South Carolina Budget and Control Board
Columbia, South Carolina

Independent Accountant’s Report on
Applying Agreed-Upon Procedures

for the year ended June 30, 2014
May 12, 2015

The Honorable Nikki R. Haley, Governor
and
Members of the South Carolina State Budget and Control Board
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 Budget and Control Board for the fiscal year ended June 30, 2014, was issued by Scott and Company, 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,

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

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Independent Accountant’s Report on Applying Agreed-Upon Procedures

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

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Budget and Control Board (the “Board”) and the South Carolina Office of the State Auditor (the “State Auditor”), solely to assist you in evaluating the performance of the Board for the fiscal year ended June 30, 2014, in the areas addressed. The Board’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 associated findings are as follows:

1. **Cash Receipts and Revenues**
   - We inspected 25 selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Board’s policies and procedures and State regulations.
   - We inspected 25 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, restricted and federal funds to ensure that revenue was classified properly in the Board’s accounting records. The scope was based on agreed upon materiality levels ($640,000 – earmarked fund, $560,000 – restricted fund and $23,000 – federal fund) and +/- 10 percent.
The individual transactions selected were chosen haphazardly. Our finding as a result of these procedures is presented as Cut-off of Cash Receipts in the Accountant’s Comments section of this report.

2. **Non-Payroll Disbursements and Expenditures**
   - We inspected 25 selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Board’s policies and procedures and State regulations, were bona fide disbursements of the Board, and were paid in conformity with State laws and regulations and if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
   - We inspected 25 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, restricted, and federal funds to ensure that expenditures were classified properly in the Board’s accounting records. The scope was based on agreed upon materiality levels ($230,000 – general fund, $640,000 – earmarked fund, $560,000 – restricted fund and $23,000 – federal fund) and +/- 10 percent.

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

3. **Payroll Disbursements and Expenditures**
   - We inspected 25 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 Board’s policies and procedures and State regulations.
   - We inspected payroll transactions for 12 new employees and 12 individuals who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the Board’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 Board’s accounting records. The scope was based on agreed upon materiality levels ($230,000 – general fund, $640,000 – earmarked fund, $560,000 – restricted fund and $23,000 – 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 +/- 10 percent to ensure that payroll expenditures were classified properly in the Board’s accounting records.

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

4. Journal Entries, Operating Transfers, and Appropriation Transfers

- We inspected 25 journal entries, 25 operating transfers, and 12 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 Board’s policies and procedures and State regulations.

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

5. Composite Reservoir Accounts

Reconciliations

- We obtained all monthly reconciliations prepared by the Board for the year ended June 30, 2014 and inspected 2 selected reconciliations of balances in the Board’s accounting records to those reflected on the State Treasurer’s Office monthly 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 Board’s general ledger, agreed the applicable amounts to the State Treasurer’s Office monthly reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Board’s accounting records.

Non-payroll Disbursements and Expenditures

- We inspected 1 selected recorded non-payroll disbursement to determine if this disbursement was properly described and classified in the accounting records in accordance with the Board’s policies and procedures and State regulations, was a bona fide disbursement of the Board, and was paid in conformity with State laws and regulations and if the acquired goods and/or services were procured in accordance with applicable laws and regulations.

- We inspected 1 recorded composite account non-payroll disbursement to determine if this disbursement was recorded in the proper fiscal year.

The reconciliations were chosen haphazardly. There were no cash receipts during fiscal year 2014. We found no exceptions as a result of the procedures.
6. **Appropriation Act**  
- We inspected Board documents, observed processes, and/or made inquiries of Board personnel to determine the Board’s compliance with Appropriation Act general provisos as listed in the Appropriation Act work program, and Board specific provisos, if applicable.

We found no exceptions as a result of the procedures.

7. **Reporting Packages**  
- We obtained copies of all reporting packages as of and for the year ended June 30, 2014, prepared by the Board 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 the procedures.

8. **Status of Prior Findings**  
- There were no findings reported in the Accountant’s Comments section of the Independent Accountant’s Report on Applying Agreed-Upon Procedures on the Board resulting from our engagement for the fiscal year ended June 30, 2013.

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 Members of the Board, management, 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.

_Columbia, South Carolina_  
_May 14, 2015_
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 Board 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.
**Cut-off of Cash Receipts**

**Condition:**

We inspected 25 recorded receipts to determine if they were recorded as revenue in the correct fiscal year. One of the 25 transactions, which related to construction and planning fees for renovations of the Calhoun Building in the amount of $15,290, was improperly recorded. The cash was received in July 2014 for services that were performed in April 2014. The receipt was incorrectly recorded as revenue in fiscal year 2015 instead of fiscal year 2014, which is when the revenue was earned.

**Cause:**

Due to employee oversight, the Board incorrectly recorded fiscal year 2014 revenue in fiscal year 2015.

**Effect:**

There was an understatement of revenue for fiscal year 2014.

**Criteria:**

An effective internal control system includes procedures designed to properly record revenue in the correct fiscal year.

**Recommendation:**

We recommend the Board improve procedures to ensure that revenues are recorded in the correct fiscal year. The Board could compile a listing of all receivables due at year-end for the above described type of services and record a journal entry to record the revenue in the proper fiscal year. The journal entry should be reviewed by management. This will ensure accurate financial reporting.
May 14, 2015
Scott and Company, LLC
Post Office Box 8388
Columbia, South Carolina 29202

In connection with your engagement to apply agreed-upon procedures to the South Carolina Budget and Control, our response to the finding is below. If you have any questions, please do not hesitate to call me.

Finding

“The receipt [for construction and planning fees...in the amount of $15,290] was incorrectly recorded as revenue in fiscal year 2015 instead of fiscal year 2014, which is when the revenue was earned.”

Recommendation

“We recommend the Board improve procedures to ensure that revenues are recorded in the correct fiscal year.”

Budget and Control Board Response

The Board agrees with the finding. We will emphasize the importance of recording revenue transactions in the proper fiscal year with all staff responsible for revenue operations. We will carefully review all revenue transactions recorded in July to ensure transactions are posted in the correct fiscal year.

Sincerely,

Renee Rochester, Director
Internal Operations