

**SOUTH CAROLINA ARTS COMMISSION**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2011**

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# State of South Carolina



## Office of the State Auditor

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 4, 2012

The Honorable Nikki R. Haley, Governor  
and  
Members of the Commission  
South Carolina Arts Commission  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Arts Commission (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2011, in the areas addressed. The Commission's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was 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 the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. **Cash Receipts and Revenues**

- We inspected selected recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the selected receipt transactions were adequate to detect errors and/or irregularities.
- We inspected selected recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.
- We compared current year recorded revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the earmarked, restricted and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$1,600 – earmarked fund, \$100 – restricted fund, and \$13,100 – federal fund) and  $\pm$  10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Receipts in the Accountant's Comments section of this report.

2. **Non-Payroll Disbursements and Expenditures**

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations, were bona fide disbursements of the Commission, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared current year expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$19,800 – general fund, \$2,900 – earmarked fund, \$1,000 – restricted fund, and \$12,900 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

3. **Payroll Disbursements and Expenditures**

- We inspected selected recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements and processed in accordance with the agency's policies and procedures and State regulations.
- We inspected payroll transactions for selected new employees and those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the agency's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
- We compared current year payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$19,800 – general fund, \$2,900 – earmarked fund, \$1,000 – restricted fund, and \$12,900 – federal fund) and  $\pm 10$  percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of  $\pm 5$  percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

4. **Journal Entries**

- We inspected selected recorded journal entries to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the agency's policies and procedures and State regulations.

We found no exceptions as a result of the procedures.

5. **Appropriation Act**

- We inspected agency documents, observed processes, and/or made inquiries of agency personnel to determine the Commission's compliance with Appropriation Act general and agency specific provisos.

We found no exceptions as a result of the procedures.

6. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2011, prepared by the Commission and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's Reporting Policies and Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records.

Our finding as a result of these procedures is presented in Reporting Package in the Accountant's Comments section of this report.

7. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2011, prepared by the Commission and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

8. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission resulting from our engagement for the fiscal year ended June 30, 2007, to determine if the Commission had taken corrective action. We applied no procedures to the Commission's accounting records and internal controls for the years ended June 30, 2010, 2009 and 2008.

We found no exceptions as a result of the procedures.

The Honorable Nikki R. Haley, Governor  
and  
Members of the Commission  
South Carolina Arts Commission  
June 4, 2012

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor and of the governing body and management of the South Carolina Arts Commission and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**ACCOUNTANT'S COMMENTS**

**SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS**

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

## **REPORTING PACKAGE**

During our review of the Commission's year-end reporting packages, we determined that the Commission incorrectly completed the following reporting packages: the accounts receivable and grants and contribution receivables reporting packages. The Commission reported their grants receivable on the accounts receivable reporting package. Also, the grants receivable amount reported on the accounts receivable reporting package was misstated. The Commission's grant receivable was understated \$228,754.

Section 1.7 of the Comptroller General's Policies and Procedures manual for Year-End Reporting Packages requires that agencies submit reporting packages that are accurate and in accordance with instructions.

We recommend that the Commission follow the policies and procedures established by the Comptroller General's Office and thoroughly review each reporting package to ensure that it is accurate and completed in accordance with the relevant instructions.

## **RECEIPTS**

We determined that one of the twenty-five receipts tested was not recorded in the proper fiscal year. The Commission recorded a check received in June 2010 as a fiscal year 2011 transaction. The check was received on June 30, 2010 and deposited on July 1, 2010. The Commission recorded the transaction based on the deposit date instead of the receipt date.

The State Treasurer's year end close-out procedures require that receipts be recorded in the same fiscal year that it is received.

We also determined that one of the twenty-five receipts was not deposited in a timely manner. The Commission received the check on May 3, 2011 and deposited it on May 24, 2011.

Section 89.1 of the Fiscal Year 2010-11 Appropriation Act states, “For the current fiscal year, except as hereinafter specifically provided, all general state revenues derived from taxation, licenses, fees, or from any other source whatsoever, and all institutional and departmental revenues or collections, including income from taxes, license, fees, the sale of commodities and services, and income derived from any other departmental or institutional source of activity, must be remitted to the State Treasurer at least once each week, when practical, and must be credited, unless otherwise directed by law, to the General Fund of the State...”.

We recommend the Commission implement procedures to ensure that receipts are recorded when they are received, and that receipts are promptly deposited.

## **SECTION B - STATUS OF PRIOR FINDINGS**

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission for the fiscal year ended June 30, 2007, and dated August 22, 2008. We applied no procedures to the Commission's accounting records and internal controls for the years ended June 30, 2010, 2009 and 2008. We determined that the Commission has taken adequate corrective action on each of the findings.

**MANAGEMENT'S RESPONSE**

July 27, 2012

Richard H. Gilbert, Jr.  
Deputy State Auditor  
SC Office of the State Auditor  
1401 Main St, Suite 1200  
Columbia SC 29201

Dear Mr. Gilbert:

Please allow this letter to serve as response to the draft report resulting from your performance of agreed-upon procedures to the accounting records of the South Carolina Arts Commission. We would like to address the following findings:

#### Cash Receipts & Revenue

During the period under review, the agency was operating with two part-time, temporary employees in finance. We are now staffed with one full time Fiscal Analyst I and a part-time comptroller. Procedures are in place to insure timely processing and accurate recording of revenue.

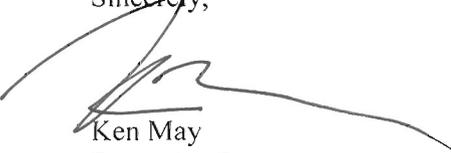
#### GAAPS Reporting Package

As a result of mis-communication with the comptroller general's office, the receivable amount in question was recorded in the accounts receivable closing package, rather than the new grants and contributions receivable package. We have received very clear guidelines on all year end reporting packages and will adhere to all guidelines.

We appreciate the great job that you all did during the audit of the agency's records for FY 11. Our review is complete and you have permission to release the report at your earliest convenience.

Attached is a list of current commissioners and their addresses.

Sincerely,



Ken May  
Executive Director

enclosure

4 copies of this document were published at an estimated printing cost of \$1.43 each, and a total printing cost of \$5.72. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.