

**SOUTH CAROLINA  
DEPARTMENT OF MOTOR VEHICLES  
BLYTHEWOOD, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2017**



Independent Accountant's Report on Applying Agreed-Upon Procedures

May 1, 2018

Mr. Kevin A. Shwedo, Executive Director  
South Carolina Department of Motor Vehicles  
Blythewood, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Motor Vehicles (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 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 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 Motor Vehicles (R40)**

**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 \$100,000 - General Fund, \$5,000,000 - Earmarked Fund, \$50,000 - Restricted Fund, \$150,000 - Federal Fund and 10%.
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 twenty-five cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.
4. Obtain three haphazardly selected reconciliations between the South Carolina Enterprise Information System (SCEIS) and Phoenix information systems, and perform the following procedures:
  - Determine if the selected reconciliations were performed in accordance with Department policy.
  - Agree applicable totals from the reconciliation to both SCEIS and Phoenix.
  - Determine that the reconciliations are accurately compiling and translating Phoenix's revenue codes for proper revenue account recording into SCEIS.
  - Determine if reconciling differences were adequately explained and properly resolved and all necessary adjusting entries were made in the applicable system's records.
5. Haphazardly select three IJ SCEIS document type transactions and inspect supporting documentation to determine that transactions accurately transfer revenue from the clearing accounts to the correct revenue general ledger accounts based on Department supporting records.

We found no exceptions as a result of the procedures.

**Cash Disbursements/Non-Payroll Expenditures**

6. 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 \$1,000,000 - General and Earmarked Funds combined, \$1,000,000 - Restricted Fund, \$50,000 - Federal Fund and 10%.
7. Randomly select twenty-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 are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Department, properly coded to the general ledger.

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

- 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.

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.

8. 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

9. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$1,000,000 - General and Earmarked Funds combined, \$1,000,000 - Restricted Fund, \$50,000 - Federal Fund and 10%.

10. 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.

11. Haphazardly select fifteen 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.

12. Haphazardly 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.

13. 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%.

## **Payroll (Continued)**

14. 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 variations greater than 10%.

We found no exceptions as a result of the procedures.

## **Journal Entries and Transfers**

15. Randomly select sixteen journal entries and nine transfers for the fiscal year to:
  - Trace postings to the general ledger, confirming amounts agree with supporting documentation and are properly calculated.
  - 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**

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

We found no exceptions as a result of the procedures.

## **Reporting Packages**

18. 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 that all appropriate reporting packages were prepared and submitted by the due date established by CG's Reporting Policies and Procedures Manual.

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

- Cash and Investments 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. Determine if amounts agree to State Treasurer's Office composite bank account reports and year end reconciliations. Additionally, reconcile all petty cash account amounts to OSA petty cash authorizations.

- Other Receivables Reporting Package

Haphazardly select fifteen transactions to 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. Determine if responses are reasonable/accurate based on inspection of applicable supporting documentation.

## Reporting Packages (Continued)

- Operating Leases Reporting Package

Determine if reported amounts agree to the SCEIS general ledger, the SCEIS Yearend Reporting - Operating Lease Expense with Vendor report and / or Department 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; (2) The effective dates, current expense, and future minimum lease payments of five haphazardly selected operating leases; and (3) Three haphazardly selected payments for each remaining rental payment classifications (One Time Rentals, Payments for Supplies and Other Billing Charges, and Other Adjustments). Determine if responses are reasonable/accurate based on inspection of applicable supporting documentation.

- Accounts Payable Reporting Package

Haphazardly select fifteen payables to determine if reported amounts were properly identified, classified, and reported based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting - Prior Year Payables with Vendor and SCEIS Inter-Agency Prior Year Payables with Vendor Business Warehouse Reports, and / or Department prepared records. Determine if responses are reasonable/accurate based on inspection of applicable supporting documentation.

- 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. Determine that late leave was appropriately reported as required by the questionnaire for proper compensated absences reporting. In addition, haphazardly select five payables from the balance reported at the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, calculated and reported and excluded from the original Accounts Payable Reporting Package submission.

## Findings

### Compensated Absences

The combination of late submissions of leave and late leave cancellations caused the Department's compensated absence liability balance to be understated by \$1,006. These adjustments were not reported through the Department's subsequent events reporting.

### Operating Leases

One of the five selected operating leases selected for detailed inspection contained a \$2,090 combined overstatement of future minimum payments for FY18 and FY19 due to calculation errors.

### Accounts Payable

The fiscal year 2017 accounts payable balance, reported through a combination of the Accounts Payable and Subsequent Events reporting package process, was understated by \$96,877, primarily due to the inadvertent omission of a \$92,757 individual interfund payable under \$100,000, which is required by CG's instructions to be reported as accounts payable. The remaining errors and omissions totaled \$4,120.

## Management's Responses

### Compensated Absences

The Agency agrees with the finding; however, the Subsequent Events Reporting package questioned whether the agency identified any late submissions of leave or time without pay reports for time prior to year-end. Based on the agency's interpretation of this question, no such entries were made. In addition, the finding of \$508.95 for 22 hours entered on 11/16/17 was posted after the submission of the Subsequent Events package, which was due on 10/23/17.

### Operating Leases

The Agency agrees with the finding.

After reviewing the Operating Leases package, we realize the amounts recorded for Lease 2827 were inadvertently recorded in the incorrect fiscal year. In figuring the amounts for the rate increase, the FY2018 amounts were not recorded and the FY2019 amounts were recorded for FY2018.

### Accounts Payable

The Agency agrees with the finding.

The totals on the BEX report, used to calculate the Accounts Payable Reporting Package, did not include inter-fund payables, which resulted in the omission of an entry. In the future, the Agency will thoroughly review the BEX report to ensure all payables, to include any inter-fund payables, are represented on the report.

### Composite Reservoir Accounts

20. Obtain a listing of Department composite reservoir accounts from Department management and confirm that the list is complete.
21. Obtain monthly reconciliations for each composite reservoir account. Haphazardly select three of the reconciliations for each account, and perform the following procedures:
  - Determine the selected reconciliations were timely performed and properly documented in accordance with applicable State regulations and are mathematically correct.
  - Agree applicable amounts from reconciliations to the general ledger.
  - Agree applicable amounts from reconciliations to the State Treasurer's Office monthly reports.
  - Determine if reconciling differences were adequately explained and properly resolved.
  - Determine if necessary adjusting entries were made in the accounting records.

We found no exceptions as a result of the procedures.

### Assets

22. Haphazardly select four capital assets and six low value assets from current year acquisitions and determine if assets were properly coded and classified in the accounting system.
23. Haphazardly select five capital assets and three low value asset retirements and determine if assets were properly coded and classified in the accounting system. Additionally, determine that retired assets were properly disposed in accordance with applicable State regulations.

We found no exceptions as a result of the procedures.

### Internal Audit Reports

24. We will inspect the Department's internal audit reports 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**

25. Through inquiry and inspection, determine if the Department 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.