

**SOUTH CAROLINA GOVERNOR'S OFFICE –
EXECUTIVE CONTROL OF STATE**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

March 19, 2018

Ms. Marcia S. Adams, Executive Director
South Carolina Department of Administration
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Governor's Office – Executive Control of State (the Agency), on the systems, processes and behaviors related to financial activity of the Agency for the fiscal year ended June 30, 2017. The Agency'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 Agency. 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 Agency 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 \$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.

Ms. Marcia S. Adams, Executive Director
South Carolina Department of Administration
March 19, 2018

This report is intended solely for the information and use of the management of the South Carolina Governor's Office – Executive Control of State 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 Governor’s Office – Executive Control of State (D05)

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 \$20,000 and 10%.

We found no exceptions as a result of these procedures.

Cash Disbursements/Non-Payroll Expenditures

2. 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 \$100,000 and 10% in General Funds and \$10,000 and 10% in Earmarked Funds.
3. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by agency procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by agency procedures and good business practice are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the agency, 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.
4. Randomly select five 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 these procedures.

Payroll

5. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$100,000 and 10%.
6. Randomly select five salaried employees and haphazardly select one hourly employee and perform the following procedures:

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 agency.
- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

Payroll (Continued)

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 agency.
 - Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.
7. Randomly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the agency's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
 8. Randomly select five employees who terminated employment during the fiscal year to determine if they 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.
 9. 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 greater than 10%.

We found no exceptions as a result of these procedures.

Journal Entries

10. Randomly select five journal entries 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 these procedures.

Appropriation Act

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

Finding

An inventory of personal property was not completed in fiscal year 2017 as required by State law.

Management's Response

The Department of Administration is our outsourced record keeping agent. The Governor's Office of Executive Control of State has one capital asset and the others are all low value items. The Department of Administration will inventory all assets annually.

Reporting Packages

13. 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.
14. In addition to the procedure above, we will perform the following:
 - Operating Leases Reporting Package

Determine if amounts agree to the SCEIS general ledger, the SCEIS Yearend Reporting Operating Lease Expense with Vendor report and/or Agency prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Five haphazardly selected contingent rental payments; and (2) One haphazardly selected payment for each vendor included in the remaining rental payment classification (One Time Rental Payments).
 - 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 Agency prepared records.

We found no exceptions as a result of these procedures.