SOUTH CAROLINA
COMMISSION FOR MINORITY AFFAIRS
COLUMBIA, SOUTH CAROLINA

STATE AUDITOR’S REPORT
JUNE 30, 2017
Independent Accountant’s Report on Applying Agreed-Upon Procedures

October 4, 2018

Dr. Delores Dacosta, Executive Director
and
Members of the Commission
South Carolina Commission for Minority Affairs
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Commission for Minority Affairs (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2017. The Commission’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 Commission. 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 Commission 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 governing body and management of the South Carolina Commission for Minority Affairs 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 Commission for Minority Affairs (L46)

Cash Receipts/Revenues

1. Randomly select six 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 two 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 these 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 $20,000 and 10% for the General, Earmarked, and Federal Funds.

4. Randomly select eighteen non-payroll disbursements and all (twelve) payments made on behalf of the South Carolina Micro Enterprise Network (SCMEN), and inspect supporting documentation to determine:
   - Transaction is properly completed as required by Commission procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
   - All supporting documents and approvals required by Commission procedures and good business practice are present and agree with the invoice.
   - The transaction is a bona fide expenditure of the Commission, 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.

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.

5. Randomly select twenty 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.
6. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over $20,000 and 10% for the General and Earmarked Funds.

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

8. Randomly select three 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.

9. Haphazardly select two employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission’s policies and procedures and that their first pay check 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%.

11. 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 these procedures.

Journal Entries

12. 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

13. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.

14. Confirm compliance with the selected agreed-upon Commission-specific state provisos by inquiring with management and observing supporting documentation, where applicable.
Appropriation Act (Continued)

Findings

The Commission does not have a policy regarding rent allocation in accordance with South Carolina Code of Laws Section 1-11-67, requiring the cost to be equitably charged to all funding sources.

Based on documentation provided, we were unable to confirm the date an inventory of personal property was performed in fiscal year 2017.

Management’s Responses

Currently we have two sources of funds – General Funds and Bingo Funds. Bingo Funds received are to provide funding for two FTE’s and related fringe. The amount received is fixed at $131,000 since inception and is no longer sufficient for this purpose. Therefore, General Funds are used to pay rental charges until such time Bingo Funds are increased.

Inventory of personal property is an ongoing process. We will improve this process to include an annual inventory date when all personal property is inventoried and documented.

Reporting Packages

15. 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.

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

- Grants and Contributions Revenue Reporting Package
  Select three grants to determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the South Carolina Enterprise Information System (SCEIS) general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue to determine accuracy.

- 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 Commission 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) One haphazardly selected payment for each vendor included in the remaining rental payment classifications (Other Adjustments).

- 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 Commission prepared records.
Reporting Packages (Continued)

Finding

The Commission did not complete and submit a Capital Assets Reporting Package for fiscal year 2017. Because the Commission owns capital assets, this reporting package should have been completed.

Management’s Response

The Commission acknowledges that the Capital Assets Reporting Package was not completed and will make every effort to ensure compliance with year-end reporting requirements in the future.

Minutes

17. We will inspect the Commission’s approved minutes 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.

South Carolina Micro-Enterprise Network (SCMEN)

18. Obtain and inspect the agreement or memorandum of understanding between the Commission and SCMEN to determine if there are any areas of noncompliance.

Recommendation

We did not obtain an agreement or memorandum of understanding between the Commission and SCMEN as one did not exist; however, we did obtain a copy of SCMEN’s draft bylaws as of the last date of our fieldwork. We observed the bylaws clearly state the organization will assist and support other organizations that have a common mission. We recommend that when the Commission does business with a not-for-profit organization in the future, that the Commission should ensure that the not-for-profit organization is supporting its mission instead of the Commission supporting the not-for-profit organization’s mission.

Other Reports

19. Inquire of management of any reports issued by external parties and discuss any recommendations and/or issues.

We found no other matters related to our agreed-upon procedures.

Procurement Card Transactions

20. Haphazardly select six procurement card transactions from the Comptroller General’s listing of procurement card transactions for fiscal year 2017 to determine:

- The cardholder is an authorized user.
- The purchase is authorized based on the cardholder’s job title/position
- The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
- The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.
Procurement Card Transactions (Continued)

Finding

We observed four of the monthly purchase statements were not signed by the cardholder and/or supervisor.

Management’s Response

The Commission acknowledges this oversight and will ensure that these documents are signed per our policy. All usage of the agency P Card must have prior approval before the item(s) are purchased.

Status of Prior Findings

21. Through inquiry and inspection, determine if the Commission 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 these procedures.