

**SOUTH CAROLINA
DEPARTMENT OF ARCHIVES AND HISTORY**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

February 12, 2020

Dr. W. Eric Emerson, Director
South Carolina Department of Archives and History
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 Archives and History (the Department), on the systems, processes and behaviors related to financial activity of the Department for the fiscal year ended June 30, 2019. 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 management of the Department 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 Department of Archives and History
(H79)

Cash Receipts/Revenues

1. Haphazardly select ten cash receipts transactions and inspect supporting documentation to:
 - Ensure transaction amount, date, payor, document number, 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 are recorded in the proper fiscal year.

We found no exceptions as a result of the procedure.

Cash Disbursements/Non-Payroll Expenditures

2. Compare current year non-payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations for the following: general fund: Contract Agreements with Government/Nonprofit Entities (general ledger [G/L] account 5021330000), Non-IT Other Professional Services (G/L account 5021540000), Rent State Owned Property (G/L account 5040070000), Contributions (G/L account 5040810000); and federal fund: Allocations Municipalities (G/L account 5170110000).
3. Haphazardly select ten non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Department procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Department procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Department.
 - 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.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures, 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.

Cash Disbursements/Non-Payroll Expenditures (Continued)

4. Haphazardly select five purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for Fiscal Year 2019 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Department policies.
 - 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.

Findings

An invoice received on 06/29/18 for energy charges totaling \$121,397 related to fiscal year 2018. This was posted to fiscal year 2019 on 07/01/18, without indication of being a prior period expense.

Out of the five purchasing card transactions inspected, one monthly purchase card summary was not signed as being reviewed by an individual other than the cardholder. For another instance, a travel affidavit was not submitted at least five days prior to travel as required by the South Carolina Lodging Purchasing Card Program policies.

Management's Response

The posting of an invoice to an incorrect year was an oversight on the part of the agency's Finance section. We will implement procedures to ensure that payments for invoices received just prior to the end of the fiscal year and processed during the new fiscal year are actually posted to the previous period.

The payment with the single signature was signed by the Agency Director only. In the future those summaries also will be signed by a Division Director.

Regarding the travel affidavit not filed five days prior to travel, the implementation of Lodging Purchasing Cards began during the fiscal year in question. We will re-emphasize Lodging Purchasing Card Program policies with Division Heads to ensure that policies are being followed by employees using Lodging Purchasing Cards.

Payroll

5. Haphazardly select five temporary employees and, using one haphazardly selected pay period, inspect supporting documentation during the fiscal year to:
 - 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 Department.

For Salaried Employees:

- 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:

- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

Payroll (Continued)

6. Haphazardly select five 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.
7. Haphazardly select five 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.

Finding

During our inspection of new hires, we found one instance in which a temporary employee was not paid the correct rate for three pay periods during the fiscal year. The employee should have been paid \$50 per hour, but was paid \$10 per hour for 55 hours worked. This resulted in an underpayment of \$2,200.

Management's Response

On the same day that this oversight was discovered by the auditors, the agency informed the temporary employee about the underpayment and issued a check for the amount of underpayment shortly thereafter. The agency will implement procedures to more closely track the pay rates for temporary employees and prevent future instances of incorrect compensation.

Journal Entries

8. 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.

Finding

One journal entry transaction selected for inspection did not achieve the purpose of the transaction. The Department inadvertently debited and credited the incorrect general ledger accounts resulting in the general contributions and donations – unrestricted account being overstated by \$2,000 for a donation received, and sale of services being understated by \$2,000. The original transaction was properly coded in the accounting system, indicating that a journal entry was not necessary.

Management's Response

The agency's Finance section will develop internal controls and processes to detect these types of errors.

Reporting Packages

9. 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)

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

- Accounts Payable Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on the inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, SCEIS Yearend Rptg - Prior Year Payables with Vendor and/or Department prepared records. In addition, haphazardly select all payables from the accounts payable summary form and determine if the amounts were properly classified.

- Operating Leases Reporting Package

Determine if amounts agree to the SCEIS general ledger, the SCEIS Yearend Rptg - Operating Lease Expense with Vendor report and/or Department prepared records. Based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded, and calculated by inspecting and recalculating three haphazardly selected vendor payments. In addition, confirm that the Department submitted copies of all leases to the CG in accordance with the CG's Yearend Reporting Procedures Manual.

- 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.

Finding

During our inspection of the operating leases reporting package, we observed the misclassification of items reported to the CG's Office. The Department classified all charges as other detailed rental charges – payment for supplies instead of classifying \$6,624 as contingent rental payments, and \$569 as one time or unusual in nature rental payments.

Management's Response

Future classification of payments of this nature will be recorded separately as contingent rental payments and one time or unusual in nature rental payments.

Assets and Personal Property

11. Select all capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS asset history sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.
12. Confirm that an inventory of Department property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Law section 10-1-140.

We found no exceptions as a result of the procedures.

Appropriation Act / Agency-Specific Provisos

13. Confirm that the Department submitted to the State Human Affairs Commission employment and filled vacancy data by race and sex by October thirty-first of the fiscal year in accordance with Proviso 117.13.
14. Confirm compliance with the selected agreed-upon agency-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Non-Recurring Revenue Proviso 118.15

15. Confirm compliance with the three proviso appropriations, inspecting Department supporting documentation to agree to stated proviso purpose and amount.

We found no exceptions as a result of the procedure.

Status of Prior Findings

16. Through inquiry and inspection, determine if the Department 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 the procedure.