

**SOUTH CAROLINA  
LIEUTENANT GOVERNOR'S OFFICE  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT  
JULY 1, 2017 - DECEMBER 31, 2018**



Independent Accountant's Report on Applying Agreed-Upon Procedures

March 29, 2019

Mr. Stephen F. Morris, Director  
South Carolina Department on Aging  
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department on Aging (the Department), on the systems, processes and behaviors related to financial activity of the South Carolina Lieutenant Governor's Office (the Office) for the period July 1, 2017 through December 31, 2018. 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 Office. 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:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the management of the South Carolina Department on Aging 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 - South Carolina Lieutenant Governor's Office (E04)**

**Cash Receipts/Revenues**

1. Compare State fiscal year 2018 revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations over \$10,000 and 10% - General Funds, \$30,000 and 10% - Earmarked Funds, \$15,000 and 10% - Restricted Funds, and \$100,000 and 10% - Federal Funds.
2. Compare fiscal months one through six, State fiscal year 2019 revenues at the subfund and account level from sources other than State General Fund appropriations to those of the same period of the prior year. Obtain from management an understanding of variations over \$10,000 and 10% - General Funds, \$15,000 and 10% - Earmarked Funds, \$10,000 and 10% - Restricted Funds, and \$100,000 and 10% - Federal Funds.
3. Randomly select twenty cash receipts transactions and inspect supporting documentation to:
  - Agree transaction amount, date, payor, document number, and account classification 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.
  - Determine that receipts are recorded in the proper fiscal year.

**Findings**

Similar to the finding reported in the prior fiscal year, one of the twenty cash receipts transactions selected for inspection was to reimburse a fiscal year 2018 expenditure, received in the first week of fiscal year 2019, and therefore should have been accounted for as a fiscal year 2018 transaction instead of a fiscal year 2019 transaction. It was noted that, due to the timing of the issuance of the prior year report on agreed upon procedures, corrective action could not have been applied to this transaction.

Additionally, procedure 2 revealed that fiscal year 2019 monthly receipts of Bingo Tax Act revenues, via interface transactions from another state agency, were posting to the correct two separate funds of the Office but at the wrong proportion. Department of Aging personnel communicated their knowledge of the errors and plan for correction in the open fiscal year.

**Management's Response**

The inspection of cash receipts included transactions for state vehicle use by external parties (sub-recipients). The Lieutenant Governor's Office (E04) is billed for the vehicle and processes the payment via interdepartmental transfer (IDT). The payment received from the external party (sub-recipient) payable to the agency (E04) is deposited and credited directly to the expenditure account. Per the CG's Office Year-End procedures, our agency did interpret the procedures correctly on how to process deposits in a previous FY. However, the deposit was coded in error to FY19 due to staff shortage during closeout of FY18. In the future, our agency will follow the procedures given by the CG's Office.

Upon review of Bingo Tax, it was determined that the interface transactions received were posting incorrectly. We will work with the appropriate individuals to correct before the close of FY19.

## Cash Disbursements/Non-Payroll Expenditures

4. Compare State fiscal year 2018 non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$100,000 and 10% - General Funds, \$30,000 and 10% - Earmarked Funds, \$15,000 and 10% - Restricted Funds, and \$100,000 and 10% - Federal Funds.
5. Compare fiscal months one through six, State fiscal year 2019 non-payroll expenditures at the subfund and account level to those of the same period of the prior year. Obtain from management an understanding of variations over \$45,000 and 10% - General Funds, \$15,000 and 10% - Earmarked Funds, \$10,000 and 10% - Restricted Funds, and \$100,000 and 10% - Federal Funds.
6. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
  - Transaction is properly completed as required by Office procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Office procedures are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Office.
  - The transaction is properly classified in the general ledger.
  - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
  - Determine that disbursements are recorded in the proper fiscal year.
  - Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures selected, 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.
7. Haphazardly select ten purchasing card transactions from the Comptroller General's listing of purchasing card transactions and inspect supporting documentation 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.

## Finding

Five of the ten purchasing card (P-Card) transactions selected did not include the card holder signature. Four of the ten P-Card transactions did not include a supervisor's signature on the monthly summary.

## Management's Response

We will follow state procurement policies and procedures as stated. Our agency did implement the change immediately beginning with the January 27, 2019 statement.

