

**SOUTH CAROLINA STATE BOARD
FOR TECHNICAL AND
COMPREHENSIVE EDUCATION
COLUMBIA, SOUTH CAROLINA
STATE AUDITOR'S REPORT
JUNE 30, 2010**

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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June 10, 2011

The Honorable Nikki R. Haley, Governor
and
Members of the Board
South Carolina State Board for Technical and
Comprehensive Education
Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the South Carolina State Board for Technical and Comprehensive Education for the fiscal year ended June 30, 2010, was issued by Elliott Davis, 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

June 10, 2011

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 management of the South Carolina State Board for Technical and Comprehensive Education (the Agency) and the South Carolina Office of the State Auditor, solely to assist you in evaluating the performance of the Agency for the fiscal year ended June 30, 2010, in the areas addressed. The Agency'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 Statewide Accounting and Reporting System (STARS) as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement. Effective November 1, 2009, the Agency implemented the South Carolina Enterprise Information System (SCEIS). 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, restricted 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 (\$127,000 – earmarked fund, \$92,000 – restricted fund and \$255,000 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Receipts 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 Agency, 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 November 1, 2009, the Agency implemented SCEIS. Upon implementation of SCEIS, STARS reports were no longer used by the Agency.
- We compared current year expenditures at the subfund and object code 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 Agency's accounting records. The scope was based on agreed upon materiality levels (\$1,504,000 – general fund, \$170,000 – earmarked fund, \$708,000 – restricted fund and \$248,000 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of these 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, 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 and in STARS.
- 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 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.
- We compared current year payroll expenditures at the subfund and object code 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 Agency's accounting records. The scope was based on agreed upon materiality levels (\$1,504,000 – general fund, \$170,000 – earmarked fund, \$708,000 - restricted fund and \$248,000 – 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 ± 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 these procedures.

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 Agency's policies and procedures and State regulations.

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

5. **General Ledger and Subsidiary Ledgers**
- We inspected selected entries and monthly totals in the subsidiary records of the Agency 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 Agency's policies and procedures and State regulations.

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

6. **Reconciliations**
- We obtained all monthly reconciliations prepared by the Agency for the year ended June 30, 2010, and inspected selected reconciliations of balances in the Agency's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if accounts reconciled. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amounts to the Agency's general ledger, agreed the applicable amounts to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Agency's accounting records and/or in STARS. Effective November 1, 2009 the Agency implemented SCEIS. Upon implementation of SCEIS, STARS reports were no longer used by the Agency.

The reconciliations selected were chosen randomly. Our findings as a result of these procedures are presented in Reconciliations in the Accountant's Comments section of this report.

7. **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 these procedures.

8. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2010, prepared by the Agency 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 work papers and accounting records.

Our findings as a result of these procedures are presented in Closing Packages in the Accountant's Comments section of this report.

9. **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 Agency 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 work papers and accounting records.

We found no exceptions as a result of these procedures.

10. **SCEIS Implementation**

- We compared cash, revenue and expenditure account closing balances from the Agency's legacy system to opening balances input into SCEIS to ensure that the Agency carried forward the proper account balances to SCEIS.

Our findings as a result of these procedures are presented in SCEIS Implementation in the Accountant's Comments section of this report.

11. **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 Agency resulting from the State Auditor's engagement for the fiscal year ended June 30, 2008. We applied no procedures to the Agency's accounting records and internal controls for the year ended June 30, 2009.

Our finding as a result of these procedures are presented in Closing Packages in the Accountant's Comments section of this report.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor
State of South Carolina
June 10, 2011

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, Office of the State Auditor, and management of the South Carolina State Board for Technical and Comprehensive Education and is not intended to be and should not be used by anyone other than these specified parties.

Elliott Davis, LLC

Columbia, South Carolina
June 10, 2011

ACCOUNTANT'S COMMENTS

SECTION A - VIOLATION 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 condition described in this section has been identified as a violation of State Laws, Rules or Regulations.

CLOSING PACKAGES

Section 1.7 of the Comptroller General's Closing Procedures Manual states that “each agency’s executive director and finance director are responsible for submitting to the Comptroller General’s Office closing package forms and/or financial statements that are: Accurate and prepared in accordance with instructions, complete, and timely”. Our procedures related to the Agency’s closing packages disclosed the following exceptions:

- The Capital Assets Closing Package Reviewer Checklist (GAAP Form 3.8.2) was not kept on file.
- One of the fourteen questions reflected on the Compensated Absences Closing Package Reviewer Checklist (GAAP Form 3.17.5) was not answered by the reviewer.
- The name of one of the five cases reflected on the Litigation Overview Form (GAAP Form 3.13.1) was not consistent with the name of the case reflected on the Litigation Contingency Report Form (GAAP Form 3.13.4).
- Nine of the twenty questions reflected on the Accounts Payable Closing Package Reviewer Checklist (GAAP Form 3.12.5) were not answered by the reviewer.

