

**SOUTH CAROLINA  
PUBLIC SERVICE COMMISSION**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2010**

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

September 20, 2011

The Honorable Nikki R. Haley, Governor  
and  
Commissioners  
South Carolina Public Service 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 Public Service Commission (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2010, 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 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 compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement. Effective April 2008, the agency implemented the South Carolina Enterprise Information System (SCEIS) for financial reporting. Upon implementation of SCEIS, STARS reports were no longer used by the agency.
- 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 object code level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the earmarked and federal fund to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$34,600 – earmarked fund and \$700 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Classification of Expenditures and Revenues 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 amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded expenditures were in agreement. Effective April 2008 the agency implemented SCEIS for financial reporting. Upon implementation of SCEIS, STARS reports were no longer used by the agency.
- We compared current year expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general 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 (\$33,500 – earmarked fund and \$300 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Classification of Expenditures and Revenues 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, 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 selected payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger.

- We inspected payroll transactions for all new employees added 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 amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement. Effective April 2008, the agency implemented SCEIS for financial reporting. SCEIS payroll went into effect in January 2010. Upon implementation of SCEIS, STARS reports were no longer used by the agency.
- We compared current year payroll expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general and earmarked funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$33,500 – earmarked fund and \$300 – 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.

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 made inquiries of agency personnel to determine the Agency's compliance with Appropriation Act general and agency specific provisos.

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

6. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2010, 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 GAAP Closing Procedures Manual requirements and if the amounts reported in the closing packages agreed with the supporting workpapers and accounting records.

Our findings as a result of these procedures are presented in Authorized Attorney Fees and Capital Assets 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, 2010, 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.

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

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 Agency had taken corrective action. We applied no procedures to the Commission's accounting records and internal controls for the years ended June 30, 2009 and 2008.

Our findings as a result of these procedures are presented in Capital Assets and Classification of Expenditures and Revenues in the Accountant's Comments section of this report.

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 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 - 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.

## **CAPITAL ASSETS**

The accountant's comment titled Capital Assets Closing Package reported in the State Auditor's Report on the Commission for the fiscal year ended June 30, 2007 included an explanation that the Commission capitalized items that did not meet the state's capitalization threshold. During our testing of the June 30, 2010 Capital Assets Closing Package, we again noted that the Commission incorrectly capitalized four items that did not meet the state's minimum capitalization threshold. We determined that the items were purchased during the fiscal year ended June 30, 2009.

Section 3.8 of the Comptroller General's GAAP Closing Procedures Manual provides the capitalization criteria for capital assets. Section 3.8 states, "assets on the books that do not meet the capitalization criteria described above must be removed from the books."

We recommend that the Commission strengthen control procedures to ensure that only items that meet the state's capitalization threshold are included as depreciable capital assets of the Commission.

## **FEDERAL GRANT**

Section 2-65-70 of the South Carolina Code of Laws states: "All agencies receiving Federal grants or contracts shall recover the maximum allowable indirect costs on those projects, subject to applicable federal laws and regulations. All indirect cost recoveries must be credited to the general fund of the State, with the exception of recoveries from research and student aid grants and contracts. Further, after January 1, 1999, federal grants and contracts whose annual award is two hundred thousand dollars or less are exempted also from this cost recovery requirement ... Each agency receiving grants or contracts to which indirect costs may be charged must have an approved indirect cost rate or cost allocation plan."

During the fiscal year ended June 30, 2010 the Commission received federal grant funds subject to state law indirect cost recovery requirements. The Commission does not typically administer federal grants and was not aware of the indirect cost recovery requirement.

We also noted that the Commission did not include the grant number on the June 30, 2010 Schedule of Federal Financial Assistance (SFFA) as required by the Office of the State Auditor's instructions. The instructions require that the information reported on the SFFA agree with the grant award document.

We recommend the Commission develop and implement procedures to ensure compliance with Section 2-65-70 of the South Carolina Code of Laws. We also recommend the Commission develop and implement procedures to ensure compliance with the State Auditor's Office Letter of Instructions.

