

**STATE OF SOUTH CAROLINA**

**Independent Auditors' Report on  
Internal Control Over Financial  
Reporting and on Compliance and  
Other Matters Based on an Audit of  
Financial Statements Performed in  
Accordance with *Government  
Auditing Standards***

**JUNE 30, 2016**

## CONTENTS

### PAGE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
MATERIAL WEAKNESSES	
2016-001 FINANCIAL REPORTING – PREPARATION OF STATEWIDE ACCOUNTING RECORDS AND COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) – COMPTROLLER GENERAL'S OFFICE	4
2016-002 FINANCIAL REPORTING – SOUTH CAROLINA ENTERPRISE INFORMATION SYSTEM (SCEIS) IMPLEMENTATION OF CASH, CASH EQUIVALENTS, AND INVESTMENTS – STATE TREASURER'S OFFICE	5
SIGNIFICANT DEFICIENCY	
2016-003 FINANCIAL REPORTING – REPORTING OF GRANT RECEIVABLES AND UNEARNED GRANT REVENUE – DEPARTMENT OF SOCIAL SERVICES/DEPARTMENT OF PUBLIC SAFETY/DEPARTMENT OF HEALTH AND HUMAN SERVICES	7
SUMMARY OF PRIOR FINDINGS	9
MANAGEMENTS' RESPONSES	10



State of South Carolina  
Office of the State Auditor



CliftonLarsonAllen

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

The Honorable Henry McMaster, Governor  
Members of the State Fiscal Accountability Authority  
and  
Members of the General Assembly  
State of South Carolina  
Columbia, South Carolina

We have jointly audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina (the State) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 12, 2016. We conducted our joint audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the State Ports Authority, Connector 2000 Association, Inc., South Carolina Research Authority and South Carolina Medical Malpractice Liability Joint Underwriting Association, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the State Ports Authority, Connector 2000 Association, Inc., South Carolina Research Authority and South Carolina Medical Malpractice Liability Joint Underwriting Association. Our report includes a reference to other auditors who audited the financial statements of certain agencies and component units of the State of South Carolina, which represent the indicated percent of total assets and total revenues as described in our report on the State's financial statements and as presented in the following tables. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

	Percentage Audited by CliftonLarsonAllen LLP Separately		Percentage Audited by Other Auditors	
	Total Assets and Deferred Outflows of Resources	Total Revenue	Total Assets and Deferred Outflows of Resources	Total Revenue
<b>Government-wide</b>				
Governmental activities	2%	11%	62%	10%
Business-type activities	-	-	80%	85%
Component units	-	-	98%	99%

	Percentage Audited by CliftonLarsonAllen LLP Separately		Percentage Audited by Other Auditors	
	Total Assets and Deferred Outflows of Resources	Total Revenue	Total Assets and Deferred Outflows of Resources	Total Revenue
<b>Fund Statements</b>				
Governmental Funds	-	-	23%	10%
Enterprise Funds	-	-	80%	85%
Internal Service Funds	33%	89%	55%	7%
Fiduciary Funds	80%	21%	19%	79%
Discretely Presented Component Units	-	-	98%	98%

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the State's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as 2016-001 and 2016-002 to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as 2016-003 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of South Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## The State of South Carolina's Response to Findings

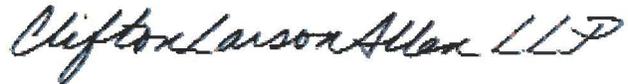
The State's responses to the findings identified in our audit are included in the section of this report titled "Management's Responses." The State's responses were not subjected to the auditing procedures applied in the joint audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Columbia, South Carolina  
December 12, 2016



Baltimore, Maryland  
December 12, 2016

**MATERIAL WEAKNESSES**

**2016-001 FINANCIAL REPORTING – PREPARATION OF STATEWIDE ACCOUNTING RECORDS AND COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) – COMPTROLLER GENERAL’S OFFICE**

***Criteria***

Section 1.6, An Overview of the Year-End Reporting Process, of the Comptroller General's Reporting Policies and Procedures Manual, states, "The Comptroller General's Office will use SCEIS functionality to compile the statewide financial statements. Specifically, they will evaluate the completeness of SCEIS and identify and post entries necessary for GAAP compliance in SCEIS." This policy acts as a control over financial reporting for the State's financial statements.

***Condition***

Internal controls over financial reporting were inadequate to prevent or detect multiple misstatements during the preparation of the State's CAFR and in the supporting accounting records, requiring the Comptroller General's Office to post material adjustments to the State's CAFR.

