
South Carolina Sea Grant Consortium

Charleston, South Carolina

Independent Accountant's Report on Applying Agreed-Upon
Procedures for the year ended June 30, 2011

State of South Carolina



Office of the State Auditor

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RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

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May 24, 2012

The Honorable Nikki R. Haley, Governor
and
Members of the Board of Directors
South Carolina Sea Grant Consortium
Charleston, South Carolina

This report on the application of agreed-upon procedures to the accounting records of the South Carolina Sea Grant Consortium for the fiscal year ended June 30, 2011, was issued Brown, CPA, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

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

RHGjr/trb

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Office of State Auditor and the governing body and management of South Carolina Sea Grant Consortium (the "Department"), solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2011, in the areas addressed. The Department'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 Department'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 Department's accounting records. The scope was based on agreed upon materiality levels \$4,400 – earmarked fund and \$39,000 – federal fund and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented 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 Department's policies and procedures and State regulations, were bona fide disbursements of the Department, 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, earmarked and federal funds to ensure that expenditures were classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels \$9,200 – general fund, \$4,300 – earmarked fund and \$41,000 – federal fund and ± 10 percent.

The individual transactions selected were chosen systematically. 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 Department's policies and procedures and State regulations.
- We inspected payroll transactions for selected new employees and those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the Department'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 current year recorded payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels \$9,200 – general fund, \$4,300 – earmarked fund and \$41,000 – 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 ± 15 percent to ensure that payroll expenditures were classified properly in the Department's accounting records.

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

4. **Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected selected recorded journal entries, operating transfers, and 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 Department'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. **General Ledger and Subsidiary Ledgers**

- We inspected selected entries and monthly totals in the subsidiary records of the Department to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and selected entries were processed in accordance with the Department's policies and procedures and State regulations.

The transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

6. **Appropriation Act**

- We inspected documents, observed processes, and/or made inquiries of Department personnel to determine the Department's compliance with Appropriation Act general and Department specific provisos.

We found no exceptions as a result of the procedures.

7. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2011 prepared by the Department 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 finding as a result of these procedures is presented in the Accountant's Comments section of this report.

8. **Schedule of Federal Financial Assistance**

- **Schedule of Federal Financial Assistance** We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2011, prepared by the Department 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.

9. **Status of Prior Findings**

There were no findings reported in the Independent Accountant's Report for the fiscal year ended June 30, 2007. We applied no procedures on the Department's accounting records and internal controls for the fiscal years ended June 30, 2008, 2009, and 2010.

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, the South Carolina Office of the State Auditor, and the governing body and management of the Sea Grant Consortium and is not intended to be and should not be used by anyone other than these specified parties.

BROWN CPA, L.L.C.

Irmo, South Carolina
April 20, 2012

Accountant's Comments

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.

SECTION A - VIOLATION(S) OF STATE LAWS, RULES OR REGULATIONS

The condition described in this section has been identified as a violation of State Laws, Rules or Regulations.

Payroll Disbursement – Employee Overpayment

Comment – During our testwork of recurring wage payments it was noted that a grant employee was overpaid during the February 17, 2011 through March 1, 2011 pay period. Upon investigation it appears that while a supervisor was on leave the accountant, who has since left the Department, paid the grant employee for one day of holiday pay. This payment was in addition to the employee's normal semi monthly wage payment. This overpayment resulted in approximately \$135 in overpayment to the grant employee who has since left the Department. Section 8-11-30 of the 1976 South Carolina Code of Laws, as amended, states that it is unlawful for anyone to receive a salary from the State which is not due or for anyone employed by the State to pay salaries or monies that are not due.

Recommendation – We recommend that the Department develop policies and procedures for review of payroll transactions when supervisors are absent.

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.

Analytical review of Revenue – Earmarked Revenue Misclassification

Comment – During our comparison of current year recorded revenue in the Earmarked Fund we learned that there was a misclassification at the account level in the amount of \$45,188. The financial records show recorded revenue in the amount of \$45,188 in account #4890100000 Fed Grant Subcontract St. Agencies. This amount should have been recorded in account #4310030000 General Operating Contributions and Donations – Restricted.

Recommendation – We recommend that the Department implement policies and procedures to ensure a timely review of financial activity in an effort to identify and correct misstatements.

Closing Package Testwork

Comment – During test testwork of the Department's Grants and Contributions Receivables and Deferred Revenue closing package submitted to the South Carolina Office of the Comptroller General

it was noted that the Department netted contributions receivable with deferred revenue and reported the net amount. Grant contribution receivable and deferred revenue should be calculated at the individual grant award level and reported at the gross amount.

Recommendation – We recommend that the Department follow the instructions to the various closing packages and thoroughly review the packages for compliance with the reporting instructions provided by the South Carolina Office of the Comptroller General prior to submission.



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Coastal Carolina University

Executive Director

M. Richard DeVoe

May 14, 2012

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
State of South Carolina
Columbia, SC 29201

Mr. Gilbert:

We have reviewed the Independent Accountant's Report on Applying Agreed-Upon Procedures conducted by Brown CPA LLC.

Under the Accountant's Comments:

Section A - Violation(s) of State Laws, Rules or Regulations

- Payroll Disbursement-Employee Overpayment
 - This was the first employee hired after going live on SCEIS. The Department has policies and procedures in place. The Department will assure that in the absence of supervisors proper review of payroll transactions will take place.

Section B - Other Weaknesses

- Analytical Review of Revenue-Earmarked Revenue Misclassification
 - The Department had just gone live on SCEIS. The Department has policies and procedures in place to ensure a timely review of financial activity in order to identify and correct misstatements.
- Closing Package Testwork
 - The Department will closely follow instructions on how to complete the closing packages and review the packages for compliance with the reporting instructions provided by the SC Office of the Comptroller General prior to submission.

Please let us know if you have any questions. Thank you.

Sincerely,

A handwritten signature in black ink that reads "M. Richard DeVoe".

M. Richard DeVoe
Executive Director

Cc: Elaine L. Knight
Judy Linder