We recommend that the Agency develop and implement procedures to ensure that all closing packages are completed in accordance with the Comptroller General’s Closing Procedures Manual instructions. Also, we recommend that the Agency make appropriate adjustments to future closing packages, if necessary, to correct the errors identified above.

SECTION B - OTHER WEAKNESSES

The conditions described in this section have been identified while performing the agreed-upon procedures but they are not considered violations of State Laws, Rules or Regulations.

RECEIPTS

We inspected twenty-five receipt transactions to determine if they were recorded in the proper fiscal year. We found that one receipt in the amount of \$907 (for which the corresponding revenue had been recorded in December 2009), was also posted to the general ledger as revenue in February 2010 rather than as a decrease to accounts receivable. Revenue and accounts receivable were overstated by \$907 as a result of this posting.

We recommend that the Agency properly review receipt transactions to assure that they are recorded as a reduction of accounts receivable.

RECONCILIATIONS

We inspected the Agency's nineteen subfund reconciliations prepared for the month of October 2009 to determine if explanations were documented for reconciling items, and found two for which no explanation was provided.

Adequate internal controls should include proper explanation of reconciling items to help ensure that the preparer of the reconciliation is accountable for all timing differences and to add clarity for the reviewer of the reconciliation.

We recommend that the Agency review its policies and procedures for preparing and reviewing subfund reconciliations. Based on the results of that review, the Agency should develop and implement procedures to ensure that all reconciling items are adequately explained and documented.

SCEIS IMPLEMENTATION

We compared the ending cash, revenue and expenditure balances as of October 31, 2009 as reflected on the Agency's legacy system to the corresponding beginning balances as of November 1, 2009 as reflected on SCEIS for all subfunds. We noted differences of \$13,025.11, \$12,748.94 and \$276.17 in the cash balances and differences of \$106,112.42, \$12,748.94 and \$276.17 in the expenditure balances for three subfunds.

We recommend that the Agency prepare reconciliations explaining all differences in cash and expenditure balances between the legacy system and SCEIS and submit these reconciliations to the Office of the State Auditor for review.

SECTION C - 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 Agency for the fiscal year ended June 30, 2008, and dated February 13, 2009. We applied no procedures to the Agency's accounting records and internal controls for the year ended June 30, 2009. We have repeated the finding related to the preparation of closing packages.

MANAGEMENT'S RESPONSE



June 15, 2011

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

Dear Mr. Gilbert:

We have reviewed the preliminary draft copy of the report resulting from your performance of agreed-upon procedures to the accounting records of the South Carolina State Board for Technical and Comprehensive Education for the fiscal year ended June 30, 2010. As you requested we have enclosed a current list of the Board members and their mailing and email addresses.

Please accept this letter as authorization to release the report provided it includes our enclosed written response regarding the matters discussed in the Accountant's Comments.

Our commitment is to be good stewards of the taxpayer's dollars while ensuring that our financial reporting is accurate and timely.

Sincerely,

A handwritten signature in black ink that reads 'Mandy M Kibler'.

Mandy M. Kibler
Vice President for Finance
South Carolina Technical College System

MANAGEMENT'S RESPONSE

Below are management's responses regarding the Accountant's Comments included in the report resulting from performance of agreed-upon-procedures to the accounting records of the South Carolina State Board for Technical and Comprehensive Education for the fiscal year ended June 30, 2010.

SECTION A – VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Closing Packages

Management does not concur that this is a finding as there was no financial impact to the State of South Carolina. However, we do consider this a weakness. We have agreed to exercise greater care in ensuring the checklist is filed with the original closing package annually.

SECTION B – OTHER WEAKNESSES

Cash Receipts

Management concurs with the weakness that revenue was posted twice on the agency's financial records at June 30, 2010. Agency recorded revenue once for the accrual at December 2009 and then again for the actual receipt of revenue in February 2010. This oversight did not have a financial impact to the State of South Carolina's books at June 30, 2010 as revenue was not recorded until received in February 2010. The agency has implemented new procedures to ensure accrual receipt transactions are properly recorded as a reduction of accounts receivable.

Reconciliations

Management concurs with the weakness concerning reconciliations. We will exercise greater care in reviewing reconciliations to ensure all timing differences are accurately explained.

SCEIS Implementation

Management completed reconciliations of legacy system to SCEIS as of June 30, 2010. We submitted this reconciliation to the Office of State Auditor for review.

SECTION C – STATUS OF PRIOR FINDING

The board has addressed the issues in 09-10 from the 07-08 audit dated February 13, 2009 and implemented the appropriate actions necessary to comply with current state laws and regulations.