### **AUTHORIZED ATTORNEY FEES**

Section 1-7-170 of the South Carolina Code of Laws states, "A department or agency of the state government may not engage on a fee basis an attorney at law except upon written approval of the Attorney General and upon a fee as must be approved by him."

The Commission engaged an attorney on a fee basis with written approval of the Attorney General but attorney fees paid to that attorney exceeded the requested maximum fees approved by the Attorney General for the fiscal year ended June 30, 2010. The Attorney General's Office authorized payments totaling \$10,000; the Commission made payments of approximately \$20,000 to the attorney during the fiscal year.

We recommend the Commission develop and implement procedures to ensure compliance with all requirements of Section 1-7-170 of the South Carolina Code of Laws.

## **SECTION B - OTHER WEAKNESS**

The condition described in this section has been identified while performing the agreed-upon procedures but it is not considered a violation of State Laws, Rules or Regulations.

## **CLASSIFICATON OF EXPENDITURES AND REVENUES**

The accountant's comment titled Classification of Expenditures reported in the State Auditor's Report on the Commission for the fiscal year ended June 30, 2007 included an explanation that the Commission recorded several transactions to the incorrect STARS object codes. During our test of the Litigation Closing Package we determined that proceeds received by the Commission from the South Carolina Insurance Reserve Fund were recorded as a reduction of expenditures for Attorney Fees instead as revenue. Recording proceeds as a reduction of an expenditure, unless required by state law or regulations, results in a misstatement of both expenditures and revenues.

Effective internal controls require safeguards to ensure that transactions are properly recorded.

We again recommend that the Commission strengthen its internal controls over the recording of financial transactions. The Commission should ensure that the person performing the independent review of accounting transactions ensure that the preparer used the proper account code.

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

During the current engagement, we reviewed the status of corrective action taken on 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 1, 2008. We applied no procedures to the Commission's accounting records and internal controls for the year ended June 30, 2009 and 2008. We determined that the corrective action taken by the Commission on each of the findings was adequate, except, we will repeat the findings regarding the minimum asset capitalization threshold, and classification of expenditures in the Accountant's Comment section of this report.

**MANAGEMENT'S RESPONSE**

**Capital Assets**

Regarding the State Auditor's finding related to the June 30, 2010, Capital Assets Closing Package, the Commission agrees with the Auditor's findings. The four items that are referred to as being incorrectly capitalized were included in one invoice totaling over \$6,000. The Commission has since created procedures attached as Exhibit One that strengthen internal control procedures related to Closing Packages and assists in determining whether capitalized items meet the state's capitalization threshold as depreciable capital assets. These procedures will be utilized in all future related transactions.

After the Auditor reported this finding, the Commission created a low-value asset shell for each of the four items and they have been properly recorded by amending the 2011 Capital Assets Closing Package. The amended Capital Assets Closing Package has been filed with the Budget and Control Board.

**Federal Grant**

The Commission has filed an indirect cost proposal with the State's Budget Office. In the future, the Commission will contact the Budget Office no later than September 1 annually to initiate and to ensure completion of the indirect cost proposal process.

The Commission agrees with the State Auditor's Office that it did not include the correct grant number on its June 30, 2010, Schedule of Federal Financial Assistance. The Commission has corrected this error and it has implemented procedures that can be found in Exhibit Two of this response. These procedures will be utilized in all future related transactions.

**Authorized Attorney Fees**

On October 6, 2011, the Commission received an amended approval from the Attorney General's Office to pay maximum attorney fees of \$20,500 related to the outside attorney contract mentioned in the State Auditor's Report. The payments regarding these attorney's fees were authorized during the administration of a Chief Clerk who is no longer employed with the Commission. The Attorney General's amended authorization is attached as Exhibit Three. The Commission, in a proactive response to this finding, has also created a new procedure for Commission payment to outside counsel; this new procedure is attached as Exhibit Four.

**Classification of Expenditures and Revenues**

The Commission understands the State Auditor's finding as it relates to recording proceeds from the South Carolina Insurance Reserve Fund as revenue instead of a reduction of expenditures of Attorney Fees. The Commission's new procedures as it relates to recording of financial transactions can be found in Exhibit Five of this response.

