INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 25, 2017

Members of the South Carolina Higher Education Tuition Grants Commission
State of South Carolina
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Higher Education Tuition Grants Commission (the Commission), solely to assist you in evaluating the systems, processes and behaviors of the Commission for the fiscal year ended June 30, 2016. 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 in Attachment 1 for the purpose of which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors of the Commission. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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 Commission has agreed that the following deficiencies will not be included in the State Auditor’s Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than $1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than $1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.
This report is intended solely for the information and use of the governing body and management of the South Carolina Higher Education Tuition Grants Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor
SC Office of the State Auditor
Agreed Upon Procedures Related to Higher Education Tuition Grants Commission (H06)

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations over $2,500 and 10%.

2. Randomly select twelve cash receipts transactions and inspect supporting documentation to:
   - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
   - Determine that revenues/receipts were deposited in a timely manner.
   - Ensure that both revenue collections and amounts charged are properly authorized by law.

3. Randomly select five cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

   We found no exceptions as a result of these procedures.

Cash Disbursements/Non-Payroll Expenditures

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over $2,500 and 10%.

5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
   - The transaction is properly completed as required by Commission procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
   - All supporting documents and approvals required by Commission procedures and good business practice are present and agree with the invoice.
   - The transaction is a bona fide expenditure of the Commission, properly coded to the general ledger.
   - The disbursement complied with all State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
   - Clerical accuracy / verify proper sales/use tax.

6. Randomly select seven non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

   We found no exceptions as a result of these procedures.

Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over $2,500 and 10%.
Payroll (Continued)

8. Select five employees and inspect supporting documentation during the fiscal year to:
   • Obtain and inspect the employee’s payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Commission.
   • Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

9. Select three bonus pay disbursements authorized by the 2015-2016 Supplemental Appropriations to determine:
   • The employee is a permanent state employee in a full-time equivalent position who has been in continuous state service for at least six months prior to July 1, 2015
   • The employee does not make more than $100,000 annually
   • The bonus pay was split between funds according to the ratio of the employee’s base salary

10. Select the one employee hired during the fiscal year to determine if the employee was added to the payroll in accordance with the Commission’s policies and procedures and that the employee’s first pay check was properly calculated in accordance with applicable State law.

11. Select the one employee who terminated employment during the fiscal year to determine if the employee was removed from the payroll in accordance with the Commission’s policies and procedures, that the employee’s last pay check was properly calculated and that the employee’s leave payout was properly calculated in accordance with applicable State law.

12. Compare the percentage change in personal service expenditures to the percentage change in employer contributions expenditures. Obtain an explanation of changes of +/- 10%.

We found no exceptions as a result of these procedures.

Journal Entries and Transfers

13. Randomly select four non-recurring journal entries and one transfer for the fiscal year to:
   • Trace postings to the general ledger, confirming amounts agree with supporting documentation.
   • Confirm transaction is properly approved.
   • Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of these procedures.

Appropriation Act

14. Inspect the Appropriation Act work program, provided to and completed by management, noting areas of noncompliance, if any.

We found no exceptions as a result of these procedures.

Reporting Packages

15. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG’s Reporting Policies and Procedures Manual.
Reporting Packages (Continued)

16. In addition to the procedure above, we will perform the following:

- Operating Leases Reporting Package
  - Determine if amounts agree to the SCEIS general ledger, the SCEIS Operating Leases Expense w/ Vendor report, and/or Department prepared reports/spreadsheets. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified and coded and determine the accuracy of future minimum lease payments by performing a recalculation of each reported amount.

- Other Payroll Liabilities Reporting Package
  - Determine if responses are reasonable/accurate and if amounts agree to the SCEIS Compensated Absences report and/or Commission prepared reports/spreadsheets.

We found no exceptions as a result of these procedures.

Status of Prior Findings

17. Inquire about the status of findings reported in the Accountant's Comments section of the engagement for the prior fiscal year to determine if the Commission has taken appropriate corrective action.

We found no exceptions as a result of these procedures.

Commission Minutes

18. We will inspect the Commission's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.