

**SOUTH CAROLINA  
PROCUREMENT REVIEW PANEL  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2014**

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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

July 2, 2015

The Honorable Nikki R. Haley, Governor  
and  
Members of the Panel  
South Carolina Procurement Review Panel  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Procurement Review Panel (the Panel), solely to assist you in evaluating the performance of the Panel for the fiscal year ended June 30, 2014, in the areas addressed. The Panel'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 five 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 four 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 fund to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality level (\$90 – earmarked fund) and  $\pm 10$  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 15 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 Panel, 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 five 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 and earmarked funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$3,400 – general fund and \$0 – earmarked fund) and  $\pm 10$  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 five 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; and 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 one new employee and one individual 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 year 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 agency's accounting records. The scope was based on agreed upon materiality level (\$3,400 – general fund) and  $\pm 10$  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  $\pm 10$  percent to ensure that payroll expenditures were classified properly in the agency's accounting records.
- We did a reasonableness test of per diem payments to compare the current year per diem payments with those of the prior year.

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

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

- We inspected two selected recorded journal entries and one appropriation transfer 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.

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 Panel's compliance with Appropriation Act general provisos as listed in the Appropriation Act work program, and agency specific provisos, if applicable.

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, 2014, prepared by the South Carolina Procurement Review Panel 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 finding as a result of these procedures is presented in Operating Leases Reporting Package in the Accountant's Comments section of this report.

7. **Status of Prior Findings**

- We inquired about the status of the finding reported in the Accountant's Comments section of the State Auditor's Report on the South Carolina Procurement Review Panel resulting from our engagement for the fiscal year ended June 30, 2013, to determine if the Panel had taken corrective action.

Our finding as a result of these procedures is presented in Operating Leases Reporting Package in the Accountant's Comments section of this report.

The Honorable Nikki R. Haley, Governor  
and  
Members of the Panel  
South Carolina Procurement Review Panel  
July 2, 2015

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Panel has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Up On Procedures:

- Clerical errors of less than \$100 related to processing cash receipts and cash disbursements (payroll and non-payroll) transactions (unless there is an indication that the error is systematic).
- Clerical errors of less than \$100 related to reporting packages (unless there is an indication that the error is systematic).
- Errors in applying account coding definitions to accounting transactions unless it is determined that 10 percent or more of the accounting transactions tested were found to be in error.
- Reporting Packages which are submitted less than 3 business days after the due date unless it is determined that 20 percent or more of the reporting packages were submitted late.
- Submission of the Schedule of Federal Financial Assistance less than 3 business days late.

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 Procurement Review Panel and is not intended to be and should not be used by anyone other than these specified parties.



Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**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.

## **OPERATING LEASES REPORTING PACKAGE**

During our review of the Operating Leases Reporting Package, we noted the Panel reported future minimum lease payments of \$830 for FY2015 and \$830 for FY2016 for one of their leases. The Panel prepaid the operating lease expense for the first six months of FY2015. Since the Panel had already made the lease payment the first half of FY2015, 07/01/14 - 12/31/2014, the amount reported for the future minimum lease payments for FY2015 should have been for \$415. Also, since the lease ends in December 2015, the future minimum lease payment for FY2016 should have been \$415. Therefore, the Panel overstated the future minimum lease payments by \$830.

The Comptroller General's Office provides a Year-End Reporting Policies and Procedures Manual to assist agencies in completing the reporting packages accurately. Also, the Comptroller General's Office provides an Accounting Policies and Procedures Manual to assist agencies in making sure the payments made are for the correct number of payments and for the correct amount per year.

We recommend the Panel implement policies and procedures to ensure that it follows the Comptroller General's Year-End Policies and Procedures manual instructions and to ensure that the reporting packages are completed accurately.

## **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 South Carolina Procurement Review Panel for the fiscal year ended June 30, 2013, and dated June 6, 2014. We have repeated the finding Operating Leases Reporting Package.

**MANAGEMENT'S RESPONSE**

## **MANAGEMENT'S RESPONSE**

A change in personnel at the end of Fiscal Year 2014 may have contributed to the first issue addressed in the Accountant's Comments Section relating to Operating Leases Reporting Package. As indicated in your report, the new employee, hired at the end of Fiscal Year 2014, paid the first invoice for Fiscal Year 2015 in June 2014. The employee was unfamiliar with the year-end reporting process at the time and the effect this early payment would have on reporting packages. The employee has now had the proper training and understands the processes; therefore, this type of error should not occur again.

The second issue relating to the overstatement of lease payments for FY2016 is not yet substantiated. The lease equipment in question is the computer equipment used for daily operations by the office staff. Although the lease is due to expire in December 2015, our staff is in the process of conferring with the Division of Information Technology to determine whether the lease should be extended or if other options should be explored.

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