**Status of Prior Findings**

The State Auditor's Office has found that the Commission's corrective action as it relates to each of the prior findings was adequate, with two exceptions. The Commission has included a copy of its new procedures regarding closing packages and classification of expenditures (the two exceptions) in exhibits attached to this response. These procedures will be utilized on a going-forward basis at the Commission.

**FINANCE/ACCOUNTING OFFICE****CLOSING PACKAGE INTERNAL PROCEDURES**

**This procedure will be used during the preparation and submission of all Closing Packages filed by the Public Service Commission with the Budget and Control Board.**

**Phase One**

Closing Packages are due annually from mid-July through September.

The Fiscal Analyst II will retrieve reports and checklists, as well as instructions by logging onto the Internet and printing packages at least two weeks prior to the due date or by opening U.S. mail or e-mail when reports have been sent to the Agency.

The Fiscal Analyst II will use instructions that accompany form(s) to complete the Closing Package.

The Fiscal Analyst II will retrieve, verify, and correct data included on the forms from SCEIS or the Comptroller General's Office, and the Analyst will include this retrieved data with the back-up documentation that is archived with the draft copy of the Closing Package.

The Fiscal Analyst II will maintain a draft copy and final copy of the Closing Package in the Finance/Accounting Office's internal files.

At least one week prior to the due date for each Closing Package, the Fiscal Analyst II will provide a copy of her completed work to the Accounting/Fiscal Manager I and the Personnel Administrative Manager simultaneously.

The Fiscal Analyst II, no later than one week prior to the due date for the Closing Package, will meet face-to-face with Accounting/Fiscal Manager I to explain to the manager the manner in which she arrived at her responses in the Closing Package, and provide supporting documentation during this discussion.

**Phase Two**

The Accounting/Fiscal Manager I will review the Fiscal Analyst II's work and complete the appropriate checklist that must accompany each Closing Package.

During this review, the Accounting/Fiscal Manager I will conduct an independent review of any necessary SCEIS data and other related backup data to ensure that the Closing Package is complete and accurate.

**Phase Three**

Finally, the Personnel Administrative Manager and the Accounting/Fiscal Manager I will review the Closing Package together with backup documentation, including SCEIS.

The Personnel Administrative Manager and the Accounting/Fiscal Manager I will meet and review the Closing Package in detail no less than two to three days prior to the deadline for filing the Closing Package. These two managers will review and verify the accuracy and completeness of the Closing Package.

Phase Four

The Accounting/Fiscal Manager I will provide the Fiscal Analyst II with a copy of the completed and verified Closing Package for submission and filing with the Budget and Control Board on or before noon on the date that the Closing Package is due.

11.6.11

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FINANCE/ACCOUNTING OFFICECLOSING PACKAGE COMPLETION FORM

**(A copy of this form must be included in all internal Closing Packages' files at the Commission. This form will be used during the preparation and submission of all Closing Packages filed by the Public Service Commission with the Budget and Control Board.)**

Phase One

**Action:** The Fiscal Analyst II will retrieve reports and checklists, as well as instructions by logging onto the Internet and printing packages at least two weeks prior to the due date or by opening U.S. mail or e-mail when reports have been sent to the Agency.

**Date Completed:**

**Initial(s):**

**Action:** The Fiscal Analyst II will use instructions that accompany form(s) to complete the Closing Package.

**Date Completed:**

**Initial(s):**

**Action:** The Fiscal Analyst II will retrieve, verify, and correct data to include on the forms from SCEIS or the Comptroller General's Office, and the Fiscal Analyst II will include this retrieved data with the back-up documentation that is archived with the draft copy of the Closing Package.

**Date Completed:**

**Initial(s):**

**Action:** The Fiscal Analyst II will include a draft copy and final copy of the Closing Package in the Finance/Accounting Office's internal files.

**Date Completed:**

**Initial(s):**

**Action:** At least one week prior to the due date for each Closing Package, the Fiscal Analyst II will provide a copy of her completed work to the Accounting/Fiscal Manager I and the Personnel Administrative Manager simultaneously.

