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*South Carolina Department of Commerce*

*Palmetto Partners*

Independent Accountants' Report on Applying Agreed-Upon Procedures  
December 31, 2016



**South Carolina  
Office of the State Auditor**

**George L. Kennedy, III, CPA  
State Auditor**

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January 23, 2017

The Honorable Nikki R. Haley, Governor  
and  
Mr. Robert M. Hitt III, Secretary of Commerce  
South Carolina Department of Commerce  
Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the South Carolina Department of Commerce Palmetto Partners for the fiscal year ended December 31, 2016, was issued by Brown CPA, LLC under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA  
State Auditor

GLKIII/sag

**South Carolina Department of Commerce – Palmetto Partners  
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## Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Robert M. Hitt III – Secretary of Commerce  
South Carolina Department of Commerce

Mr. George L. Kennedy, III CPA – South Carolina State Auditor  
South Carolina Office of the State Auditor

We have performed the procedures described below, which were agreed to by management of the South Carolina Department of Commerce (the “Department”), solely to assist you in evaluating the performance of the South Carolina Department of Commerce Palmetto Partners Composite Reservoir Account (the “Account”) of the South Carolina Department of Commerce cash basis method of accounting for the year ended December 31, 2016, in the areas addressed. The Department is responsible for the financial records, internal controls and compliance with laws and regulations of the Account. 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:

### ***Receipts***

We nonstatistically selected the lesser of; a) 20 recorded cash receipts or b) individual transactions accounting for a minimum of 40% of overall recorded cash receipts, for the year ended December 31, 2016 and performed the following:

- a) Traced each cash receipt to the associated supporting documentation if any.
- b) Agreed receipt total and reasonableness of classification to posting in the attached statement of cash receipts, disbursements and changes in cash balances.
- c) Proved clerical accuracy of each receipt.
- d) Determined if the receipt was recorded in the proper year.

The total of the selected cash receipts was 24.4% of the aggregate amount of all recorded cash receipts for the 2016 calendar year. We found no exceptions as a result of our testing.

### ***Disbursements***

We nonstatistically selected the lesser of; a) 20 recorded cash disbursements or b) individual transactions accounting for a minimum of 40% of overall recorded cash disbursements, for the year ended December 31, 2016 and performed the following:

- a) Traced each cash disbursement to the appropriate voucher package, noting proper authorization and agreement to associated invoice.
- b) Agreed voucher package total and reasonableness of classification to posting in the attached statement of cash receipts, disbursements and changes in cash balances.
- c) Proved clerical accuracy of each voucher package.
- d) Determined that the cash disbursement was properly recorded in the proper year.

The total of the selected cash disbursements was 21.3% of the aggregate amount of all recorded cash disbursements for the 2016 calendar year. We found no exceptions as a result of our testing.

### ***Other***

The accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Cash Basis Method of Accounting, Unaudited, for the Year Ended December 31, 2016 represents summarization of data derived from the accounting records of the Palmetto Partners account prepared by staff of the South Carolina Department of Commerce. We agreed the amounts by line-item to the accounting records of the Palmetto Partners Account and tested the mathematical accuracy of the statement. We found no exceptions as a result of our testing.

We were not engaged to and did not conduct an examination or a review of the subject matter, the objective of which would be the expression of an opinion or a disclaimer of an opinion on the subject matter. 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, the Secretary and management of the Department of Commerce, and the South Carolina Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

*BROWN CPA, L.L.C.*

Irmo, South Carolina  
January 23, 2017

South Carolina Department of Commerce - Palmetto Partners  
Statement of Cash Receipts, Disbursements and Change in Cash Balance  
Cash Basis Method of Accounting - Unaudited  
For the Years Ended

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash Receipts:		
Donations	\$ 658,779	\$ 575,967
SEUS Japan	225,701	5,741
Volvo Car Open	79,559	-
Rural Summit	28,421	29,510
Foreign Mission	21,485	45,307
B2B Events	7,127	8,556
Tradeshow / Site Consult.	6,973	13,787
Foreign Delegation Events	4,811	6,000
Other Receipts	(7,857)	10,031
Heritage Golf Tourney	-	21,529
Lead Generation	-	18,825
	<u>1,024,999</u>	<u>735,253</u>
Cash Disbursements:		
Volvo Car Open	648,573	-
SEUS Japan	90,020	10,615
Branding Campaign	80,427	185,990
Rural Summit	51,096	48,486
Tradeshow / Site Consult.	44,246	71,754
Heritage Golf Tournament	24,585	56,859
Intl. Strategy & Trade	22,849	8,129
B2B Events	15,661	23,900
Foreign Mission	14,777	37,236
Lead Generation	12,500	40,750
Economic Dev. Training	12,437	21,832
Other Expenses	10,021	12,503
Fundraising Event Planng	3,121	34,656
Foreign Delegation Events	590	27,093
Prospect Expenses	-	33,804
Site Development	-	1,273
	<u>1,030,903</u>	<u>614,880</u>
Net Change in Cash Balance	(5,904)	120,373
Net Position:		
Cash Beginning of Year	504,741	384,368
Cash End of Year	<u>\$ 498,837</u>	<u>\$ 504,741</u>

South Carolina Department of Commerce – Palmetto Partners  
Notes to Schedule  
Year Ended December 31, 2016 (Unaudited)

The statement of cash receipts, disbursements and changes in cash balances of the Palmetto Partners Account (the “Account”) of the South Carolina Department of Commerce (the “Department”) was prepared on the cash basis method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Cash receipts are recorded when received regardless of when earned and disbursements are recorded when paid regardless of when incurred.

#### Reporting Entity

The Department is responsible for the stimulation of economic development activity, management of business affairs of the Division of Savannah Valley Development, and public railways systems. The Department is an agency of the State of South Carolina established by Section 1-30-10 and 1-30-25 and 13-1 of the Code of Laws of South Carolina.

In 1991, the State’s Budget and Control Board approved and created the Special Events Account for the purpose of raising and expending private sector funds for sponsoring special marketing events with the goal of recruiting new business to the State. In July 1993, a restructuring of State government formed the Department and the Department assumed responsibilities of other State agencies including the Special Events Account. During the year ended December 31, 2005 the Special Events Account was renamed to the Crescent Fund. During the year ended December 31, 2011 the Crescent Fund was renamed to Palmetto Partners.

The Department uses the Account primarily for making disbursements that are not allowed or are limited under State laws, rules and regulations. These disbursements include but are not limited to the purchase of alcohol, meals, and entertainment costs of prospects and Department allies. Additionally, the Account is used for disbursements for several annual economic development events and industry expansion announcements, groundbreaking ceremonies, and economic development related programs.

For financial reporting purposes the Account is considered a Composite Reservoir Account. In 2010 the S.C. General Assembly began requiring each state agency to publicly report the composite reservoir accounts. This is required under General Proviso 117.84 (Bank Account Transparency and Accountability) of the 2015 – 2016 Appropriations Act. Composite Reservoir Accounts are accounts that are not included in detail in the Comptroller General's South Carolina Enterprise Information System (SCEIS).

Amounts shown on the statement as ‘Cash’ represent cash on deposit with the SC State Treasurer’s Office. State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

Reclassification – Certain prior year amounts as shown on the schedule of cash receipts and disbursements have been reclassified to conform with the current year presentation.

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