS, the SCEIS conversion team allowed a very large general ledger cash account entitled "Cash on Hand-STO" to include legislative appropriations in addition to actual cash. Our agency is working with the State Treasurer's office and the SCEIS conversion team to eliminate this system conversion issue and we will continue to enhance controls over the financial reporting process for cash.

Sincerely,

William E. Gunn  
Chief-of-Staff

WG/jds

NIKKI HALEY, CHAIR  
GOVERNOR

CURTIS M. LOFTIS, JR.  
STATE TREASURER

RICHARD ECKSTROM, CPA  
COMPTROLLER GENERAL



SC BUDGET AND CONTROL BOARD

Office of Internal Operations  
A. Renee Rochester, Director

(803) 737-0523  
Fax: (803) 737-1978

HUGH K. LEATHERMAN, SR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

W. BRIAN WHITE  
CHAIRMAN, HOUSE WAYS AND MEANS  
COMMITTEE

MARCIA S. ADAMS  
EXECUTIVE DIRECTOR

February 20, 2015

Richard H. Gilbert, Jr  
Interim State Auditor  
1401 Main Street  
Columbia, SC 29201

RE: Fiscal Year 2014 CAFR  
Second Injury Fund Claims Liability Payable

Dear Mr. Gilbert,

We have reviewed the finding related to the Second Injury Fund Claims Liability Payable.  
Please see our response below.

Condition:

“In the prior years, the amount reported for the claims liabilities payable related to the Second Injury Fund was not properly reported in the State’s CAFR. As a result, the State recorded a material adjustment to correct the errors previously reported.”

Response:

In prior fiscal years, the Second Injury Fund provided audited financial statements to the Comptroller General for inclusion in the CAFR. Regarding the claims liability payable, the Notes to the Financial Statements reported the Second Injury Fund “did not fall within GASB 10’s definition of a public entity risk pool (PERP), because there is no actual transfer of risk to the Fund, and also the majority of the entities serviced by the fund are not governmental entities...Claims are recognized as a liability only to the extent that assets are available to liquidate these liabilities.”

Sincerely,

Renee D. Herndon  
Office of Internal Operations  
SC Budget and Control Board  
(803) 737-5906  
[rherndo@io.sc.gov](mailto:rherndo@io.sc.gov)

**The State of South Carolina  
Military Department**



ROBERT E. LIVINGSTON, JR.  
MAJOR GENERAL  
THE ADJUTANT GENERAL

OFFICE OF THE ADJUTANT GENERAL  
1 NATIONAL GUARD ROAD  
COLUMBIA, S. C. 29201-4752

R. VAN MCCARTY  
BRIGADIER GENERAL  
DEPUTY ADJUTANT GENERAL

February 19, 2015

Mr. Richard H. Gilbert, Jr., CPA  
Deputy State Auditor  
1401 Main Street, Suite 1200  
Columbia, South Carolina 29201

Dear Mr. Gilbert:

The Office of the Adjutant General appreciates the opportunity to submit the attached corrective action plan for the fiscal year ended June 30, 2014. If you have any questions or need any further information, please contact me at (803) 299-2031 or [garrickfl@tag.scmd.state.sc.us](mailto:garrickfl@tag.scmd.state.sc.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Frank L. Garrick", written over a horizontal line.

Frank L. Garrick, CPA  
Chief Financial Officer

Corrective Action Plan

2014-004 Financial Reporting – Reporting of Grant Receivables and Deferred Grant Revenue –  
Adjutant General's Office

The grants expenditures and payables will be cross checked against the Business Warehouse reports to ensure that all payments have been posted.

Accountants from the Facilities Maintenance Office have been given additional access and training to balance the receivables with the US Property and Fiscal Office to ensure that receivables are properly recorded and not over budget. This will ensure that the federal payables have been posted in the correct format and/or are receivable.

For past due receivables, documentation from the US Property and Fiscal Office will be obtained to ensure that the receivable is valid.



*Serving Children and Families*

V. SUSAN ALFORD  
STATE DIRECTOR

NIKKI R. HALEY  
GOVERNOR

February 23, 2015

Mr. Richard H. Gilbert, Jr., CPA  
Interim State Auditor  
1401 Main Street, Suite 1200  
Columbia, South Carolina 29201

Dear Mr. Gilbert:

The South Carolina Department of Social Services respectfully submits the following corrective action plan for the finding identified in the SC Comprehensive Annual Financial Report audit for the year ended June 30, 2014.