**Date Completed:**

**Initial(s):**

**Action:** The Fiscal Analyst II, no later than one week prior to the due date for the Closing Package, will meet face-to-face with Accounting/Fiscal Manager I to explain to the manager the manner in which she arrived at her responses in the Closing Package, and provide supporting documentation during this discussion.

**Date Completed:**

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**Initial(s):**

**Phase Two**

**Action:** The Accounting/Fiscal Manager I will review the Fiscal Analyst II's work and provide responses to the Checklist that must be completed with each Closing Package.

**Date Completed:**

**Initial(s):**

**Action:** During this review, the Accounting/Fiscal Manager I will conduct an independent review of any necessary SCEIS data and other related backup data to ensure that the Closing Package is complete and accurate.

**Date Completed:**

**Initial(s):**

**Phase Three**

**Action:** The Personnel Administrative Manager and the Accounting/Fiscal Manager I will review the Closing Package together with backup documentation, including SCEIS.

**Date Completed:**

**Initial(s):**

**Action:** The Personnel Administrative Manager and the Accounting/Fiscal Manager I will meet and review the Closing Package in detail no less than two to three days prior to the deadline for filing the Closing Package. These two managers will review and verify the accuracy and completeness of the Closing Package.

**Date Completed:**

**Initial(s):**

**Phase Four**

**Action:** The Accounting/Fiscal Manager I will provide the Fiscal Analyst II with a copy of the completed and verified Closing Package for submission and filing with the Budget and Control Board on or before noon on the date that the Closing Package is due.

**Date Completed:**

**Initial(s):**

11.9.11

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FINANCE/ACCOUNTING OFFICEMASTER CLOSING PACKAGE INTERNAL PROCEDURES

This procedure will be used during the preparation and submission of all Master Closing Packages filed by the Public Service Commission with the Budget and Control Board.

Phase One

The Master Closing Package is due annually on July 15<sup>th</sup>.

The Accounting/Fiscal Manager I will retrieve reports and checklists, as well as instructions by logging onto the Internet and printing the package at least two weeks prior to the due date or by opening U.S. mail or e-mail when reports have been sent to the Agency.

The Accounting/Fiscal Manager I will use instructions that accompany form(s) to complete the Closing Package.

The Accounting/Fiscal Manager I will retrieve, verify, and correct data included on the forms from SCEIS or the Comptroller General's office, and the Accounting/Fiscal Manager I will include this retrieved data with the back-up documentation that is archived with the draft copy of the Master Closing Package.

The Accounting/Fiscal Manager I will include a draft copy and final copy of the Master Closing Package in the Finance/Accounting Office's internal files.

At least one week prior to the due date for each Closing Package, the Accounting/Fiscal Manager I will provide a copy of her completed work to the Personnel Administrative Manager.

Phase Two

The Accounting/Fiscal Manager I, no later than one week prior to the due date for the Closing Package, will meet face-to-face with the Personnel Administrative Manager and the Chief Clerk and Administrator to explain to these two employees the manner in which she arrived at her responses in the Master Closing Package, and provide supporting documentation during this discussion. During this review, the Master Closing Package will be reviewed for accuracy and completeness of the Package.

Phase Three

The Accounting/Fiscal Manager I will provide the Fiscal Analyst II with a copy of the completed and verified Master Closing Package for submission and filing with the Budget and Control Board on or before noon on the date that the Master Closing Package is due.

11.6.11

FINANCE/ACCOUNTING OFFICEMASTER CLOSING PACKAGE INTERNAL PROCEDURES FORM

A copy of this form must be included in all internal Master Closing Packages' files at the Commission. This procedure will be used during the preparation and submission of all Master Closing Packages filed by the Public Service Commission with the Budget and Control Board.

Phase One

The Master Closing Package is due annually on July 15<sup>th</sup>.

**Action:** The Accounting/Fiscal Manager I will retrieve reports and checklists, as well as instructions by logging onto the Internet and by printing the package at least two weeks prior to the due date or by opening U.S. mail or e-mail when reports have been sent to the Agency.

**Date Completed:**

**Initial(s):**

**Action:** The Accounting/Fiscal Manager I will use instructions that accompany form(s) to complete the Closing Package.

