

**SOUTH CAROLINA
OFFICE OF REGULATORY STAFF
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

June 19, 2020

Ms. Nanette S. Edwards, Executive Director
South Carolina Office of Regulatory Staff
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Office of Regulatory Staff (the Office) on the systems, processes and behaviors related to financial activity of the Office for the fiscal year ended June 30, 2019. The Office'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 Office. 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 Office 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 \$2,500 related to reporting packages.

This report is intended solely for the information and use of the management of the South Carolina Office of Regulatory Staff 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 Office of Regulatory Staff (R06)**

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 for the following general ledger (G/L) accounts: Earmarked Funds: Radioactive Waste Administrative Surcharge (G/L Account 4140340000), Restricted Funds: Dual Party Relay System Fee (G/L Account 4110060000), and Federal Funds: Federal Operating Grants – Restricted (G/L Account 4280020000).
2. Haphazardly select ten 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 fiscal year 2019 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 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 of the following general ledger accounts: Earmarked Funds: 502- Contractual Services, Restricted Funds: 502- Contractual Services and 503- Supplies and Materials; and Federal Funds: 504- Fixed Charges.
4. Haphazardly select ten non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Office procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Office procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Office.
 - 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.
5. Haphazardly select five procurement contracts and inspect supporting documentation to determine the disbursements complied with the Department's procurement procedures as well as applicable sections of the State Consolidated Procurement Code.

Cash Disbursements/Non-Payroll Expenditures (Continued)

6. Haphazardly select ten purchasing card transactions from the 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 Office 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.

Finding

For nine out of ten of the purchasing card statements inspected, the monthly purchase statement was not signed by a supervisor.

Management's Response

Management agrees with the finding and will adjust its procedure to include the Supervisor's signature on purchasing card statements for each month of FY20 and going forward.

As a note, internal controls have been maintained as the Supervisor reviews monthly purchasing card statements; however, the Supervisor signature has been placed on the monthly invoice.

All cardholder activity statements received to date for FY20 have been signed by the Supervisor.

Payroll

7. 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%.
8. 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 changes greater than 10% when the proportion of employer contribution to personal service expenditures also varies at a rate greater than 5% between fiscal years.
9. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Office's policies and procedures, that the employee's last paycheck was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
10. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Office's policies and procedures and that their first paycheck was properly calculated in accordance with applicable State law.
11. Haphazardly select five 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 amount agreed to supporting documentation and the bonus was given for proper reason in accordance with Office policy.
 - The bonus pay was approved by the appropriate supervisor.

We found no exceptions as a result of the procedures.

Journal Entries

12. Haphazardly select ten 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 the procedures.

Reporting Packages

13. 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 submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
14. In addition to the procedure above, perform the following:
- Tax Revenue Reporting Package
Determine if amounts agree to Office prepared reports/spreadsheets.
 - Other Receivables Reporting Package
Determine if reported amounts are accurate based on inspection of the South Carolina Enterprise Information Systems (SCEIS) general ledger, the SCEIS Yearend Reporting – Accounts Receivable Current with Customer report and/or Office prepared records. Haphazardly select seven transactions on the SCEIS Yearend Reporting – Accounts Receivable Current with Customer report to determine if amounts were properly classified.
 - Operating Leases Reporting Package
Determine if amounts agree to the SCEIS general ledger, the SCEIS Yearend Reporting – Operating Lease Expense with Vendor report and/or Office prepared records. In addition, based on inspection of invoices and lease agreements, 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) one haphazardly selected payment for each vendor included in the remaining rental payment classifications (One time or unusual in nature rental payments and Month to month rentals); and (3) the current expense and future minimum payments for all leases reported on the Operating Leases Future Minimum Payment Schedule. In addition, confirm that the Office submitted copies of all leases to the CG in accordance with the CG's Reporting Package Instructions.
 - 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 Office prepared records. In addition, select all 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.

Assets and Personal Property

15. Confirm that an inventory of Office property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

We found no exceptions as a result of the procedure.

Litigation / Attorney Payments

16. Haphazardly select five transactions coded to the legal services G/L account 5021010000 from the Yearend Reporting – Litigation Expense Report to inspect proper account coding and that the transactions did not relate to attorney payments.
17. Haphazardly select two payments coded to the attorney fees G/L account 5021020000 from the Yearend Reporting – Litigation Expense Report and determine if the Office obtained proper approval from the South Carolina Attorney General’s Office before engaging the law firm on a fee basis, and that amounts and service date ranges were charged within approved limits.

We found no exceptions as a result of the procedures.

Appropriation Act / Office-Specific Provisos

18. Confirm that the Office 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 fiscal year 2019 Appropriation Act.
19. Confirm compliance with the selected agreed-upon Office-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.