

From: Catherine McNicoll <CatherineMcNicoll@scstatehouse.gov>
To: Danny Varat <DannyVarat@scstatehouse.gov>
Date: 9/11/2017 2:10:41 PM
Subject: Re: FY16 Audit Terms of Engagement Letter

This looks fine.

Best Regards,
Catherine McNicoll
Director of Legal & Legislative Affairs
Lieutenant Governor's Office
CatherineMcNicoll@SCStatehouse.gov
803-734-5292 (phone)

Sent from my iPhone

On Thu, Sep 7, 2017 at 12:24 PM -0400, "Danny Varat" <DannyVarat@scstatehouse.gov> wrote:

August 29, 2017

The Honorable Kevin L. Bryant, Lieutenant Governor
South Carolina Office of the Lieutenant Governor
State House, 1st Floor
Columbia, South Carolina 29202

Dear Mr. Bryant:

We are pleased to confirm our understanding of the terms of our engagement and the nature and limitations of the services we are to provide for the South Carolina Lieutenant Governor's Office (the Office).

We will apply the agreed-upon procedures listed in the attached schedule that were agreed to by management to assist you in evaluating the systems, processes and behaviors of the Office for the fiscal year ended June 30, 2016. Our engagement to perform agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management and we will require an acknowledgement in writing of that responsibility. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination or review, we will not express an opinion or conclusion, respectively, on the systems, processes and behaviors of the Office. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

We will issue a written report addressed to the Lieutenant Governor and management of the

Office upon completion of our engagement that lists the procedures performed and our findings. This report is intended solely for the information and use of the Lieutenant Governor and of the management of the Office 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. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, we will communicate to you any known or suspected fraud and noncompliance with laws or regulations that come to our attention. Our report may not include all matters that might have come to our attention had we performed additional procedures or an examination or review.

Management is responsible for ensuring its financial records are in compliance with generally accepted accounting principles, State laws, rules and regulations and the Office's policies and procedures. You are also responsible for, and agree to provide us with, written assertions about your systems, processes and behaviors.

The Honorable Kevin L. Bryant, Lieutenant Governor
August 29, 2017
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George L. Kennedy III, CPA, is the State Auditor of South Carolina and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

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:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

Even though the above described deficiencies will not be reported to management in the AUP report they will be reported orally to management and documented on a "Discussed with Management" form.

Angelique Cornwall, along with one other member of our staff, will start the engagement on September 5, 2017 at 9:30 a.m. We respectfully ask that the documents and other information initially requested by our staff, be provided or made available to the team as soon as possible. As the engagement progresses, they will need access to other information, including general accounting records, receipts, and disbursement vouchers; payroll, personnel, and leave records; receivables; purchasing records, etc. This information will be requested, as needed, during the fieldwork. At the conclusion of our engagement, we will require certain written representations in the form of a representation letter from management that, among other things, will confirm management's responsibility for ensuring its accounting records are in compliance with generally accepted accounting principles, State laws, rules and regulations and the agency's policies and procedures.

Our staff looks forward to working with you to accomplish our objectives with minimal disruption of your normal operations. Should you have any questions, please contact me at 832-8242. If you agree with the terms of our engagement as described in this letter, please sign below and return it to us. If the need for additional procedures arises, or the procedures need to be modified, our agreement with you will need to be revised. We will include these revisions in an addendum to this letter.

Yours very truly,

George Gentry, CPA
Audit Manager

GMG/sag

Enclosure

Kevin L. Bryant
Lieutenant Governor

Darryl Broome
Director – Office on Aging

Attachment 1

**South Carolina Office of the State Auditor
Schedule of Agreed-Upon Procedures - South Carolina Lieutenant Governor's Office (E04)**

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 and document an understanding of variations over \$2,500 – General Funds, \$36,000 – Earmarked Funds, \$12,500 – Restricted Funds, \$133,000 – Federal Funds, and 10%.
2. Randomly select twenty-five cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Randomly select five cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

Cash Disbursements/Non-Payroll Expenditures

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$101,500 – General Funds, \$34,100 – Earmarked Funds, \$12,100 – Restricted Funds, \$132,700 – Federal Funds, and 10%.

5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:

- Transaction is properly completed as required by agency procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
- All supporting documents and approvals required by agency procedures are present and agree with the invoice.
- The transaction is a bona fide expenditure of the agency, properly coded to the general ledger.
- Disbursement complied with all State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
- Clerical accuracy / verify proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures we will 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.

6. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$101,500 – General Funds, \$34,100 – Earmarked Funds, \$132,700 – Federal Funds, and 10%.

8. Randomly select six employee payments and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- 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 agency.
- Agree gross pay to supporting documentation noting all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

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

9. Randomly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the agency's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

10. Randomly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the 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.

11. Compare the percentage change in personal service expenditures to the percentage change in employer contributions. Obtain an explanation of changes of +/- 10%.
12. 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 changes of +/- 10%.

Journal Entries and Transfers

13. Randomly select eighteen journal entries and five 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.

Appropriation Act

14. Complete the Appropriation Act work program provided to management noting areas of noncompliance, if any.
15. Confirm compliance with agency-specific state provisos by inquiring with management and observing supporting documentation.

Reporting Packages

16. Obtain copies of all fiscal year end reporting packages submitted to the Office of the State Comptroller General. Inspect the reporting packages to:
 - Determine if preparation was in accordance with Comptroller General Office requirements.
 - Determine if amounts reported in the reporting packages agree with the supporting workpapers and accounting records.

Status of Prior Findings

17. Inquire about the status of findings reported in the Accountant's Comments section of the engagement for the prior fiscal year to determine if the agency has taken appropriate corrective action.

From: Catherine McNicoll
Sent: Thursday, September 7, 2017 11:40 AM
To: Danny Varat
Subject: Re: FY16 Audit Terms of Engagement Letter

I haven't seen this before. But I can't open the attachment.

Best Regards,
Catherine McNicoll

Director of Legal & Legislative Affairs
Lieutenant Governor's Office
CatherineMcNicoll@SCStatehouse.gov
803-734-5292 (phone)

Sent from my iPhone

On Thu, Sep 7, 2017 at 5:41 AM -0500, "Danny Varat" <DannyVarat@scstatehouse.gov> wrote:

Are you aware of this?

From: Lily Cogdill
Sent: Wednesday, September 6, 2017 3:16 PM
To: Danny Varat
Subject: FW: FY16 Audit Terms of Engagement Letter

This document requires the signatures of the Lt. Governor and Darryl... Please review and let me know if he wants me to use his electronic signature.

Lily

From: Ellison, Ruchelle [mailto:rellison@aging.sc.gov]
Sent: Wednesday, September 06, 2017 2:16 PM
To: Lily Cogdill
Cc: Broome, Darryl
Subject: FY16 Audit Terms of Engagement Letter

Lili

Per our conversation today, attached is the letter for the Lt Gov's review and signature.

Please let me know if you need additional information.

Ruchelle

Ruchelle Ellison
Fiscal Manager
South Carolina Lieutenant Governor's Office on Aging
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Columbia, SC 29201
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rellison@aging.sc.gov

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