**Date Completed:**

**Initial(s):**

**Action:** The Accounting/Fiscal Manager I will retrieve, verify, and correct data included on the forms from SCEIS or the Comptroller General's office, and the Accounting/Fiscal Manager I will include this retrieved data with the back-up documentation that is archived with the draft copy of the Master Closing Package.

**Date Completed:**

**Initial(s):**

**Action:** The Accounting/Fiscal Manager I will include a draft copy and a final copy of the Master Closing Package in the Finance/Accounting Office's internal files.

**Date Completed:**

**Initial(s):**

**Action:** At least one week prior to the due date for each Closing Package, the Accounting/Fiscal Manager I will provide a copy of her completed work to the Personnel Administrative Manager.

**Date Completed:**

**Initial(s):**

Phase Two

**Action:** The Accounting/Fiscal Manager I, no later than one week prior to the due date for the Closing Package, will meet face-to-face with the Personnel Administrative Manager and the Chief Clerk and Administrator to explain to these two employees the manner in which she arrived at her responses in the Master Closing Package, and provide supporting

documentation during this discussion. During this review, the Master Closing Package will be reviewed for accuracy and completeness of the Package.

**Date Completed:**

**Initial(s):**

**Phase Three**

**Action:** The Accounting/Fiscal Manager I will provide the Fiscal Analyst II with a copy of the completed and verified Master Closing Package for submission and filing with the Budget and Control Board on or before noon on the date that the Master Closing Package is due.

**Date Completed:**

**Initial(s):**

11.6.11

ARRA Audit Checklist

(Information Extracted from the State Auditor’s Office Letter of Instructions)

Action	Date Completed	Initials
<p>A Schedule of Federal Assistance (SFFA) (Attachment 1), including:</p> <ul style="list-style-type: none"> <li>• A Schedule of Federal Non-Cash Assistance, if any (Attachment 1, Note 1).</li> <li>• The detailed transactions and balance information for loan programs, if any.</li> <li>• An electronic file of data derived from your SFFA and formatted as shown in Attachment 2. This file should be prepared using Microsoft Excel. If you don’t have Microsoft Excel, then the file must be saved using the “wk1” format and not a later version. The file should be sent by E-mail to Richard H. Gilbert, Jr. (rgilbert@osa.state.sc.gov)</li> </ul>		
<p>A separate list (in addition to the inclusion on the SFFA) of all subrecipients to which federal funds are subcontracted or passed and the amount you paid to each during fiscal year 2010. Include program (CFDA) numbers, grant numbers, and complete grant titles. <b>For ARRA funds, add the suffix “-ARRA” to the end of the grant title.</b> Include all information requested. (Attachment 5)</p>		
<p>A separate list (in addition to inclusion on the SFFA) of all federal funds you received as a subrecipient from other agencies. Please include all information requested (Attachment 4). DO NOT include agencies listed on Attachment 6 or Federal Agencies. These are already on Office of the State Auditors’ mailing list.</p>		
<p>In prior years the OSA has had difficulties in determining complete titles for grant names. If space does not permit the complete spelled out title on the schedule of federal financial assistance, use a separate schedule and cross reference between the two. OSA must have the complete title for our report. <b>For ARRA funds, add the suffix “-ARRA” to the end of the grant title.</b></p>		
<p>Grant titles and numbers must agree with the titles (with the exception of the “-ARRA” suffix) and numbers shown on grant award documents from the grantor or pass-through entity. If the agency is a subrecipient of the funds, use the pass-through entity’s grant number if different from the federal awarding agency grant number.</p>		

<p>Program names should be the same as those listed in the Catalog of Federal Domestic Assistance. <b><u>For ARRA funds, add the prefix "ARRA" to the beginning of the program title.</u></b></p> <p>Include the name and telephone number of the person(s) to whom any questions concerning your schedule should be addressed.</p>		
<p>If the PSC participated in the "Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies" program, include the amount on the SFFA and attach copies of any reports submitted to the Justice Department.</p>		
<p>The Federal Audit Clearinghouse requires grantees to include a list of all assigned DUNS number with its data collection form submission. Please provide a listing of all DUNS numbers assigned to your agency.</p>		

Created on 11/8/11



ALAN WILSON  
ATTORNEY GENERAL

October 6, 2011

Mr. Joseph Melchers  
General Counsel  
Public Service Commission  
Post Office Drawer 11649  
Columbia, South Carolina 29211

RE: Request(s) to Retain Associate Counsel

Dear Mr. Melchers:

Enclosed please find your request(s) to employ associate counsel which has been approved by the Deputy Attorney General T. Stephen Lynch in accordance with the terms set forth therein. Should you have any questions, please contact me at (803)734-9934.

