
South Carolina Department of Commerce

Palmetto Partners

Independent Accountants' Report on Applying Agreed-Upon Procedures

December 31, 2014

State of South Carolina



Office of the State Auditor

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March 18, 2015

The Honorable Nikki R. Haley, Governor
and
Mr. Robert M. Hitt III, Secretary of Commerce
South Carolina Department of Commerce
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 Department of Commerce Palmetto Partners for the fiscal year ended December 31, 2014, was issued by Brown CPA, LLC, Certified Public Accountant, 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/cwc

**South Carolina Department of Commerce – Palmetto Partners
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Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Robert M. Hitt III, Secretary of Commerce
South Carolina Department of Commerce

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

We have performed the procedures described below, which were agreed to by management of the South Carolina Department of Commerce (the "Department"), solely to assist you in evaluating the performance of the South Carolina Department of Commerce Palmetto Partners Composite Reservoir Account (the "Account") of the South Carolina Department of Commerce cash basis method of accounting for the year ended December 31, 2014, in the areas addressed. The Department is responsible for the financial records, internal controls and compliance with laws and regulations of the Account. 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:

Receipts

We nonstatistically selected the lesser of; a) 20 recorded cash receipts or b) individual transactions accounting for a minimum of 40% of overall recorded cash receipts, for the year ended December 31, 2014 and performed the following:

- a) Traced each cash receipt to the associated supporting documentation if any.
- b) Agreed receipt total and reasonableness of classification to posting in the attached statement of cash receipts, disbursements and changes in cash balances.
- c) Proved clerical accuracy of each receipt.
- d) Determined if the receipt was recorded in the proper year.

The total of the selected cash receipts was 20.6% of the aggregate amount of all recorded cash receipts for the 2014 calendar year. We found no exceptions as a result of or testing.

Disbursements

We nonstatistically selected the lesser of; a) 20 recorded cash disbursements or b) individual transactions accounting for a minimum of 40% of overall recorded cash disbursements, for the year ended December 31, 2014 and performed the following:

- a) Traced each cash disbursement to the appropriate voucher package, noting proper authorization and agreement to associated invoice.
- b) Agreed voucher package total and reasonableness of classification to posting in the attached statement of cash receipts, disbursements and changes in cash balances.
- c) Proved clerical accuracy of each voucher package.
- d) Determined that the cash disbursement was properly recorded in the proper year.

The total of the selected cash disbursements was 38.7% of the aggregate amount of all recorded cash disbursements for the 2014 calendar year. We found no exceptions as a result of or testing.

Other

The accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Cash Basis Method of Accounting, Unaudited, for the Year Ended December 31, 2014 represents summarization of data derived from the accounting records of the Palmetto Partners account prepared by staff of the South Carolina Department of Commerce. We agreed the amounts by line-item to the accounting records of the Palmetto Partners Account and tested the mathematical accuracy of the statement. We found no exceptions as a result of or testing.

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 areas, 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 Secretary and management of the Department of Commerce, and the South Carolina Office of the State Auditor, 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
March 18, 2015

South Carolina Department of Commerce - Palmetto Partners
Statement of Cash Receipts, Disbursements and Change in Cash Balance
Cash Basis Method of Accounting - Unaudited
For the Years Ended

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash Receipts:		
Donation	\$ 731,102	\$ 469,489
Bavarian Delegation	4,700	-
Heritage Golf Tournament	-	14,000
IAMC Conference	-	50,099
Lender Match Making Events	5,862	5,498
Other Receipts	10,316	4,273
Round Table of the South	3,000	-
Rural Summit	34,540	27,300
Air Show	2,289	18,170
Auto Show (IAA) Sponsorship	-	17,000
Boeing Supplier Event Sponsorship	-	5,000
	<u>791,809</u>	<u>610,829</u>
Cash Disbursements:		
Branding Campaign	624,717	251,461
Bavarian Delegation	10,728	-
Economic Development Training	17,231	18,252
Heritage Golf Tournament	47,433	55,832
PGA Championship Event	-	8,604
Airshow	-	20,487
IAA Auto Show	-	18,523
Aerospace Strategic Plan	18,775	37,142
IAMC Conference Events	9,390	42,265
Boeing Supplier Event	-	10,275
India Mission	5,129	-
Lender Match Making Events	6,845	10,340
Inventory Development	-	12,775
Marketing	20,068	4,540
Military Base Task Force	2,561	-
Prospect Expenses-Visit	9,941	-
SEUS-Japan	5,227	-
Roundtable in the South	3,175	-
Rural Summit	13,160	14,784
Trade Show	2,537	-
Fundraising Activities	19,766	7,068
Other Expenditures	6,578	21,532
	<u>823,261</u>	<u>533,880</u>
Net Change in Cash Balance	(31,452)	76,949
Net Position:		
Cash Beginning of Year	415,820	338,871
Cash End of Year	<u>\$ 384,368</u>	<u>\$ 415,820</u>

South Carolina Department of Commerce – Palmetto Partners
Notes to Schedule
Year Ended December 31, 2014 (Unaudited)

The statement of cash receipts, disbursements and changes in cash balances of the Palmetto Partners Account (the “Account”) of the South Carolina Department of Commerce (the “Department”) was prepared on the cash basis method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Cash receipts are recorded when received regardless of when earned and disbursements are recorded when paid regardless of when incurred.

Reporting Entity

The Department is responsible for the stimulation of economic development activity, management of business affairs of the Division of Savannah Valley Development, and public railways systems. The Department is an agency of the State of South Carolina established by Section 1-30-10 and 1-30-25 and 13-1 of the Code of Laws of South Carolina.

In 1991, the State’s Budget and Control Board approved and created the Special Events Account for the purpose of raising and expending private sector funds for sponsoring special marketing events with the goal of recruiting new business to the State. In July 1993, a restructuring of State government formed the Department and the Department assumed responsibilities of other State agencies including the Special Events Account. During the year ended December 31, 2005 the Special Events Account was renamed to the Crescent Fund. During the year ended December 31, 2011 the Crescent Fund was renamed to Palmetto Partners.

The Department uses the Account primarily for making disbursements that are not allowed or are limited under State laws, rules and regulations. These disbursements include but are not limited to the purchase of alcohol, meals, and entertainment costs of prospects and Department allies. Additionally, the Account is used for disbursements for several annual economic development events and industry expansion announcements, groundbreaking ceremonies, and economic development related programs.

For financial reporting purposes the Account is considered a Composite Reservoir Account. In 2010 the S.C. General Assembly began requiring each state agency to publicly report the composite reservoir accounts. This is required under General Proviso 117.91 (Bank Account Transparency and Accountability) of the 2013 – 2014 Appropriations Act. Composite Reservoir Accounts are accounts that are not included in detail in the Comptroller General's South Carolina Enterprise Information System (SCEIS).

Amounts shown on the statement as ‘Cash’ represent cash on deposit with the SC State Treasurer’s Office. State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.