

**SOUTH CAROLINA
OFFICE OF THE STATE AUDITOR**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2018**



March 21, 2019

Members of the State Fiscal Accountability Authority
State of South Carolina
Columbia, South Carolina

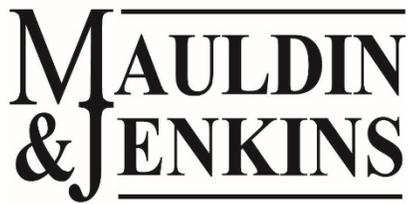
This report on the application of agreed-upon procedures to the financial activity of the South Carolina Office of the State Auditor for the fiscal year ended June 30, 2018, was issued by Mauldin & Jenkins, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III, CPA
State Auditor

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina 29201

We have performed the procedures enumerated below, which were agreed to by the South Carolina Office of the State Auditor (the Agency), solely to assist the Agency in evaluating the systems, processes and behaviors of the Agency for the fiscal year ended June 30, 2018, in the areas addressed. The Agency's management is responsible for its financial records, internal controls and compliance with State laws and regulations. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which the report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Cash Receipts and Revenues

- We obtained the total population of cash receipts and revenues from the South Carolina Enterprise Information System ("SCEIS") and selected random samples via IDEA Data Analysis software as enumerated below.
- We inspected twenty-five (25) randomly selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Agency's policies and procedures and State regulations.
- We inspected eight (8) selected recorded receipts included in the twenty-five (25) receipts noted above to determine if these receipts were recorded in the proper fiscal year.
- We made inquiries and gained an understanding of the nature of the Agency's revenue collection and retention or remittance procedures to determine if such activities were supported by law during fiscal year 2018.
- We compared current year recorded revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the earmarked fund to ensure that revenue was classified properly in the Agency's accounting records. The scope was based on agreed-upon materiality levels (\$21,900 - earmarked fund) and \pm ten (10) percent.

Findings:

No exceptions were found as a result of these procedures.

2. Non-Payroll Disbursements and Expenditures

- We obtained the total population of non-payroll disbursements and expenditures from the South Carolina Enterprise Information System (“SCEIS”) and selected random samples via IDEA Data Analysis software as enumerated below.
- We inspected twenty-five (25) (including two (2) purchasing card disbursements) randomly selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Agency’s policies and procedures and State regulations, were bona fide disbursements of the South Carolina Office of the State Auditor, and were paid in conformity with State laws and regulations, and if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected six (6) randomly selected recorded non-payroll disbursements included in the twenty-five (25) non-payroll disbursements noted above to determine if these disbursements were recorded in the proper fiscal year.
- We compared current year expenditures at the subfund and account level to those of the prior year. We investigated changes in the general and earmarked funds to ensure that expenditures were classified properly in the Agency’s accounting records. The scope was based on agreed-upon materiality levels (\$29,000 – general fund, \$26,000 – earmarked fund) and ± ten (10) percent.

Findings:

No exceptions were found as a result of these procedures.

3. Payroll Disbursements and Expenditures

- We obtained the total population of payroll disbursements and expenditures from the South Carolina Enterprise Information System (“SCEIS”) and selected random samples via IDEA Data Analysis software as enumerated below.
- We inspected twenty-five (25) randomly selected recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions were properly authorized and were in accordance with existing legal requirements; and transactions were processed and calculated in accordance with the Agency’s policies and procedures and State regulations.
- We obtained the fiscal year 2018 “Personnel Changes Report” from the Agency’s management and selected a random sample of new hires and terminations via IDEA Data Analysis software as enumerated below.
- We inspected payroll transactions for five (5) selected new employees and five (5) individuals who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the Agency’s policies and procedures, that the employee’s first and/or last paycheck was properly calculated, and that the employee’s leave payout was properly calculated in accordance with applicable State law.
- We compared current year payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the general and earmarked funds to ensure that expenditures were classified properly in the Agency’s accounting records. The scope was based on agreed-upon materiality levels (\$29,000 – general fund, \$26,000 – earmarked fund) and ± ten (10) percent.

- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions, computed the percentage distribution of recorded fringe benefit expenditures by fund source, and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of \pm ten (10) percent to ensure that payroll expenditures were classified properly in the Agency's accounting records.

Findings:

No exceptions were found as a result of these procedures.

4. Journal Entries, Operating Transfers and Appropriation Transfers

- We obtained the total population of journal entries, operating transfers, and appropriation transfers from the South Carolina Enterprise Information System ("SCEIS") and selected random samples via IDEA Data Analysis software as enumerated below.
- We inspected fourteen (14) randomly selected recorded journal entries and three (3) transfers to determine if these transactions were properly described and classified in the accounting records; the transactions agreed with the supporting documentation; the purpose of the transactions was documented and explained; the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the Agency's policies and procedures and State regulations.

Findings:

No exceptions were found as a result of these procedures.

5. Appropriation Act

- We inspected agency documents, observed processes, and/or made inquiries of agency personnel to determine the Agency's compliance with Appropriation Act general provisos, as listed in the Appropriation Act work program, and Agency specific provisos.

Findings:

No exceptions were found as a result of these procedures.

6. Reporting Packages

- We obtained copies of all reporting packages as of and for the year ended June 30, 2018, prepared by the South Carolina Office of the State Auditor and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's Reporting Policies and Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records.

Findings:

During our inspection of reporting packages, we noted the operating leases reporting package and the litigation support reporting package were submitted one business day and two business days late, respectively, to the State Comptroller General. As a result, forty percent of the Agency's reporting packages were submitted subsequent to the required due dates.

Management's Response:

The South Carolina Office of the State Auditor recognizes the importance of reporting packages being submitted on time and have taken corrective action to prevent this from occurring in the future.

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; the objective of which would be the expression of an opinion or conclusion, respectively, on the specified elements, accounts, or items. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor and other Members of the State Fiscal Accountability Authority, and the South Carolina Office of the State Auditor and is not intended to be, and should not be, used by anyone other than the specified parties.

Mauldin & Jenkins, LLC

March 21, 2019
Columbia, South Carolina