## Payroll

8. Compare State fiscal year 2018 payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$100,000 and 10% - General Funds, \$30,000 and 10% - Earmarked Funds, and \$100,000 and 10% - Federal Funds.
9. Compare fiscal months one through six, State fiscal year 2019 payroll expenditures at the subfund and account level to those of the same period of the prior year. Obtain from management an understanding of variations over \$45,000 and 10% - General Funds, \$15,000 and 10% - Earmarked Funds, and \$100,000 and 10% - Federal Funds.
10. For both State fiscal year 2018 and fiscal months one through six of State fiscal year 2019, 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%.
11. Compare the percentage change in personal service expenditures between State fiscal year 2018 and the prior year to the percentage change in employer contributions expenditures between State fiscal year 2018 and the prior year. Obtain an explanation of variations greater than 10%.
12. Compare the percentage change in personal service expenditures between fiscal months one through six of State fiscal year 2019 and the same period of the prior year to the percentage change in employer contributions expenditures between those two six month periods. Obtain an explanation of variations greater than 10%.
13. Haphazardly select ten employee payments and inspect supporting documentation 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 Office.
  - 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 Office.
  - Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.
14. Haphazardly select five employees who terminated employment during the period to determine if they were removed from the payroll in accordance with the Office'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.
15. Haphazardly select five employees hired during the period to determine if they were added to the payroll in accordance with the Office's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

## **Payroll (Continued)**

16. Haphazardly select ten bonus pay disbursements to determine:

- Employee does not make more than \$100,000 annually.
- Bonus received during the year did not exceed \$3,000.
- Transaction was appropriately documented and approved.

We found no exceptions as a result of procedure 16, however eight of the ten disbursements were in fiscal year 2019 which was still open as of the date of our report.

## **Finding**

One of the five terminating employees haphazardly selected for inspection was not removed from the payroll system in a timely manner and was paid for several pay periods after the termination date. Also, similar to documentation issues noted in the prior year report, for one of the five newly hired employees selected for inspection we were unable to confirm that the hourly rate paid was approved by Office management.

## **Management's Response**

We will ensure that adequate documentation is maintained and employees removed promptly in personnel and payroll files to ensure the agency is in compliance with state laws.

## **Journal Entries and Transfers**

17. Haphazardly select six journal entries and four transfers 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.

## **Reporting Packages**

18. Obtain copies of State fiscal year end 2018 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.

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

- Capital Assets Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Asset History Sheet and/or Office prepared records.

## Reporting Packages (Continued)

- Grants and Contributions Revenue Reporting Package

Agree reported amounts on the Grants Activity Form to the SCEIS general ledger, Display Grant Master, and/or Office prepared records. In addition, recalculate the reported receivables and/or deferred revenue to determine accuracy and agree totals to the SCEIS general ledger and/or Display Grant Master.

- Accounts Payable Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, SCEIS Yearend Reporting – Prior Year Payables with Vendor and/or Office prepared records. In addition, inspect five haphazardly selected payable transactions included on the Accounts Payable Summary Form and determine if amounts were properly classified, calculated and reported on the reporting package.

- 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 Office 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 from each remaining rental payment classification (One time/Other); and (3) The reported Operating Lease.

- i. Fund Balance Reporting Package

Determine if responses are reasonable/accurate based on inspection of the prior year reporting package, the SCEIS general ledger, and/or Office prepared records.

- ii. 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 Office prepared records. In addition, inspect all five payables reported on 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

### Timely Filing

Three of the seven reporting packages submitted to the CG were submitted one or two days after the reporting package due date.

### Accounts Payable Reporting Package

The total balance of approximately \$60,000 reported on the Accounts Payable and Subsequent Events Reporting Packages as intergovernmental payables should have been reported as vendor payables. In addition, approximately \$12,000 of this balance was reported in general funds but should have been reported in earmarked funds.

## **Reporting Packages (Continued)**

### **Management's Responses**

We will ensure that closing packages are submitted timely and are in compliance with state laws.

### **Governance, Risk and Compliance (GRC) SCEIS Module**

20. Inspect the SCEIS GRC system to identify any new controls since the prior year inspection of this system. Confirm with management that any new controls identified are operating as designed.

We found no exceptions as a result of the procedures.

### **Appropriation Act**

21. Inspect the fiscal year 2018 Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
22. Confirm compliance with the State fiscal year 2018 Office-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

### **Accounting Policies and Procedures**

23. Inspect the accounting policies and procedures of the Department on Aging.

We found no exceptions as a result of the procedures; However, the Department's Aging Services policies and procedures have been updated; finance and accounting written policies and procedures have not yet been updated to reflect the January 1, 2019 agency change to the Department. The Department should consider incorporating written policies for purchase cards with the next update to finance and accounting policies and procedures.

### **Status of Prior Findings**

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

We determined the Office has taken adequate corrective action on each of the findings, except where noted in the Cash Receipts/Revenues and Payroll findings above.