

**SOUTH CAROLINA HIGHER EDUCATION
TUITION GRANTS COMMISSION**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2011

CONTENTS

	<u>PAGE</u>
I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1
II. ACCOUNTANT'S COMMENTS	
SECTION A - VIOLATION OF STATE LAWS, RULES OR REGULATIONS	5
REPORTING PACKAGES	6
SECTION B - STATUS OF PRIOR FINDINGS	7
MANAGEMENT'S RESPONSE	8

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 13, 2012

The Honorable Nikki R. Haley, Governor
and
Members of the Commission
South Carolina Higher Education Tuition Grants 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 Higher Education Tuition Grants 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 finding 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 in accordance with the agency's policies and procedures and State regulations.
- 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 general, 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 (\$2,300 – general fund, \$200 – earmarked fund, \$81,500 – restricted fund, and \$11,500 – federal fund) and ± 10 percent.

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

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 (\$132,400 – general fund, \$400 – earmarked fund, \$78,000 – restricted fund, and \$11,500 – federal fund) and ± 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 compared current year payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the general fund to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality level (\$132,400 – general fund) and ± 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions. We investigated changes of ± 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 and Appropriation Transfers**

- We inspected recorded journal entries and appropriation transfers 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 Packages 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 South Carolina Higher Education Tuition Grants 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, 2008, 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 and 2009.

We found no exceptions as a result of the procedures.

The Honorable Nikki R. Haley, Governor
and
Members of the Commission
South Carolina Higher Education Tuition Grants Commission
July 13, 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 Higher Education Tuition Grants 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 - VIOLATION 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 condition described in this section has been identified as a violation of State Laws, Rules or Regulations.

REPORTING PACKAGES

The Commission inaccurately reported on the Master Reporting Checklist, form 2.0.1 that it did not receive grant funding during the fiscal year. Had that part of the Master Reporting Checklist been answered correctly, the Commission would have been instructed to complete a Grants and Contribution Reporting Package which was not completed. The Commission could not explain why the Grants and Contribution Reporting Package was not filed.

Based on our review, it appears that the error on the Master Reporting Checklist was an oversight by Commission staff. Additionally it appears that Commission staff misinterpreted the Grants and Contribution Revenue Reporting Package instructions. In prior years, the Commission was not required to file this reporting package because it did not meet the reporting package revenue threshold.

We recommend that the Commission implement procedures to ensure that the instructions of the Comptroller General's Master Reporting Checklist are closely followed to ensure accurate financial reporting. If it is determined that certain reporting packages do not apply to the Commission, then it should maintain supporting documentation if necessary, to explain why the closing package was not applicable.

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, 2008, and dated April 15, 2009. We applied no procedures to the Commission's accounting records and internal controls for the years ended June 30, 2010 and 2009. We determined that the Commission has taken adequate corrective action on each of the findings.

MANAGEMENT'S RESPONSE

Response to the Accountant's Comments for the State Auditor's Report of the Higher Education Tuition Grants Commission's audit for fiscal year ending June 30, 2011.

Section A – Violation of State Laws, Rules or Regulations – Reporting Packages

This finding indicates that “the Commission inaccurately reported on the Master Reporting Checklist, form 2.0.1 that it did not receive grant funding during the fiscal year” and recommends that “the Commission implement procedures to ensure that the instructions of the Comptroller General's Master Reporting Checklist are closely followed to ensure accurate financial reporting.”

Management Response:

In reviewing the Master Reporting Checklist, form 2.0.1, and with the changeover to SCEIS, the Commission failed to recognize the change in the instructions changing the requirement to file a Closing Package for federal funds because it had never had to do so before because of the previous funding threshold excluding completion by any agency receiving less than \$1 million. The Commission has never received \$1 million or more in a single fiscal year from the Federal LEAP and SLEAP Programs. Agency staff simply failed to pick up on the change in instructions and answered the question incorrectly which consequently caused that portion of the GAAP Packages to go uncompleted. The agency actually spent all federal funds during the 10-11 fiscal year and, had it correctly completed the Package, would have reported no funds left in the account. Effective for 2011-2012, the Federal Government eliminated all funding for the grants previously received by the Commission so there is no chance for the Commission to make this error again as far as the federal funds section. However, the Commission will insure that at least three staff members review the Master Reporting Checklist in future years prior to completion to insure that all required sections are completed accurately and in accordance with requirements.

4 copies of this document were published at an estimated printing cost of \$1.40 each, and a total printing cost of \$5.60. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.