

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

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2014

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State of South Carolina



Office of the State Auditor

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 7, 2015

The Honorable Nikki R. Haley, Governor
and
Members of the Board
South Carolina State Board for Technical
and Comprehensive Education
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina State Board for Technical and Comprehensive Education (the Board), 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 the associated findings are as follows:

1. **Cash Receipts and Revenues**

- We inspected twenty-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 eight 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 general, 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 (\$9,000 – general fund, \$62,400 – earmarked fund, \$35,000 – restricted fund, and \$7,000 – federal 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 twenty-five 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 Board, 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 twenty-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, 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 (\$584,100 – general fund, \$122,200 – earmarked fund, \$302,200 – restricted fund, and \$7,100 - federal fund) and ± 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 twenty-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 five selected new employees and five individuals 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 levels (\$584,100 – general fund, \$122,200 – earmarked fund, \$302,200 – restricted fund, and \$7,100 - 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 agency's accounting records.

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

4. **Journal Entries and Transfers**

- We inspected twelve selected recorded journal entries and five 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 the procedures.

5. **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 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 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.

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

7. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2014, prepared by the Board 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 the procedures.

The Honorable Nikki R. Haley, Governor
and
Members of the Board
South Carolina State Board for Technical
and Comprehensive Education
May 7, 2015

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 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, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

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

ACCOUNTANT'S COMMENTS

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.

REPORTING PACKAGES

Section 1.7 of the Comptroller General's Reporting Policies and Procedures Manual states, "Each agency's executive director and finance director are responsible for submitting to the Comptroller General's Office reporting packages and/or financial statements that are: accurate and prepared in accordance with instructions, complete, and timely." We tested the Board's FY 2013-14 reporting packages to determine if the reporting packages were complete, accurate, submitted timely, and prepared in accordance with instructions. The following errors were noted during our test of reporting packages. The Board explained that the errors were the result of oversight and misinterpretation of instructions.

Accounts Payable Reporting Package:

Classification errors were noted on the Accounts Payable Summary Form (form 3.12.2). The Board misclassified approximately \$39,000 as intergovernmental payables. In addition approximately \$6,000 that should have been classified as intergovernment payables was misclassified as vendor payables. As a result, intergovernmental payables was overstated by approximately \$33,000 which was offset by understatements in other accounts payable categories.

Other Payroll Liabilities Reporting Package:

The Board was unable to provide adequate supporting documentation for certain items reported on the Compensated Absences Summary Form (form 3.17.1). The Board answered "No" to certain questions in part 1 of the form and therefore completed part 2, reporting a compensated absences liability applicable to its general, earmarked, and federal funds. The Board's supporting leave liability report agreed to the reported compensated absences liability for the earmarked and federal funds but the general fund liability on the report was \$2,425 less

than what was reported on the reporting package form. The report also did not agree with the number of employees reported on the reporting package form. Some leave balance discrepancies were noted on the leave liability report but we were unable to reconcile the report to the reporting package form.

We recommend the Board develop and implement procedures to ensure that all reporting packages are completed in accordance with the Reporting Policies and Procedures Manual and form instructions.

MANAGEMENT'S RESPONSE

May 27, 2015

James C. Williamson
System President

Mr. Richard H. Gilbert, Jr., Deputy State Auditor
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201

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Molly M. Spearman
Ex Officio

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Ex Officio

Dear Mr. Gilbert,

Thank you for the opportunity to address the two findings discovered during the audit of the South Carolina State Board for Technical and Comprehensive Education for the fiscal year ended June 30, 2014. I have reviewed your report and discussed the findings with Mrs. Cynthia P. Hoogenboom, the System's Vice President for Finance. We concur with both findings and have addressed each below.

Accounts Payable Reporting Package

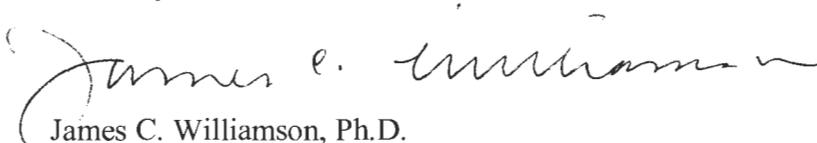
As a result of misinterpretation of the reporting package instruction, the intergovernmental payables was overstated by approximately \$33,000. We concur with the finding. We are looking forward to receiving clarification from the Comptroller General's Office as to which accounts payable category we should have used to ensure this information is correctly reported in the future.

Other Payroll Liabilities Reporting Package

As a result of our oversight, the leave liability report did not agree to the general fund liability. The general fund liability report was \$2,425 less than what was reported on the reporting package form. In addition, the leave liability report did not agree with the number of employees reported on the reporting package form. We concur with the finding and the recommendation.

Please accept this letter as authorization to release the report. In addition, we are enclosing a current list of our Board members and their contact information. Your staff conducted themselves professionally and courteously during this engagement. Feedback was provided to the System staff and the process was completed without interruption of the System's daily mission.

Sincerely,



James C. Williamson, Ph.D.
Executive Director

Enclosure



5 copies of this document were published at an estimated printing cost of \$1.40 each, and a total printing cost of \$7.00. Section 1-11-425 of the South Carolina Code of Laws, as amended, requires this information on printing costs be added to the document.