**2014-005 FINANCIAL REPORTING – REPORTING OF LOSS LIABILITIES –  
DEPARTMENT OF SOCIAL SERVICES**

**Recommendation**

We recommend that additional procedures and controls be developed and implemented by DSS to ensure that the financial information provided in reporting packages are reported accurately in accordance with Section 1.7 of the procedure's manual referenced above.

**Response:**

The Department will amend procedures and internal controls to ensure the data provided in the Department's reporting package is accurate, complete and prepared in accordance with instructions. Financial staff will identify program staff familiar with information required in the reporting package and train them. Completed reporting packages from prior years will be reviewed and compared against the current year and significant variations will be explained. A thorough review of the completed reporting package will be done by both the preparer's supervisor and the Finance Director.

If you have any questions regarding this plan, please me at 898-7225.

Sincerely,

William F. Bray, Jr.  
Chief of Fiscal and Governmental Affairs



**Nikki R. Haley**  
Governor

**SOUTH CAROLINA**  
DEPARTMENT OF COMMERCE

**Robert M. Hitt III**  
Secretary

February 18, 2015

Mr. Richard H. Gilbert, Jr., CPA  
Interim State Auditor  
1401 Main Street, Suite 1200  
Columbia, South Carolina 29201

Dear Mr. Gilbert:

This letter is in response to the finding from the 2014 Report on Internal Controls for the period ending June 30, 2014 for the South Carolina Department of Commerce (SCDOC).

**2014-006 FINANCIAL REPORTING – CAPITAL ASSETS – DEPARTMENT OF COMMERCE**

SCDOC believes it had followed the initial guidance provided by the Office of Comptroller General (OCG) related to this transaction. Nonetheless, SCDOC will work with the OCG to properly report this property in next year's capital asset closing package.

It is our commitment to continue to be good stewards of the taxpayer's dollars while ensuring that our financial reporting is accurate and timely.

Sincerely,

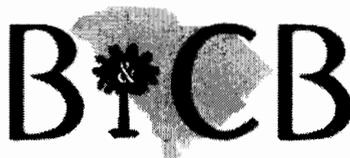
A handwritten signature in black ink, appearing to read "Chris Huffman", with a long horizontal line extending to the right.

Chris Huffman  
Chief Financial Officer

NIKKI HALEY, CHAIRMAN  
GOVERNOR

CURTIS M. LOFTIS, JR.  
STATE TREASURER

RICHARD ECKSTROM, CPA  
COMPTROLLER GENERAL



SC BUDGET AND CONTROL BOARD

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HUGH K. LEATHERMAN, SR.  
CHAIRMAN, SENATE FINANCE  
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W. BRIAN WHITE  
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COMMITTEE

Mr. Richard H. Gilbert, Jr.  
Interim State Auditor  
South Carolina Office of the State Auditor  
1401 Main Street, Suite 1200  
Columbia, SC 29201

Dear Mr. Gilbert:

Please find our status update regarding the corrective action plan for Finding 2014-007 in the State of South Carolina's Independent Auditors' Report on Internal Control over Financial Reporting for the year ended June 30, 2014.

**RECOMMENDATION:** We recommend that DSIT evaluate available tools including, *GRC and Approva*, to assist in the monitoring of SCEIS system access, and develop policies and procedures to consistently monitor user access and segregation of duties in SCEIS.

**RESPONSE UPDATE:** The SCEIS team is responsible for the maintenance and operations of the SCEIS applications. In its role, the SCEIS team cannot independently develop and implement controls and procedures to ensure that agencies are properly assigning roles in the system. The SCEIS team does, however, provide procedures and tools to aid agencies in auditing the access assigned to their system users. The responsibility to ensure system users have proper segregation of duties remains with each State agency.

The SCEIS team, with assistance from the Comptroller General's Office, State Auditor's Office, State Human Resources Division and the Material's Management Office, has developed and issued a "Segregation of Duties" Policy. This policy was reviewed with agencies attending the SCEIS User Group meeting on April 25, 2014. The policy has been published on the SCEIS website for access by all State agencies. The policy serves as an aid to agencies to ensure that the appropriate segregation of roles and responsibilities is adhered to in the system. This policy aims to guide agencies so that conflicting roles are not assigned to the same individual and duties are appropriately segregated.

The response regarding GRC and Approva tools remains unchanged as funding is still not available for this purchase and implementation. The most recent price quote for the GRC module is \$545,310 one-time license cost and \$119,968 annual on-going support cost. These costs do not include any training or implementation costs.

Thank you for the opportunity to provide an update on this issue. If you have questions or need additional information please do not hesitate to contact us.

Sincerely,

Marcia Adams  
Executive Director

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