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The Honorable Nikki R. Haley, Governor  
and  
Members of the Commission  
South Carolina Arts Commission  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Arts Commission (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2014, in the areas addressed. The Commission’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 eight 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 five 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 agency’s accounting records. The scope was based on agreed upon materiality levels ($3,000 – earmarked fund, $0 – restricted fund, and $9,700 – 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 Commission, 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 eighteen 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 ($26,000 – general fund, $1,900 – earmarked fund, $900 – restricted fund, and $10,100 – 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 four 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 ($26,000 – general fund, $1,900 – earmarked fund, $900 – restricted fund, and $10,100 – 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 transactions selected were chosen randomly. We found no exceptions as a result of the procedures.
4. **Journal Entries, Operating Transfers Between Funds and Interagency Appropriation Transfers**
   - We inspected five selected recorded journal entries, one (100%) operating transfer between funds, and one (100%) interagency 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.

   The individual journal entry 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 Commission'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 Commission 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 closing packages agreed with the supporting workpapers and accounting records.

   We found no exceptions as a result of the procedures.

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 Commission 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.

8. **Status of Prior Findings**
   - We inquired about the status of the findings reported in the Accountant’s Comments section of the State Auditor’s Report on the Commission resulting from our engagement for the fiscal year ended June 30, 2013, to determine if the Commission 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 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 $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 Arts Commission and is not intended to be and should not be used by anyone other than these specified parties.

George L. Kennedy, III, CPA
State Auditor
ACCOUNTANT’S COMMENTS
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 Commission for the fiscal year ended June 30, 2013, and dated September 12, 2014. We determined the Commission has taken adequate corrective action on the findings titled General Ledger Account Classification, Reporting Packages and Supporting Documentation.
4 copies of this document were published at an estimated printing cost of $1.32 each, and a total printing cost of $5.28. Section 11-425 of the South Carolina Code of Laws, as amended, requires this information on printing costs be added to the document.