

**SOUTH CAROLINA  
SEA GRANT CONSORTIUM  
CHARLESTON, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2015**

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South Carolina  
Office of the State Auditor

George L. Kennedy, III, CPA  
State Auditor

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 4, 2016

The Honorable Nikki R. Haley, Governor  
and  
Members of the Board of Directors  
South Carolina Sea Grant Consortium  
Charleston, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Sea Grant Consortium (the Consortium), solely to assist you in evaluating the performance of the Consortium for the fiscal year ended June 30, 2015, in the areas addressed. The Consortium'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 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 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 general, earmarked 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 (\$100 – general fund, \$1,800 – earmarked fund, and \$18,500 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly and haphazardly. 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 Consortium, 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 fourteen 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, 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 (\$9,000 – general fund, \$1,100 – earmarked fund, and \$17,900 – federal fund) and  $\pm 10$  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 Consortium'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 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 (\$9,000 – general fund and \$17,900 – federal fund) and  $\pm 10$  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  $\pm 10$  percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

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

4. **Journal Entries and Appropriation Transfers**

- We inspected all recorded journal entries and 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 agency's policies and procedures and State regulations.

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 Consortium's compliance with Appropriation Act general provisos as listed in the Appropriation Act work program, and agency specific provisos, if applicable.

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

6. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2015, prepared by the Consortium 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, 2015, prepared by the Consortium 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 Consortium resulting from our engagement for the fiscal year ended June 30, 2013, to determine if the Consortium had taken corrective action. We applied no procedures to the Consortium's accounting records and internal controls for the year ended June 30, 2014.

We found no exceptions as a result of the procedures.

The Honorable Nikki R. Haley, Governor  
and  
Members of the Board of Directors  
South Carolina Sea Grant Consortium  
August 4, 2016

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 Consortium has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Up 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.
- 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.
- Submission of the Schedule of Federal Financial Assistance less than three business days 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 Governor and of the governing body and management of the South Carolina Sea Grant Consortium 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**

**SECTION A - VIOLATIONS 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 conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

## **REPORTING PACKAGES**

### **Condition:**

Our testing of the Consortium's fiscal year ended June 30, 2015 reporting packages resulted in the following exceptions related to the reporting packages for Other Payroll Liabilities, Grants and Contribution Revenues, and Subsequent Events:

1. The reported compensated absences liability was overstated due to changes to the liability subsequent to the filing of the reporting package.
2. Balances reported for grants receivable and deferred revenues were not adjusted to reflect the impact of applicable accounts payable.

### **Cause:**

1. Employee leave impacting the year-end compensated absences liability was approved subsequent to the date of the compensated absences report and the change was inadvertently omitted with the Subsequent Events Questionnaire.
2. The impact of applicable accounts payable amounts were inadvertently excluded when grants receivables and deferred revenues were calculated and reported.

### **Effect:**

1. The compensated absences liability discrepancy was noted for one of five individuals haphazardly selected for testing, and the impact of that discrepancy was an approximate \$200 overstatement of the liability.
2. Amounts reported for statewide financial reporting purposes understated grants receivable and overstated deferred revenues by approximately \$250,000 and \$3,500 respectively due to the omission of accounts payable from the calculation.

### **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 that the Consortium develop and implement procedures to ensure that all reporting packages are completed in accordance with the Comptroller General's Reporting Policies and Procedures Manual and instructions.

### **Management's Response:**

1. Per the recommendation, the Consortium has revised and implemented a policy for employees and supervisors to ensure that all leave is entered, approved, and reconciled in SCEIS prior to July 1st of each year. This new procedure was implemented immediately upon receiving the FY14-15 audit report and resulted in no issues in the FY15-16 closing package.
2. These amounts originate from accidental omissions of information spanning multiple year-end financial reporting packages. Calculation totals from reporting packages 3.12: Accounts Payables and 3.04: Receivables and Deferred Revenues were accidentally omitted from the calculations of reporting package 3.03: Grants and Contribution Revenues. As a result, the year-end accrual fund balance calculations within reporting package 3.03 were inaccurately reported. The Consortium financial team has been in communication with staff in the offices of the Comptroller General and State Auditor this year reporting period to ensure our FY15-16 year-end packages are calculated, reviewed, and submitted correctly. In addition, the Consortium has re-emphasized its SOP that all reporting packages are to be reviewed by administrative staff multiple times before submission to ensure that information submitted is complete and accurate.

## **PUBLICATION COST DISCLOSURE**

### **Condition:**

Required cost disclosures were missing from a bound publication of the Consortium, noted during our testing of Appropriation Act compliance.

### **Cause:**

The specific reason for the inadvertent omission of cost information was not determined as part of our procedures.

### **Effect:**

The Consortium was not in compliance Section 1-11-425 of the South Carolina Code of Laws.

### **Criteria:**

Section 1-11-425 of the South Carolina Code of Laws states, "All agencies using appropriated funds shall print on the last page of all bound publications the following information: (1) total printing cost; (2) total number of documents printed; and (3) cost per unit."

### **Recommendation:**

We recommend the Consortium implement procedures to ensure compliance with Section 1-11-425.

### **Management's Response:**

The Consortium communications team has prepared appropriate language and, in accordance with Section 1-11-425, this language will appear in all future bound publications produced by the Consortium.

## **SECTION B - 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 Consortium for the fiscal year ended June 30, 2013, and dated April 30, 2014. We applied no procedures to the Consortium's accounting records and internal controls for the year ended June 30, 2014. We determined that the Consortium has taken, or is in the process of taking, corrective action on each of the findings.

4 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$5.52. Section 1-11-425 of the South Carolina Code of Laws, as amended, requires this information on printing costs be added to the document.