

**SOUTH CAROLINA DEPARTMENT OF  
LABOR, LICENSING AND REGULATION**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2017**



Independent Accountant's Report on Applying Agreed-Upon Procedures

April 10, 2018

Ms. Emily Farr, Director  
South Carolina Department of Labor, Licensing,  
and Regulation  
Synergy Business Park, Kingstree Building  
110 Centerview Drive  
Columbia, South Carolina 29210

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Labor, Licensing and Regulation (the Department), on the systems, processes and behaviors related to financial activity of the Department for the fiscal year ended June 30, 2017. The Department'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 for the purpose of 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 Department. 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 Department 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.

This report is intended solely for the information and use of the management of the Department 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 Department of Labor, Licensing and Regulation  
(R36)****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 \$10,000 and 10% for the General Fund, \$150,000 and 10% for the Earmarked Fund, \$20,000 and 10% for the Restricted Fund and \$40,000 and 10% for the Federal Fund.
2. Randomly select forty 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.

Of the selected forty cash receipts, twenty-five will represent Department-wide transactions and fifteen will include transactions specifically from the Department's State Fire Division based on State Fire cost centers.

3. Randomly select twenty-five cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

**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 \$40,000 and 10% for the General Fund, \$250,000 and 10% for the Earmarked Fund, \$10,000 and 10% for the Restricted Fund, and \$60,000 and 10% for the Federal Fund.
5. Randomly select fifty-five non-payroll disbursements and inspect supporting documentation to determine:
  - Transaction is properly completed as required by Department procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Department procedures and good business practice are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Department, 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)

For federally funded cash disbursements/non-payroll expenditures we will inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.

Of the selected fifty-five non-payroll disbursements, twenty-five transactions will represent Department-wide non-payroll disbursements, fifteen will include transactions from the Department's State Fire Division based on State Fire cost centers, and fifteen will represent purchase card transactions.

6. Randomly select twenty-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 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 \$40,000 and 10% for the General Fund, \$250,000 and 10% for the Earmarked Fund, \$10,000 and 10% for the Restricted Fund, and \$60,000 and 10% for the Federal Fund.
8. Randomly select twenty-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 Department.
- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

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 Department.
- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

9. Randomly select five bonus pay disbursements to determine:
  - Employee does not make more than \$100,000 annually.
  - Bonuses received during the year did not exceed \$3,000.
  - Transaction was appropriately documented and approved.

## **Payroll (Continued)**

10. Randomly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Department's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
11. Randomly select twenty-five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Department'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.
12. 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%.
13. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of changes greater than 10%.

We found no exceptions as a result of the procedures.

## **Journal Entries and Transfers**

14. Randomly select twenty-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**

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

We found no exceptions as a result of the procedures.

## **Reporting Packages**

17. 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.

## Reporting Packages (Continued)

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

- Cash and Investment Reporting Package

Determine if responses are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Yearend Reporting – Cash and Investments report and/or Department prepared records. In addition, determine if amounts agree to State Treasurer’s Office Composite Bank Account reports and year end reconciliations. Inspect documentation regarding any petty cash relinquished or surrendered during the fiscal year to ensure that they were documented accurately. Observe documentation regarding the count and/or replenishment of the petty cash on hand to ensure it complies with applicable laws and regulations.

- 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 Department prepared records. Haphazardly select five asset acquisitions 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 estimated useful life and the amounts calculated for depreciation and accumulated depreciation were correct for the selected asset.

- Litigation Reporting Package

Determine if the Department had approval from the Attorney General’s Office to hire attorneys and to ensure proper coding of legal and attorney payments based on inspection of the SCEIS general ledger and the Yearend Reporting – Litigation Expense. Haphazardly select five transactions to inspect for proper approval, amounts charged within approved limits, and service date range.

- Other Receivables Reporting Package

Determine if reported amounts are accurate based on inspection of the SCEIS general ledger, the SCEIS Yearend Reporting – Accounts Receivable Current with Customer report and/or Department prepared records. In addition, haphazardly select three receivables to determine if the amounts were properly classified, calculated and reported.

- 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 Department prepared records.

We found no exceptions as a result of the procedures.

## Status of Prior Findings

19. Through inquiry and inspection, determine if the Department has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures.