

**SOUTH CAROLINA STATE BOARD FOR
TECHNICAL AND COMPREHENSIVE EDUCATION**

COLUMBIA, SOUTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2012

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

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June 28, 2013

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, 2012, 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 28, 2013

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, 2012, 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 made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.
 - We compared current fiscal year recorded revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior fiscal 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 (\$471,000 – earmarked fund, \$645,000 – restricted fund, and \$115,000 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of these 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 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 current fiscal year expenditures at the subfund and account level to those of the prior fiscal 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 (\$1,345,000 – general fund, \$469,000 – earmarked fund, \$476,000 – restricted fund, and \$89,000 – 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 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 current fiscal year payroll expenditures at the subfund and account level to those of the prior fiscal 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 (\$1,345,000 – general fund, \$469,000 – earmarked fund, \$476,000 – restricted fund, and \$89,000 – 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. Our finding as a result of these procedures is presented in Payroll 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 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 transactions selected were chosen randomly. We found no exceptions as a result of these procedures.

6. **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.

7. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the fiscal year ended June 30, 2012, 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 Reporting Policies and Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of these procedures.

8. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the fiscal year ended June 30, 2012 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 workpapers and accounting records.

We found no exceptions as a result of these procedures.

9. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the Independent Accountant's Report on Applying Agreed-Upon Procedures on the Agency 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 Agency's accounting records and internal controls for the fiscal year ended June 30, 2011.

We found no exceptions as a result of these procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor, 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.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style with a long, sweeping underline.

Columbia, South Carolina
June 28, 2013

ACCOUNTANT'S COMMENTS

SECTION A - OTHER WEAKNESS

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 while performing the agreed-upon procedures, but it is not considered a violation of State Laws, Rules or Regulations.

PAYROLL

We inspected a random sample of five employees who were terminated during the current fiscal year and noted one of them was not removed from the Agency's payroll system in a timely manner. This employee was terminated in March 2011, but was not removed from the Agency's payroll system until November 2011 because the employee's supervisor did not notify the payroll department in a timely manner. Leaving a terminated employee in the payroll system heightens the risk of that employee receiving a paycheck for services not earned.

We recommend that the Agency conduct formal exit interviews with all employees, complete and process all applicable termination documents, and remove them from the payroll system immediately after the final paycheck is issued. This will ensure that former employees will not receive a paycheck for services not earned.

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 Independent Accountant's Report on Applying Agreed-Upon Procedures on the Agency for the fiscal year ended June 30, 2010, and dated June 10, 2011. We applied no procedures to the Agency's accounting records and internal controls for the fiscal year ended June 30, 2011. We determined that the Agency has taken adequate corrective action on each of the findings reported for the fiscal year ended June 30, 2010.

MANAGEMENT'S RESPONSE



June 28, 2013

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 findings reported for the recently concluded FY2012 AUP engagement of the State Board for Technical and Comprehensive Education for the fiscal year ended June 30, 2012.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Mandy M. Kibler".

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

MANAGEMENT'S RESPONSE

Below is management's response regarding the finding included in the Accountant's Comments section of this report resulting from the performance of agreed-upon procedures related to the accounting records of the South Carolina State Board for Technical and Comprehensive Education for the fiscal year ended June 30, 2012.

PAYROLL

Accountant's Comment:

We inspected a random sample of five employees who were terminated during the current fiscal year and noted one of them was not removed from the Agency's payroll system in a timely manner. This employee was terminated in March 2011, but was not removed from the Agency's payroll system until November 2011 because the employee's supervisor did not notify the payroll department in a timely manner. Leaving a terminated employee in the payroll system heightens the risk of that employee receiving a paycheck for services not earned.

We recommend that the Agency conduct formal exit interviews with all employees, complete and process all applicable termination documents and remove them from the payroll system immediately after the final paycheck is issued. This will ensure that former employees will not receive a paycheck for services not earned.

Management's Response:

It is our custom to remove all terminated employees from the system as soon as the formal paperwork (Personnel Action Request) is received in the System Office Human Resources Department. The paperwork was not sent from the offsite program requesting that the employee be terminated until eight months later. This was an oversight of the offsite program's supervisor. As soon as it was received in our office, the employee was terminated in the system. We have since notified all supervisors that paperwork must be sent to the System Office Human Resources Department immediately upon termination.