

**SOUTH CAROLINA HIGHER EDUCATION  
TUITION GRANTS COMMISSION**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2014**

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# State of South Carolina



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

August 6, 2015

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, 2014, 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 thirteen 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 five 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 and restricted funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$200 – general fund, \$100 – earmarked fund, and \$33,100 – restricted fund) and  $\pm 10$  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 twenty-five 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 six 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 and restricted funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$141,200 – general fund, \$0 – earmarked fund, and \$82,100 – restricted 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 twelve 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; and payroll transactions 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 Commission's accounting records. The scope was based on an agreed upon materiality level of \$141,200 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  $\pm 10$  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 Interagency Appropriation/Cash Transfers**
- We inspected five selected recorded journal entries and all (five) interagency/cash 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.

The individual journal entry transactions selected were chosen randomly. 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 provisos as listed in the Appropriation Act work program, and agency specific provisos, if applicable.

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, 2014, 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 closing packages agreed with the supporting workpapers and accounting records

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

7. **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, 2013, to determine if the Commission had taken corrective action.

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

The Honorable Nikki R. Haley, Governor  
and  
Members of the Commission  
South Carolina Higher Education Tuition Grants Commission  
August 6, 2015

The concept of materiality does not apply to findings to be reported in the agreed-upon procedures engagement unless the definition of materiality is agreed to by the specified parties. The specified parties have agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures (AUP):

- Clerical errors of less than \$100 related to processing cash receipts and cash disbursements (payroll and non-payroll) transactions (unless there is an indication that the error is systematic).
- Clerical errors of less than \$100 related to reporting packages (unless there is an indication that the error is systematic).
- Errors in applying account coding definitions to accounting transactions unless it is determined that 10 percent or more of the accounting transactions tested were found to be in error.
- Reporting Packages which are submitted less than 3 business days after the due date unless it is determined that 20 percent or more of the reporting packages were submitted late.
- Submission of the Schedule of Federal Financial Assistance less than 3 business days late.

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.



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.

## **OTHER PAYROLL LIABILITIES REPORTING PACKAGE**

During our testing of the Other Payroll Liabilities Reporting Package, we noted the amount reported for Fund 10010000 on Part 2 of the Compensated Absences Summary Form 3.17 was incorrect. The Commission reported an adjustment of \$324; however, based on our review of supporting documentation, an adjustment of (\$80) should have been reported instead. Commission personnel stated this error was due to oversight.

Section 1.7 of the Comptroller General's Reporting Policies and Procedures Manual states, "Each agency's executive director and finance director are responsible for submitting to the Comptroller General's Office reporting packages and/or financial statements that are: accurate and prepared in accordance with instructions, complete, and timely." In addition, Section 1.17 of the Comptroller General's Reporting Package Policies and Procedures Manual, states, "Discrepancies in the liability amount resulting from funding sources, percentages, wage rates, or balance of hours should be reported along with omissions of employees on the Compensated Absences Summary Form (Form 3.17.1)."

We recommend the Commission strengthen its procedures to ensure reporting packages are completed in accordance with the Comptroller General's Reporting Policies and Procedures Manual.

## **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, 2013, and dated August 14, 2014. We determined that the Commission has taken adequate corrective action on the findings titled Fiscal Year Cut Off of Revenue, Account Coding, Journal Entries and Reporting Packages. However, we noted a deficiency during our testing of fiscal year 2014 reporting packages which will be reported in Section A of the report.

**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, 2014.**

**Section A – Violation of State Laws, Rules or Regulations – Other Payroll Liabilities Reporting Package**

This finding indicates that “the amount reported for Fund 10010000 on Part 2 of the Compensated Absences Summary Form 3.17 was incorrect. The Commission reported an adjustment of \$324; however, based on our review of supporting documentation, an adjustment of (\$80) should have been reported instead” and recommends that “the Commission strengthen its procedures to ensure reporting packages are completed in accordance with the Comptroller General's Reporting Policies and Procedures Manual.”

**Management Response:**

The agency accountant responded incorrectly that this error was an “oversight” (i.e., needed to be done, but overlooked) when in reality it was completed and was done as correctly as the agency could do based on Reporting Package instructions. After reading several times all provided instructions for answering this question on the Reporting form itself and reviewing thoroughly pages 66-68 in the Comptroller General's Reporting Policies and Procedures Manual, the Commission staff, including agency management, who were working together in an attempt to insure reporting accuracy, completed the answer to this question adding together the values of compensatory time and annual leave. Nowhere in the instructions does it say that either value is considered a negative number when doing the calculation. The agency is now told that it made an error in reporting by adding the amounts together as positive numbers, despite its best efforts to follow the instructions in the CG's Reporting Policies and Procedures Manual. The agency staff and management will continue to follow the Manual as written to correctly calculate Other Payroll Liabilities for future reporting packages and agency management will verify that correct calculations are made before completion.

**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, 2014.**

**Section B – Status of Prior Findings**

This finding indicates that “the Commission has taken adequate corrective actions” on the most recent State audit findings in all areas except “fiscal year 2014 reporting packages” which were reported in Section A of the report.

**Management Response:**

The agency staff and management have worked together diligently and will continue to do so to insure that the agency is in full compliance with all State laws, rules, and regulations concerning its financial records and internal controls and to insure that the agency is a good steward of State taxpayer dollars.

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