

**SOUTH CAROLINA  
DEPARTMENT OF ALCOHOL  
AND OTHER DRUG ABUSE SERVICES**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2019**



## Independent Accountant's Report on Applying Agreed-Upon Procedures

April 2, 2020

Ms. Sara Goldsby, Director  
South Carolina Department of Alcohol  
and Other Drug Abuse Services  
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 Alcohol and Other Drug Abuse Services (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 South Carolina Department of Alcohol and Other Drug Abuse Services 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 Alcohol and Other Drug Abuse Services  
(J20)**

**Cash Receipts/Revenues**

1. Compare current year revenues at the fund 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 \$25,000 – Earmarked Funds, \$250,000 – Federal Funds and 10%.
2. Haphazardly select fifteen cash receipts transactions and inspect supporting documentation to:
  - Ensure supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, and account classification.
  - 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 and that any fee increases are in accordance with Proviso 117.7 of the Appropriation Act.
  - Determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

**Cash Disbursements/Non-Payroll Expenditures**

3. 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 over \$75,000 – General Fund, \$85,000 – Earmarked Fund, \$2,000 - Restricted Fund, \$250,000 - Federal Fund and 10%.

We found no exceptions as a result of the procedures.

**Payroll**

4. Compare current year payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations over \$75,000 – General Fund, \$85,000 – Earmarked Fund, \$2,000 - Restricted Fund, \$250,000 - Federal Fund and 10%.
5. 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%.
6. 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% when the proportion of employer contribution to personal service expenditures also varies at a rate greater than 5% between fiscal years.
7. Select all 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.

## Payroll (Continued)

8. Select all 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.

We found no exceptions as a result of the procedures.

## Journal Entries and Transfers

9. Haphazardly select five journal entries and two 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 procedures.

## Reporting Packages

10. 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 submitted by the due date established by the CG's Reporting Policies and Procedures Manual.

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

- Cash and Investments Reporting Package

Determine if responses are reasonable/accurate based on inspection of applicable supporting documentation.

- Grants and Contributions Revenue Reporting Package

Haphazardly select five grants to determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the South Carolina Enterprise Information System (SCEIS) general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue.

- Prepaid Expenses Reporting Package

Determine if amounts agree to the SCEIS Yearend Reporting - Prepaid Expenses report and/or Department prepared records. In addition, haphazardly select five prepaid expenses to determine if the amounts were properly classified, calculated and reported based on inspection of the SCEIS general ledger and invoices.

- Operating Leases Reporting Package

Haphazardly select three month-to-month rental payments to determine if they were properly classified, coded and calculated based on inspection of invoices and/or lease agreements. In addition, agree applicable effective dates and future minimum lease payments on the Future Minimum Lease Payment Schedule to the prior year Schedule. Lastly, confirm that the Department submitted copies of leases to the CG in accordance with the CG's reporting package instructions.

## Reporting Packages (Continued)

- Accounts Payable Reporting Package

Haphazardly select five payables to determine if reported amounts were properly identified, classified, and reported based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting - Prior Year Payables with Vendor Report and/or Department prepared records.

- Litigation Reporting Package

Haphazardly select three transactions from the SCEIS Yearend Reporting – Litigation Expense report to determine if charges were properly coded and approved.

- Interfund Payables and Receivables Reporting Package

Inspect all reported amounts to determine if they were properly reported based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting – Inter-Agency Prior Payables with Vendor and/or Department prepared records.

- 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, select all payables from the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, reported, and excluded from the original Accounts Payable Reporting Package submission.

## Findings

**Prepaid Expenses Reporting Package** - Calculation discrepancies were encountered with two of the five prepaid expenses selected for inspection. The net effect of the errors was an approximate \$10,000 overstatement of fiscal year 2019 expense and corresponding understatement of prepaid expense.

**Grants and Contributions Revenue Reporting Package** - The deferred revenue amount reported on the reporting package should have been excluded because it was associated with a previously closed grant/contractual arrangement.

## Management's Response

We agree with the findings. The Department's Division of Finance and Operations will review and evaluate closing packages closer in the future to avoid the oversights. We will adhere to the CG instructions and recommendations of the State Auditors to ensure proper classifications on the reporting packages.

## Assets and Personal Property

12. Select all fiscal year 2019 capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that the 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.
13. Confirm that an inventory of Department property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Law 10-1-140.

We found no exceptions as a result of the procedures.

## **Appropriation Act / Department-Specific Provisos**

14. 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 of the Appropriation Act.
15. Confirm that the Department has implemented procedures in accordance with Proviso 3.1 of the Appropriation Act to monitor the expenditure of lottery funds to ensure that lottery funds are expended in accordance with applicable state laws, rules, and regulations.
16. Confirm compliance with the Department-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

## **Status of Prior Findings**

17. 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 determined that the Department has taken adequate corrective action on each of the findings, except as related to the Reporting Package – Grants and Contributions Revenue Reporting Package finding above.