

Firm's Response to Draft Report

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COLUMBIA • GREENVILLE

July 16, 2014

Elliot P. Lewis
Assistant Inspector General for Audit

Re: Scott and Company LLC's Response to OIG's QCR of SC DEW for 6/30/12

Dear Mr. Lewis:

Please find below the responses of Scott and Company LLC (the "Firm") to your agency's findings as a result of its Quality Control Review ("QCR") of the Single Audit of the South Carolina Department of Employment and Workforce ("SC DEW") for the year ended June 30, 2012.

Finding 1 - The Firm met OMB A-133 and GAGAS requirements with audit documentation but improvements are needed.

The Firm did not always ensure its audit documentation adequately supported its conclusions on SC DEW's internal control and compliance as required by GAGAS and A-133. For example, audit documentation did not show how the Firm ensured:

1. completeness of databases and the sampling methodology, including sample size used in internal control compliance testing, and compliance with laws, regulations, and grant agreements testing was appropriate;
2. documentation of supporting details for each expenditure reported in the SEFA;
3. the proper disposition of an exception; and,
4. documentation of a conclusion on internal control over compliance testing, and compliance with laws, regulations, and grants.

Response to Finding 1:

We agree with the finding and have been and will be taking steps to prevent such findings in the future by improving audit documentation as follows:

1. Completeness of databases and sampling methodology – For each major program we will ensure that we clearly document that the general ledger detail agrees to the amount of expenses being reported on the SEFA for each program. We will document our sample sizes by including the PPC sampling forms in our working papers which documents sample size as well as the sampling methodology used.

Scott and Company LLC
CERTIFIED PUBLIC ACCOUNTANTS

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2. We will ensure that our audit documentation consists of reconciliations of our client's trial balances to the expenses shown on the SEFA. We will ensure that this documentation is clear and concise so that an experienced auditor having no knowledge of our client can understand and follow this reconciliation without our assistance.
3. We will ensure that the resolutions of all exceptions to findings in our test work are properly documented. In the event that an exception is noted, this will be linked to the conclusion on the work paper tested and will then be shown as a finding in the Single Audit report. If an exception is noted but is subsequently cleared by the client, we will clearly indicate that such an exception has been disposed of and conclude clearly that there is no exception.
4. We will ensure that all documentation of test work on internal controls over compliance as well as compliance with laws, regulations, and grants, indicates a clear and concise conclusion to the work performed. Each of our work papers will document the purpose of our testing, the procedures performed, and the conclusion reached as a result of those procedures performed.

Finding 2 — SC DEW submitted its annual reporting packages late to the FAC and the Firm did not report this as a finding and recommendation.

Response to Finding 2:

We agree with your finding that we did not report as a finding, in our single audit reports for years ending June 30, 2010, 2011, and 2012, that DEW was late filing its annual reporting packages to the FAC. For the year ending June 30, 2013, DEW also submitted its annual reporting package late to the FAC. In response to this, we did report a finding in our single audit report dated April 28, 2014 for the year ended June 30, 2013, regarding the reporting package being late to the FAC. In this finding, we reported that DEW did not file its annual reporting package on time for the years ended June 30, 2010, 2011, and 2012. We believe that we have now adequately reported the lateness of the submissions for years ended June 30, 2010, 2011, 2012, and 2013.

Finding 3 was directed to SC DEW so we have not issued a response to it. Thank you again for your feedback during and after your QCR. Let us know if we can be of any further assistance in this matter.

Sincerely,



Donald J. Mobley
Managing Member, Columbia Office
Scott and Company LLC

SC DEW's Response to Draft Report

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Nikki R. Haley
Governor
Cheryl M. Stanton
Executive Director

July 14, 2014

**South Carolina Department of Employment and Workforce
Response to Rpt. No. 18-14-003-03-315**

The South Carolina Department of Employment and Workforce respectfully submits the following response to the OIG draft Quality Control Review (QCR) report (Report Number 18-14-003-03-315), recommendation number 3:

Finding 3: SC DEW's Corrective Action Plan did not include anticipated completion dates.

OIG Recommendation: Ensure that future single audits submitted to FAC include in the correction action plan with findings and recommendations the anticipated completion dates for each reported finding and recommendation.

Management's Response:

The agency's corrective actions with respect to the accounting and reporting recommendations were already implemented as of the date of the independent auditor's report issuance. In addition, the unavailability of additional funding for the information technology initiatives did not provide reasonable certainty of the future date by which they could be fully implemented. However, the agency understands that these dates should be estimated and included when responding to future audit comments, and commits to ensuring their inclusion going-forward.

If there are any questions, or if additional information is needed, please contact Don Grant, CPA, Chief Financial Officer, at (803) 737-0367.

Sincerely,

A handwritten signature in black ink that reads "Cheryl M. Stanton".

Cheryl M. Stanton
Executive Director