

**SOUTH CAROLINA STATE AGENCY
OF VOCATIONAL REHABILITATION
WEST COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

May 28, 2020

Board of Directors
South Carolina State Agency of Vocational Rehabilitation
West Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Agency of Vocational Rehabilitation (the State Agency), on the systems, processes and behaviors related to financial activity of the State Agency for the fiscal year ended June 30, 2019. The State Agency'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 State Agency. 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 State Agency 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 State Agency of Vocational Rehabilitation 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 State Agency of Vocational Rehabilitation (H73)

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 over \$20,000 – General Funds, \$125,000 – Earmarked Funds, \$1,500 – Restricted Funds, \$450,000 Federal Funds and 10%.

We found no exceptions as a result of the procedures.

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 over \$100,000 – General Funds, \$125,000 – Earmarked Funds, \$500,000 Federal Funds and 10%.
3. 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 the State Agency's 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.

We found no exceptions as a result of the procedures.

Payroll

4. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$100,000 – General Funds, \$125,000 – Earmarked Funds, \$500,000 Federal Funds 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%.
7. Randomly select ten employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the State Agency'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. Randomly select ten employees hired during the fiscal year to determine if they were added to the payroll in accordance with the State Agency'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 thirteen journal entries and two 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

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.
11. In addition to the procedure above, perform the following:
- Cash and Investments Reporting Package
Determine if responses and reported amounts are reasonable/accurate and all required supplemental information was properly prepared and submitted based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Reporting - Cash and Investments report and/or State Agency prepared records. In addition, determine if amounts agree to State Treasurer's Office Composite Bank Account reports and year end reconciliations.
 - Other Receivables Reporting Package
Haphazardly select five items and 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 State Agency prepared records.
 - Inventory Reporting Package
Determine if reported amounts agree to the SCEIS Yearend Reporting - Inventory report and/or State Agency prepared records. In addition, determine if the physical year-end inventory count was properly recorded into SCEIS by haphazardly selecting one work training center and comparing the number of items for each material number from the physical count sheets to the quantity listed in SCEIS.
 - Prepaid Expenses Reporting Package
Determine if amounts agree to the SCEIS Yearend Reporting - Prepaid Expenses report and/or State Agency 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.
 - Capital Assets Reporting Package
Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet and/or State Agency prepared records.

Reporting Packages (Continued)

- Operating Leases Reporting Package

Based on inspection of invoices, lease agreements, and SCEIS / State Agency accounting records, determine if rental payments were properly classified, coded, and calculated by inspecting and recalculating the following reported amounts: (1) three haphazardly selected contingent rental payments; (2) the effective dates, and future minimum lease payments for five haphazardly selected operating leases; (3) All costs of property to be leased to others; and (4) All future rental payments to be received for property leased to others. In addition, confirm that the State Agency submitted copies of all leases to the CG in accordance with the CG's Reporting Package Instructions.

- Accounts Payable Reporting Package

Determine if reported payable amounts are reasonable/accurate based on agreement of reporting package totals to the SCEIS Yearend Reporting - Prior Year Payables with Vendor, SCEIS Inter-Agency Prior Year Payables with Vendor Business Warehouse reports and/or State Agency prepared records. In addition, haphazardly select ten payable transactions to determine if reported amounts were properly identified, classified, and reported on the reporting package.

- 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 State Agency prepared records. In addition, haphazardly select five 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

12. Obtain a listing of State Agency composite reservoir accounts and confirm with State Agency management that the listing is complete.
13. Obtain fiscal year monthly reconciliations for each composite reservoir account and for a total of two haphazardly selected reconciliations (one from each composite account), 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.
14. Haphazardly select and inspect five composite reservoir account disbursements from each account to determine if these disbursements were properly described and classified in the accounting records in accordance with the State Agency's policies and procedures and State regulations, were bona fide disbursements of the State Agency, 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.

Capital Assets and Personal Property

15. Haphazardly select five 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.
16. Haphazardly select three capital asset retirements and inspect supporting documentation, and the SCEIS Asset History Sheet, to determine that each asset was approved for removal, and that the asset was properly removed from the State Agency's books/general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
17. Confirm that an inventory of State Agency property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

Finding

One of the capital asset acquisitions inspected, a vehicle, was inadvertently classified in the general ledger as other capitalized equipment.

Management's Response

We agree with the comments and have taken steps to ensure our SCEIS general ledger and Asset History Report is completed in accordance with all applicable policies, procedures and instructions of the Comptroller General's Office. All capital asset category descriptions will be reviewed throughout the year to support appropriate asset classification.

Appropriation Act / State Agency-Specific Provisos

18. Confirm that the State Agency 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.
19. Confirm compliance with the State Agency-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

20. Through inquiry and inspection, determine if the State Agency 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 procedures.