

**SOUTH CAROLINA  
BOARD OF FINANCIAL INSTITUTIONS  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2018**



Independent Accountant's Report on Applying Agreed-Upon Procedures

July 29, 2019

The Honorable Curtis M. Loftis Jr., Chairman  
South Carolina Board of Financial Institutions  
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Board of Financial Institutions (the Board), on the systems, processes and behaviors related to financial activity of the Board for the fiscal year ended June 30, 2018. The Board'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 Board. 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 Board 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 \$5,000 related to reporting packages.

This report is intended solely for the information and use of the Board and management of the South Carolina Board of Financial Institutions 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 Board of Financial Institutions (R23)**

**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: Mortgage Lender License - Renew (General Ledger [G/L] account 4160610002), Mortgage Lender Branch License - New (G/L account 4160620001), Mortgage Loan Originator License - New (G/L account 4160630001), and Mortgage Loan Originator License - Renew (G/L account 4160630002).
2. Haphazardly select fifteen cash receipts transactions and inspect supporting documentation to:
  - Ensure the transaction amount, date, payor, and account classification are properly reported in 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 were 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 from management an understanding of variations for the following: Equipment & Supplies – End User Computing (G/L account 5030067130) and HR Travel – In State Mileage (G/L account 5050041000).
4. Randomly select twenty non-payroll disbursements and inspect supporting documentation to determine:
  - The transaction is properly completed as required by Board procedures; invoice(s) agree(s) with general ledger as to vendor, amount, and date.
  - All supporting documents and approvals required by Board procedures are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Board.
  - The transaction is properly classified in the general ledger.
  - The disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
  - The disbursement was recorded in the proper fiscal year.
  - Clerical accuracy / confirm proper sales/use tax.
5. Haphazardly select five purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for Fiscal Year 2018 and inspect supporting documentation to determine:
  - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Board policies.
  - The purchase is authorized based on the cardholder's job title/position.

## Cash Disbursements/Non-Payroll Expenditures (Continued)

- 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

Three selected purchasing card transactions did not comply with the documentation requirements prescribed by the State's Division of Procurement Services Materials Management Office purchasing card policies. Receipts were not maintained to support the purchases and the associated monthly purchase summaries were not signed by the cardholder.

### Management's Response

The Consumer Finance Division has corrected the documentation issue for the transactions cited and will ensure that all documentation for its card is properly attached and signed going forward.

### Payroll

6. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of the variation for the Commissioner of Banking account (G/L account 5010100000).
7. Haphazardly select three employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Board'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.
8. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Board's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

We found no exceptions as a result of these procedures.

### Journal Entries

9. Haphazardly 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 this procedure.

### Reporting Packages

10. Obtain copies of fiscal year end reporting packages submitted to the 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.

## **Reporting Packages (Continued)**

11. In addition to the procedure above, perform the following for the Subsequent Events Questionnaire:
  - Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger and/or Board prepared records.

We found no exceptions as a result of these procedures.

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

12. Select the five controls identified through the SCEIS GRC system that were in place during fiscal year 2018 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of this procedure.

## **Travel Advances**

13. Haphazardly select five travel advances and inspect supporting documentation to determine:
  - Proper approval was obtained from the CG for advances associated with in-state travel.
  - The advance request was submitted for approval no later than seven business days prior to the beginning of the trip.
  - The advance was not made for more than 80% of estimated travel expenses or made in instances where 80% of estimated travel expenses was less than \$250.
  - The Board maintained adequate records to support the advance.
  - The employee repaid the advance within thirty days after the end of the trip.

We found no exceptions as a result of this procedure.

## **Appropriation Act**

14. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
15. Confirm compliance with the Board's specific state proviso by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of these procedures.

## **Board Meeting Minutes**

16. Inspect the Board's approved minutes beginning with the end date of prior year fieldwork through the end of our current year fieldwork for matters related to our engagement.

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

## **Status of Prior Finding**

17. Through inquiry and inspection, determine if the Board 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 this procedure.