

**SOUTH CAROLINA
DEPARTMENT OF MENTAL HEALTH
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

April 17, 2019

Members of the Commission
South Carolina Department of Mental Health
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Mental Health, on the systems, processes and behaviors related to financial activity of the Department for the fiscal year ended June 30, 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 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:

- 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 governing body and management of the South Carolina Department of Mental Health 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 Department of Mental Health (J12)**

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 from management an understanding of variations for the following: General Fund: G/L Account 4630010000; Earmarked Fund: G/L Accounts 4890010000, 4480020007 (fund 37570001), and 4290030000; and Restricted Fund: G/L Account 4890060000.

We found no exceptions as a result of the procedure.

Cash Disbursements/Non-Payroll Expenditures

2. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations for the following: General Fund: G/L Accounts 5030067111, 5032410001, 5040070000, and 5040810000; Earmarked Fund: G/L Accounts 5071220000 and 5072690000; Federal Fund: G/L Accounts 5021520000, 5024990000, 5040060000, and 5050040000; and Composite Fund: G/L Account 5020070000.

We found no exceptions as a result of the procedure.

Payroll

3. 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%.
4. 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 variations greater than 10%.
5. Haphazardly select twenty 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.
6. Haphazardly select ten 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.
7. Haphazardly select ten bonus pay disbursements to determine:
 - The employee does not make more than \$100,000 annually.
 - The bonuses received during the year did not exceed \$3,000.
 - The payment agrees to supporting documentation.
 - The bonus pay was approved by the appropriate supervisor.

Payroll (Continued)

Finding

Three pay discrepancies, totaling approximately \$100, were noted on one new hire and two terminating employee payments, based on comparison of the payment to the applicable supporting documentation.

Management's Response

Action dates generated by SCEIS impact the gross pay for new hires and terminated employees. Any dates that need to be corrected will result in a discrepancy. To avoid this discrepancy, we are manually calculating the gross pay for each new hire and termination in each pay period and are making corrections to the miscalculations generated by SCEIS.

Journal Entries and Transfers

8. Haphazardly select fifteen journal entries and five 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 procedure.

Reporting Packages

9. 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.
10. In addition to the procedure above, perform the following:
 - Cash and Investments Reporting Package

Determine if responses are reasonable/accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Reporting – Cash and Investments report and/or Department prepared records. In addition, determine if amounts agree to State Treasurer's Office Composite Bank Account reports and year end reconciliations. Furthermore, determine if the Department's petty cash accounts were properly authorized by the Office of the State Auditor.
 - Grants and Contribution Revenues Reporting Package

Haphazardly select fifteen grants to determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the SCEIS general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue to determine accuracy.

Reporting Packages (Continued)

- Other Receivables Reporting Package

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. In addition, haphazardly select ten receivables to determine if the amounts were properly classified and calculated.

- 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. In addition, haphazardly select ten payables 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.

We found no exceptions as a result of the procedures.

Composite Reservoir Accounts

11. Obtain a listing of Department composite reservoir accounts and confirm with management that the listing is complete.
12. Obtain fiscal year monthly reconciliations for each composite reservoir account and for ten haphazardly selected reconciliations, perform the following procedures:
 - Determine that selected reconciliations were timely performed, reviewed, and properly documented in accordance with 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.
13. Haphazardly select and inspect ten composite reservoir account receipts to determine that they were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations and that they were recorded in the proper fiscal year, and that any retention or remittance of revenue is supported by law.
14. Haphazardly select and inspect ten composite reservoir account disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations, were bona fide disbursements of the Department, were paid in conformity with State laws and regulations and that goods and/or services were procured in accordance with applicable laws and regulations.

We found no exceptions as a result of the procedures.

Appropriation Act

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

Appropriation Act (Continued)

16. 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.

Permanent Improvements

17. Inspect the State of South Carolina Comprehensive Permanent Improvement Plan, Summary of Permanent Improvement Projects applicable to the Department.

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

Accounting Policies and Procedures

18. Inspect the Department's updated accounting policies and procedures.

We found no other matters related to our agreed-upon procedures. It was noted that the Department has completed an update of its financial services policies and procedures; however, the human resources/payroll policies and procedures update is still in progress.

Commission Meeting Minutes

19. 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.

Audit Reports

20. Inspect the Department's internal and external audit reports beginning with the end date of prior year fieldwork through the end of our current year fieldwork.

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

Status of Prior Finding

21. 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 procedure.