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INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 17, 2017

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 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, 2016, 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 ($6,500 – general fund, $32,200 – earmarked fund, $6,400 – restricted fund, and $10,300 – federal fund) and ± 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 inspected the Board’s distribution of funding to technical colleges to determine if the distributions were performed in accordance with agency policies and procedures and State regulations.
   - 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 ($688,000 – general fund, $427,500 – earmarked fund, $314,300 – restricted fund, and $12,500 – federal fund) and ± 10 percent.

   The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Reporting Packages in the Accountant’s Comments section of this report.

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 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 ($688,000 – general fund, $427,500 – earmarked fund, and $12,500 – 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 transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

4. **Journal Entries and Transfers**
   - We inspected twenty-three selected recorded journal entries and two 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 Board’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, 2016, 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. **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 Board resulting from our engagement for the fiscal year ended June 30, 2015, to determine if the Board had taken corrective action.

We found no exceptions as a result of the procedures.

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 Board 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 $100 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class tested.
- Clerical errors of less than $100 related to reporting packages.
Members of the Board  
South Carolina State Board for Technical and Comprehensive Education  
April 17, 2017

- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions tested 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.

We were not engaged to and did not conduct an examination, 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 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. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA  
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.
REPORTING PACKAGES

Condition:

The following reporting package discrepancies were noted in the performance of our agreed upon procedures:

1. Our inspection of the Prepaid Expenses Reporting Package included recalculating ten percent (fourteen) of the transactions comprising the approximately $135,000 prepaid balance. Calculation discrepancies were noted in two of the fourteen haphazardly selected transactions.

2. An account payable, not reported on the reporting package, was identified during the inspection of twenty-five non-payroll disbursements for recording in the proper fiscal year.

Cause:

1. Control procedures failed to detect time frame discrepancies keyed into the spreadsheet calculating prepaid amounts for each transaction.

2. Control procedures failed to detect a keying discrepancy associated with the payable transaction which prevented it from being included on the payables report.

Effect:

1. The net effect of the two prepaid discrepancies was an overstatement of prepaid asset and an understatement of current year expense in the amount of $307.

2. Accounts payable was understated by $461 as a result of the transaction identified above.

Criteria:

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.”

Recommendation:

We recommend the Board implement procedures to ensure that personnel responsible for preparing GAAP reporting packages accurately complete all sections in accordance with the Comptroller General’s Policies and Procedures Manual and reporting package instructions.
REPORTING PACKAGES (CONTINUED)

Management’s Response:

Prepaid Expenses:
The two prepaid items referenced were paid with the Bank of America Procurement Card. Currently, those prepaid expenses are tracked monthly and filed until needed for completion of the closing package.

Corrective Action:
All reports already submitted for Fiscal Year 2017 will be reviewed for correctness and going forward reports will be reviewed as submitted to verify accuracy.

Prior Year Payables:
The current procedure for Prior Year Payables is keying “Prior Year Payable” into the header line in SCEIS. In this instance, it was keyed on the GL line. This was not caught during the approval process. Therefore, this payable data was omitted.

Corrective Action:
As FY17 ends and FY18 begins we will have refresher training on this process.
SECTION B - STATUS OF PRIOR FINDING

During the current engagement, we reviewed the status of corrective action taken on the finding reported in the Accountant's Comments section of the State Auditor's Report on the Board for the fiscal year ended June 30, 2015, and dated May 25, 2016. We determined the Board has taken adequate corrective action on the finding.