

**SOUTH CAROLINA
PROCUREMENT REVIEW PANEL
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2011

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 27, 2012

The Honorable Nikki R. Haley, Governor
and
Members of the South Carolina Procurement Review Panel
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Procurement Review Panel (the Panel), solely to assist you in evaluating the performance of the Panel for the fiscal year ended June 30, 2011, in the areas addressed. The Panel'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 all 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 earmarked fund to ensure that revenue was 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 Untimely Deposits 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 Panel, 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 fund to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality level \$3,100 and ± 10 percent.

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

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 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 Panel's accounting records. The scope was based on agreed upon materiality level \$3,100 and ± 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 ± 5 percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

We found no exceptions as a result of the procedures.

4. **Journal Entries**

- We inspected all 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 Panel'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 Panel 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.

We found no exceptions as a result of the procedures.

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 Panel resulting from our engagement for the fiscal year ended June 30, 2008, to determine if the Agency had taken corrective action. We applied no procedures to the Panel'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.

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 Procurement Review Panel 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 - 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.

UNTIMELY DEPOSITS

We determined that the agency did not process cash receipts in accordance with Section 89.1 of the fiscal year 2010-11 Appropriation Act. All of the receipt transactions tested (8) were deposited generally two weeks after the date received.

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... must be remitted to the State Treasurer at least once each week, when practical..."

We recommend the Panel develop and implement procedure to ensure that cash receipts are deposited in accordance with State law.

RECORDING OF DISBURSEMENTS BY FISCAL YEAR

We determined that agency personnel recorded two of the twenty transactions tested in the wrong fiscal year. The agency received the goods/services in fiscal year 2011, however the expenditures were not recorded in the agency's general ledger and paid until fiscal year 2012.

Section 89.2 of the 2010-11 Appropriation Act specifies that all funds appropriated from the General Fund of the State and other applicable funds are appropriated to meet the ordinary expenses of state government for fiscal year 2010-11.

We recommend the Panel develop and implement procedures to ensure that disbursements are paid in the proper fiscal year.

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 Panel for the fiscal year ended June 30, 2008, and dated July 13, 2009. We applied no procedures to the Panel's accounting records and internal controls for the years ended June 30, 2010 and 2009. We determined that the Panel has taken adequate corrective action on each of the findings.

MANAGEMENT'S RESPONSE

South Carolina Procurement Review Panel

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November 9, 2012

Ms. Sue Moss
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201

Dear Ms. Moss:

I have reviewed the preliminary draft copy of agreed upon procedures to the accounting records of the Procurement Review Panel and authorize release of the report with the following statement.

Untimely Deposits: The Procurement Review Panel (the Panel) does not directly receive the filing fee checks. Under the usual practice, the appropriate Chief Procurement Officer (CPO) receives the request for further administrative review before the Panel and the filing fee check. Thereafter, the CPO forwards the check and his record of the initial protest to the Panel, a process that usually takes at least one week. Therefore, the Panel does not believe that the date of the check should be the determining factor in establishing the time frame for depositing filing fee checks under Section 89.1 of the 2010 - 2011 Appropriation Act. However, to address the State Auditor's concerns, the Panel has established a policy to make and retain a copy of each check as it is received, stamping each copy with a notation of the date of receipt. The purpose of this policy is to ensure and document that each filing fee check is deposited within a week of its receipt by the Panel.

If you have any questions, I can be reached at 734-0661.

Sincerely,

C. Brian McLane, Sr.

*GME
w/ permission*

C. Brian McLane, Sr.
Chairman
Procurement Review Panel

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