

THE SENATE OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

August 20, 2018

Members of The Senate of South Carolina
South Carolina General Assembly
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of The Senate of South Carolina (The Senate), on the systems, processes and behaviors related to financial activity of The Senate for the fiscal year ended June 30, 2017. The Senate'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 Senate. 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 Senate 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 Clerk of The Senate and the members of The Senate 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 Senate of South Carolina (A01)**

Cash Receipts/Revenues

1. Randomly select 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.
2. Randomly select 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

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

6. 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 in General Funds and \$10,000 in Earmarked Funds and 10%.

Payroll (Continued)

7. Randomly select ten employees and five Senators 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 Senate.
- 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 Senate.
- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

For Senators:

- Agree taxable subsistence pay to appropriate rate and Senator's period session dates, and confirm that the Senator received \$1,000 in-district expense for one haphazardly selected month.
- Confirm that the Senator (if not enrolled in the General Assembly Retirement System) was paid \$10,400 during the fiscal year.

8. Haphazardly select ten employees hired during the fiscal year to determine if they were added to the payroll in accordance with The Senate's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
9. Haphazardly select fifteen employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with The Senate'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.
10. 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 the procedures.

Journal Entries and Transfers

11. 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

12. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
13. Confirm compliance with the selected agreed-upon The Senate-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

14. 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 the CG's Reporting Policies and Procedures Manual.
15. In addition to the procedure above, we performed the following:

- Capital Assets Reporting Package

Determine if responses are reasonable/accurate based on inspection of The Senate-provided supporting documentation and agree amounts reported on the 'Non-SCEIS Agencies Only - Capital Assets Summary Report' to The Senate's capital assets worksheet. Additionally, confirm that all capital asset acquisitions were properly capitalized and that all capital asset retirements were properly removed from The Senate's books and that disposals were properly approved.

- 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 Senate prepared records. In addition, haphazardly select the one payable from 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.

Finding

The Senate reported a payable totaling \$1,359 on the Subsequent Events Accounts Payable Worksheet which had previously been reported on the Accounts Payable Reporting Package.

Management's Response

The Senate is in agreement with the finding and will take measures to prevent duplication in future years.

Payroll Liabilities Reporting

16. Determine if reported leave amounts agree to reports/spreadsheets prepared by The Senate (The Senate does not use the SCEIS leave module).

We found no exceptions as a result of the procedures.

Procurement Card Transactions

17. Haphazardly select one month during the fiscal year and determine if the procurement card monthly purchase summary was submitted along with applicable receipts and signed by both the cardholder and supervisor.

We found no exceptions as a result of the procedures.

Status of Prior Findings

18. Through inquiry and inspection, determine if The Senate 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.