

**SOUTH CAROLINA HIGHER EDUCATION
TUITION GRANTS COMMISSION**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2015

CONTENTS

	<u>PAGE</u>
I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1
II. ACCOUNTANT'S COMMENTS	
SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS	5
SALARY OVERPAYMENT	6
RECEIVABLES AND DEFERRED REVENUE REPORTING PACKAGE	7
SECTION B - STATUS OF PRIOR FINDINGS	8



South Carolina
Office of the State Auditor

George L. Kennedy, III, CPA
State Auditor

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 26, 2016

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, 2015, 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 fourteen 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 (\$600 – general fund, \$0 – earmarked fund, and \$36,100 – restricted 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 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 seven 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 (\$141,300 – general fund, \$200 – earmarked fund, and \$82,200 – restricted 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 nineteen 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 agency's accounting records. The scope was based on an agreed upon materiality level of \$141,300 and ± 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions. We investigated changes of ± 10 percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

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

4. **Journal Entries and Interagency Appropriation/Cash Transfers**

- We inspected five selected recorded journal entries and five interagency appropriation/cash 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 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, 2015, 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 Receivables and Deferred Revenue Reporting Package in the Accountant's Comments section of this report.

7. **Status of Prior Findings**

- We inquired about the status of the finding 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, 2014, to determine if the Commission had taken corrective action.

We found no exceptions as a result of the procedures.

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 Commission 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 \$100 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class tested.
- Clerical errors of less than \$100 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 tested 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.
- Submission of the Schedule of Federal Financial Assistance less than three business days late.

The Honorable Nikki R. Haley, Governor
and
Members of the Commission
South Carolina Higher Education Tuition Grants Commission
August 26, 2016

We were not engaged to and did not conduct an examination, 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.



George L. Kennedy, III, CPA
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.

SALARY OVERPAYMENT

Condition:

During our Test of Payroll, we noted one employee was overpaid by \$120 for one pay period. Per our review of the SCEIS Action Report, we noted the employee should have received gross pay of \$1,325; however, the employee received \$1,445 for the pay period.

Cause:

Entry errors were made in SCEIS regarding the employee's wage type and salary and the Commission was instructed to process an off-cycle paycheck in an attempt to correct the errors. However, this process did not properly correct the overpayment.

Effect:

The Commission was not in compliance with State law.

Criteria:

Section 8-11-30 of the 1976 South Carolina Code of Laws, as amended, states, "It is unlawful for a person to receive a salary from the State or any of its departments which is not due..."

Recommendation:

We recommend the Commission strengthen its procedures to ensure all payroll calculations are verified for accuracy and independently reviewed so that employees are properly paid.

Management's Response:

Effective January 5, 2015, the agency's financial aid counselor was switched from Exempt to Non-Exempt. The agency had never made this change in the SCEIS system prior to this time and consulted the SCEIS HR team for assistance in keying the entry. At that time, an error was made concerning the wage type, which was not changed to correspond with the new classification change. This error was corrected, again with help from the SCEIS HR team, on January 22, 2015. During the transaction, the SCEIS system prompted the employee making the change to manually enter the employee's salary. After reviewing several screens in SCEIS, the agency employee incorrectly entered the position's salary that had been in effect prior to the previous year's General Increase.

The agency consulted with the Comptroller General's Payroll office to fix this error, which if not corrected would have caused a salary underpayment. The agency specifically asked for a gross amount from the Comptroller General's Payroll Office to be entered in order to correct the employee's record and resolve the underpayment issue. After reviewing the employee's record in SCEIS, the Comptroller General's Payroll office advised the agency to complete an off-cycle payroll request form in the gross amount of \$391.61, and the agency did so on February 2, 2015. The employee was paid this additional amount on a one-time basis on February 3, 2015.

The agency consulted all the appropriate State offices and individuals throughout this process in an effort to make sure the error was resolved. In doing so, the agency, following the direction it was given, believed it was handling the situation properly and effectively in accordance with statute.

RECEIVABLES AND DEFERRED REVENUE REPORTING PACKAGE

Condition:

On Form 3.04.1 (Receivables Summary Form), the Commission incorrectly reported student receivables. The Commission reported \$9,450 for fund 43B10000; however, \$9,225 should have been reported for fund 43B10000 and \$225 should have been reported for fund 10010000.

Cause:

Commission personnel stated this reporting error was due to oversight.

Effect:

Student receivables were overstated for fund 43B10000 and understated for fund 10010000 by \$225 on Form 3.04.1.

Criteria:

Section 1.7 of the Comptroller General's Year-End 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 instruction, complete, and timely."

Recommendation:

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.

Management's Response:

This was not an "oversight" error, but was a data base programming error which caused a Year-End Reporting error. In reviewing this incorrect coding, the agency's internal database incorrectly reflected that the initial grant was paid entirely from General (10010000) funds. However, this was not the case, as a portion of the grant had been funded from Lottery (43B10000) funds. The agency's IT Consultant is completing a thorough review of the programming associated with vouchers and refunds to ensure this error does not occur in the future.

SECTION B - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on the finding reported in the Accountant's Comments section of the State Auditor's Report on the Commission for the fiscal year ended June 30, 2014, and dated August 6, 2015. We determined that the Commission has taken adequate corrective action on the finding.

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