Sincerely yours,

Jonathan R. Eckstrom  
Legal Assistant

:jre

Enclosure

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Exhibit Three

### SOUTH CAROLINA ATTORNEY GENERAL REQUEST FOR AUTHORIZATION TO EMPLOY ASSOCIATE COUNSEL

Please mark appropriate classification: Renewal \_\_\_\_\_ Initial Request \_\_\_\_\_

From (Agency): Public Service Commission of South Carolina

Individual Requesting Authorization (include title): Joseph Melchers, General Counsel

Case Caption: Hunt, et. al. v. Avondale Mills, Inc. and The Public Service Commission of South Carolina (CA # 2009-CP-02-01898)

Date: 8/26/09 (amended 10/3/11) County (in which case/matter occurs): Aiken

Name of requested law firm/attorney(s): Hall and Bowers/Kevin Hall

Address of requested law firm/attorney(s): 1329 Blanding St., Columbia, SC 29201

Brief description of legal services to be performed:  
Representation of PSC in defense of above-referenced Common Pleas action.

Reason private attorney is needed to perform services:  
Work load and need for litigation counsel.

Requested dates of services (maximum of one fiscal year): 8/26/09 to 6/30/10

#### REQUESTED HOURLY RATE OR OTHER COMPENSATION

Attorney Name	Years of Experience <small>(as of date of this Form 1)</small>	Requested Rate
Kevin Hall	19	\$150.00

(Use additional sheet if necessary)

Justification if hourly rate or other compensation exceeds standard rate range: \_\_\_\_\_

Requested maximum fees: \$20,500

#### TO BE COMPLETED BY ATTORNEY GENERAL'S OFFICE

Approved by: *tal* Date: 10.6.11

File number: R04-6393 Service code: 16

Attorney approved: Kevin Hall Firm code: 13060

FORM 1

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**FINANCE/ACCOUNTING OFFICE**

**OUTSIDE COUNSEL FEE PAYMENTS APPROVAL FORM**

ACTION	DATE COMPLETED	INITIALS
Attorney General's Approval Letter (Letter Attached)		
Maximum Amount Approved by Attorney General	Total Maximum Amount: By Fiscal Year-End Date:	
Cumulative Expenses Invoiced as of Today's Date (General Ledger Transaction Report Attached)	Today's Date: Expenditure Amount:	
Invoiced Amount Requested in Current Transaction	Amount:	
Amount Remaining to be Paid under Current Attorney General Approval	Amount:	
Personnel Administrative Manager Approval		
Accounting/Fiscal Manager I Approval		
Chief Legal Counsel Approval		
Chief Clerk Approval		

PSCAG Form  
Created 11/7/11

Financial Element: Expenditures	Issue Date: November 2011
Office: Accounting & Finance Office	Policy Number: AF11-2
Office Supervisor: Vivian Dowdy	Staff Assigned: Gwen Conyers
Department Manager: Carolyn Nelson	Approver/Reviewer: Vivian Dowdy
Invoices, IDTs, Statements, Purchase Orders	Page 1 of 3

### **General Overview:**

Accounts Payable is responsible for accurate and timely payment of all invoices for the Commission. This includes all payments on purchase orders, IDTs, invoices, check requests, travel advances and travel expense vouchers, petty cash, and freight bills.

### **Policies:**

Payables, disbursements and expenditures must be properly accumulated, classified and summarized in the accounting records.

All invoices should be received in a central location, such as the accounting office.

Require date stamping of invoices indicating actual time of receipt.

Invoices must be billed to a responsible department of the Commission.

