

**SOUTH CAROLINA
PUBLIC SERVICE COMMISSION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2012

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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
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 10, 2013

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, 2012, 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 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 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 (\$34,700 – earmarked fund and \$4,600 – 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 earmarked 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 (\$34,100 – earmarked fund and \$4,200 – 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 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 payroll transactions for employees who terminated employment to determine if the employees were removed from the payroll in accordance with the agency's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
- We compared current year payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the earmarked 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 (\$34,100 – earmarked fund and \$4,200 – federal fund) 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.

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/or made inquiries of agency personnel to determine the Agency'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, 2012, 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 findings as a result of these procedures are 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, 2012, 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.

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, 2010, to determine if the Agency had taken corrective action. We applied no procedures to the Commission's accounting records and internal controls for the year ended June 30, 2011.

We found no exceptions as a result of the procedures.

The Honorable Nikki R. Haley, Governor
and
Commissioners
South Carolina Public Service Commission
September 10, 2013

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 Public Service 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 - 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.

REPORTING PACKAGES

Section 1.7 of the Comptroller General's Reporting Policies and Procedures Manual (Summary of Agency Responsibilities) 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." During our review of the Commission's reporting packages we noted the following errors:

Refund Receivables Reporting Package

The Commission erroneously included a refund due to a vendor when calculating the receivable balance. This refund is a payable to a vendor, not a refund receivable. This error overstated Gross Refunds Receivable by \$555.

We recommend that the Commission follow the policies and procedures established by the Comptroller General's Office and thoroughly review each reporting package to ensure that it is accurate and completed in accordance with the relevant instructions.

Other Payroll Liabilities Reporting Package

The Commission reported a total Compensated Absences Liability of \$342,390. The Commission's supporting work papers included a calculation error, which we discovered while verifying the accuracy of the supporting documentation. The error was not detected during the review process. This error understated the Commission's ending Compensated Absences Liability by \$4,268.

We recommend that the Commission follow the policies and procedures established by the Comptroller General's Office and retain documentation of how the reported amounts were calculated.

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, 2010, and dated September 20, 2011. We applied no procedures to the Commission's accounting records and internal controls for the year ended June 30, 2011. We determined that the Commission has taken adequate corrective action on each of the findings.

MANAGEMENT'S RESPONSE

Public Service Commission of South Carolina

RESPONSE TO AGREED-UPON PROCEDURES
FOR FY ENDED JUNE 30, 2012

Refund Receivables Reporting Package

The Commission unintentionally included a reimbursement check in the amount of \$555.18 in the calculation of the Refund Receivables Closing Package. Subsequent to the inclusion of this calculation in the Closing Package, the Agency corrected this error in its internal files. Prior to depositing travel reimbursement checks from external entities in the future, the Agency will verify that the check is due to the Commission because of travel expenses previously paid by the Commission. Exhibit One includes Reimbursement/Refund Worksheet forms that have been created as a result of this finding and will be used by the Agency to verify that "reimbursement funds" that are sent to the Agency are actually owed to the Commission.

Other Payroll Liabilities Reporting Package

The calculation error in the Other Payroll Liabilities Reporting Package occurred due to the Commission's interpretation of the directions contained in said package. The Commission excluded a part-time employee's leave liability in its calculation as the Closing Package Reviewer's Checklist stated "Has the full-time equivalents been reported and calculated accurately?" Due to this statement, the part-time employee was not included in our calculations.

After discussion with the State Auditor's Office and its opinion that part-time employees' leave liability must be included in the Package, the Commission will include part-time employees' leave liability in future calculations. Additionally, as it relates to the audited Package, the Commission has corrected its internal files. Finally, in order to insure that this Package is properly prepared, the Commission has created an Other Payroll Liabilities Reporting Package Calculation form that will be used when preparing future closing packages. This Form is attached as Exhibit Two.

() REIMBURSEMENT () REFUND WORKSHEET

Public Service Commission of SC

C9/13

Use this form to document reimbursements to employees from entities other than NARUC/RAFT.

Travel Reimbursement

From: _____ Date Received: _____

Description/Event: _____

Date/Location of Event: _____/_____

For (Employee): _____ ID# _____

Check Date: _____ Check #: _____ Check Amount: _____

Expenses	PSC Expended	Reimbursement	Difference	
Airfare				
Lodging				
Total of Ground Transportation				
a. Taxi				
b. Parking				
c. Mileage				
d. Other				
Miscellaneous				
TOTAL				

FBO3 #: _____ F-04#: _____

Document #: _____ Doc Date _____

Verified by: _____ Approved by: _____

*Attach to required documentation

() REIMBURSEMENT () REFUND WORKSHEET

Use this form to document refunds from vendors.

Vendor Refund

Vendor Name: _____ Vendor # _____

Date Received: _____

Description: _____

Check Date: _____ Check #: _____ Check Amount: _____

✓	Department	Org. Unit	Cost Center	Document No	Doc Date	GL Acct	Amt. Paid
	Administration	20004971	R040A00010				
	Commissioners	20004970	R040B00010				
	Docketing	20004973	R040A00011				
	Legal	20004975	R040A00012				
	Special Assts.	20004976	R040A00013				
	Info Tech		R040A00014				
	Carry Forward		R040A00015				

FBO3 #: _____ F-04#: _____

GLA/Debit Amt. _____ / _____ GLA/Credit Amt. _____ / _____

Verified by: _____ Approved by: _____

*Attach to required documentation

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