Payments are made upon receipt of original invoice only.

Invoices should be presented in a format which allows for the detailed examination and comparison of invoice quantities, prices and vendor terms and discounts.

Responsibilities for performing ordering/purchasing, receiving of goods, approval of invoices, and posting to the accounting records should be segregated and assigned to different persons (if practicable).

Certain types of items can be purchased without a purchase order. Verify listing of items which are normally paid on a check request.

### **Detailed Procedures:**

Perform monthly reconciliation of the subsidiary payables account to the accounts payable control account in the general ledger.

Invoices should be imaged, and then matched to a requisition, purchase order, and receiving documents such as bill of lading or packing slips.

Financial Element: Expenditures	Issue Date: November 2011
Invoices, IDTs, Purchase Orders	Page 2 of 3

When an invoice presented for payment is incorrect, notify the vendor immediately and request that it be corrected and re-submitted by the vendor.

All invoices must be reviewed and approved by an authorized person prior to payment. The agency should maintain a listing of those persons who may authorize and approve invoices with a dollar limit assigned based on the person's level of responsibility within the agency.

Payment of a non-PO check request should include the following information: Name of individual/company/organization to whom the check is payable; payments to individuals must include a social security number or federal ID number; complete mailing address; an explanation/purpose of the payment; and account code to be charged; authorized signature. Supporting documentation (registration forms, order forms, remittance advice, receipts, and invoices) must be securely fastened to the check request. Any reimbursement must include proof of payment such as a paid invoice or credit card statement, or receipt. Indicate if enclosures must be sent with the check.

Invoice handling procedures should include written documentation of the processes for routing and forwarding of invoices for payment and the methods used to manage exceptions.

### **Duties of Accounting/Fiscal Analyst:**

Upon receipt of invoice, document is imaged into SCEIS. The vendor account and general ledger account numbers are coded in accordance with prescribed code of accounts.

Prepares and reviews documents for processing and enters transaction data into the appropriate computer system, ensuring all necessary information is correct and complete and all supporting documentation is attached.

Maintains accounts and systems based on output generated from internal/external customers and departmental systems; utilizes specialized accounting programs and banking procedures related to or required by specific fund or commission requirements in order to process fund transfers and disbursements.

Investigate and resolve discrepancies if the enclosures and payments do not match. Properly authorized and coded checks (with required enclosures) will be mailed within 60 days of invoice date.

### **Duties of Accounting/Fiscal Manager:**

Maintain listing of persons authorized to sign and approve expenditures and disbursements.

Financial Element: Expenditures	Issue Date: November 2011
Invoices, IDTs, Purchase Orders	Page 3 of 3

Appropriately segregate duties and responsibilities and implement written procedures regarding the initiation, review and approval of all accounts payable expenditures in accordance with State laws, rules, and regulations.

Review charges, adjustments, and receipts for all expenditures. Prior to forwarding documents to Comptroller General's Office, verify that expenditures are properly described, classified in the accounting records, and the correct vendor/ general ledger account numbers are assigned.

Review payments for accuracy; researches and resolves complex or highly technical inquiries, corrections, or processing issues; researches and responds to questions, and work problems forwarded from Fiscal Analyst.

The Accounting/Fiscal Manager will perform at least each quarter one program review or "spot" review of agency records for accuracy and completeness. Problems identified will be discussed with the appropriate personnel for corrective action.

A written report will be drafted and saved in the Accounting/Finance Office's files at the conclusion of each quarterly review.

If the Accounting/Fiscal Manager I receives advice regarding the recording of expenses in SCEIS or any other authorized database, the Manager will ensure that this advice is memorialized in writing from the outside advisor.

**NOTE:** Nothing in this document shall limit or supersede any applicable Federal or State laws, statutes, bulletins, or regulations.

Financial Element: Revenue	Issue Date: November 2011
Office: Accounting & Finance Office	Policy Number: AF11-2
Office Supervisor: Vivian Dowdy	Staff Assigned: Gwen Conyers
Department Manager: Carolyn Nelson	Staff Reviewer: Vivian Dowdy
Checks, Gross Receipts, Reimbursements	Page 1 of 3

### **General Overview:**

Agencies shall devise and implement techniques and procedures to properly account for, record, manage, and collect revenues.

### **Policies:**

Payment options will be linked directly into SCEIS to ensure the timely recording of transactions and expedite the prompt reconciliation of general ledger and bank accounts.

All checks accepted must be payable to an approved Payee and be Endorsed immediately upon receipt. Once endorsed, documents must be imaged into SCEIS and deposited via a method approved by Treasury within 5 days of receipt.

All revenues must be deposited into a Comptroller General approved bank account per required policy and procedures.

All revenue processing will be characterized by separation of duties. No one person will have complete control over a revenue processing transaction from initialization to completion.

Only Commission employees specifically approved by State Treasurer may process revenue and make deposits.

All full time employees involved in revenue processing must attend a face to face revenue processing training session. All training should be completed prior to assuming payment processing responsibilities.

The Public Service Commission will have background checks on file for all employees involved in revenue processing prior to the employee assuming payment processing responsibilities.

All revenue processing activities must be conducted in accordance with all Commission policies and State and Federal regulations regarding Data Security.

Subsidiary records that afford necessary details in support of certain general ledger accounts will be maintained, as prescribed. As a general rule, posting to subsidiary accounts will be made directly from documents or forms evidencing the transaction. This practice avoids possible inaccuracies that may arise if information is transcribed or summarized separately, and such summaries are then used for entries to the subsidiary accounts.

Financial Element: Revenue	Issue Date: November 2011
Checks, Gross Receipts, Reimbursements	Page 2 of 3

Employees with budgetary responsibility cannot approve their own expense reimbursements. In these situations, the employee's immediate supervisor must approve the Expense Report.

The check signer(s) must not be the person who writes checks or who does the bookkeeping. Bank statements are reconciled by someone other than the check signer or writer. Deposit documentation and reconciliations are prepared by a person other than the one recording the receipts.

### **Duties of Accounting/Fiscal Analyst:**

Enters transactions into State financial systems. Generate various accounting reports for use by the Fiscal Manager to reconcile the accounts each day and identify and resolve any discrepancies that are identified. Research and resolve complex problems.

Prepares and reviews documents for processing and enters transaction data into the appropriate computer system, ensuring all necessary information is correct and complete and all supporting documentation is attached.

Maintains accounts and systems based on output generated from internal/external customers and departmental systems; utilizes specialized accounting programs and banking procedures related to or required by specific fund or commission requirements in order to process fund transfers and disbursements.

Investigate and resolve discrepancies if the deposits and vouchers do not match. Properly authorized and coded checks (with required enclosures) will be deposited within 3 days of receipt.

### **Duties of Accounting/Fiscal Manager:**

Manages assigned staff to achieve proper fiscal control of the State's revenues collected and disbursed.

Transactions are entered on-line by Fiscal Analyst and verified by Accounting/Fiscal Manager. Disbursements of public funds are processed through the general ledger.

Verify that all transactions are properly accounted for.

Maintain listing of persons authorized to sign and approve expenditures and disbursements.

Appropriately segregate duties and responsibilities and implement written procedures regarding the initiation, review and deposit of all reimbursement checks in accordance with State laws, rules, and regulations.

Review deposits, adjustments, and receipts for all income. Prior to forwarding documents to Comptroller General's Office, verify that income source is properly described, classified in the accounting records, and the correct document numbers are assigned.

Financial Element: Revenue	Issue Date: November 2011
Checks, Gross Receipts, Reimbursements	Page 3 of 3

Review deposits for accuracy; research and resolve complex or highly technical inquiries, corrections, or processing issues; researches and responds to questions and work problems forwarded from Fiscal Analyst.

The Fiscal Manager will perform at least each quarter one program review or "spot" review of agency records for accuracy and completeness. Problems identified will be discussed with the appropriate personnel for corrective action.

A written report will be drafted and saved in the Accounting/Finance Office's files at the conclusion of each quarterly review.

If the Accounting/Fiscal Manager I receives advice regarding the recording of revenue in SCEIS or any other authorized database, the Manager will ensure that this advice is memorialized in writing from the outside advisor.

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