***Context***

The Comptroller General's Office is responsible for the reporting of State financial accounting data in the CAFR. Upon receipt of State agencies' financial accounting data, the Comptroller General's Office compiles the State's CAFR using the State agencies' data, and records statewide accounting adjustments to that data to properly reflect the State's overall financial position at year end. There were misstatements in the compilation of the CAFR and the related financial accounting data which were not detected or corrected by the Comptroller General's Office supervisory staff during the review process, and as a result, audit adjustments were recorded. These misstatements consisted of:

- The reporting of balances related to tax receivables and payables included in the general ledger that did not agree to the underlying accounting records and which could not be substantiated.
- The reporting and classification of general ledger account balances included in the State's accounting system but related to an enterprise fund that is separately audited.
- The omission of an entity which was determined to qualify as a discretely presented component unit.
- Elimination of certain revenue and expenditure activity which should not have been eliminated.

***Cause***

Accounting data compiled by the Comptroller General's Office staff during preparation of the CAFR contained errors. These errors were not detected during Office supervisory staff review and the internal controls of the Office failed to document that all Office transactions had been reviewed.

### ***Effect***

Internal controls related to the preparation and fair presentation of the financial statements did not facilitate management's identification of material misstatements. As a result, audit adjustments were required.

### ***Recommendation***

We recommend that additional procedures and controls be developed and implemented to ensure that the State's financial accounting data is reported accurately, including properly defining the reporting entity, in accordance with Section 1.6 of the procedures manual referenced above and that the data compiled by the Comptroller General's Office staff is adequately reviewed by appropriate personnel.

### ***Views of Responsible Officials and Corrective Action Plan***

See page 10.

### **2016-002 FINANCIAL REPORTING – SOUTH CAROLINA ENTERPRISE INFORMATION SYSTEM (SCEIS) IMPLEMENTATION OF CASH, CASH EQUIVALENTS, AND INVESTMENTS – STATE TREASURER'S OFFICE**

### ***Criteria***

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the State's ability to ensure financial transactions are authorized and accurate. The preparation of reconciliations between ledgers and sub-ledgers is a key component of an entity's internal control framework.

### ***Condition***

Internal controls over financial reporting were inadequate to prevent or detect misstatements of cash, cash equivalents, and investment balances while reconciling the amounts included the South Carolina Enterprise Information System (SCEIS) to the support provided by the State Treasurer's Office (STO).

### ***Context***

During fiscal year 2016 the STO converted legacy systems used to account for cash, cash equivalents and investments to SCEIS. This implementation was not completed by the end of the fiscal year and as a result adjustments were required to be posted in order to compile the State's CAFR.

**Cause**

SCEIS was not fully implemented by June 30, 2016, resulting in unreconciled variances between the supporting documentation and SCEIS balances related to cash, cash equivalents and investments.

**Effect**

Cash, cash equivalents, and investments reported in SCEIS did not reconcile to the amount of cash, cash equivalents, and investment balances supported by the STO, and as a result audit adjustments were required to be recorded. Inadequate reconciliation may prevent management from identifying misstatements, due to error or fraud.

**Recommendation**

We recommend that the STO fully complete its SCEIS implementation and that any variances be investigated and adjusted. Upon full implementation, we recommend the STO review its policies and procedure related to the reconciliation and review of year end balances.

**Views of Responsible Officials and Corrective Action Plan**

See page 13.

**SIGNIFICANT DEFICIENCY**

**2016-003 FINANCIAL REPORTING – REPORTING OF GRANT RECEIVABLES AND  
UNEARNED GRANT REVENUE – DEPARTMENT OF SOCIAL SERVICES/DEPARTMENT  
OF PUBLIC SAFETY/DEPARTMENT OF HEALTH AND HUMAN SERVICES**

***Criteria***

Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. 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 that are accurate and prepared in accordance with instructions, complete, and timely." This requirement acts as a control over financial reporting for the State's financial statements.

***Condition***

Grant receivables and unearned revenue should be calculated at the individual grant award level, as determined by the original award document from the grantor, in order to accurately capture the grant receivable and unearned grant revenue balances as of the fiscal year end. In order to properly report receivable and unearned revenue balances cash receipts must be posted against the correct account. During our review of the grant receivable and unearned revenue reporting packages we became aware of grants that had both receivable and unearned revenue amounts reported in the general ledger.

***Context***

Cash receipts for several grants were not properly recorded, these errors created a receivable balance in one subledger and unearned revenue in another subledger account, which caused an overstated asset and liability balances by approximately \$2.7 million, \$1.4 million, and \$7.9 million for the Department of Health and Human Services, Department of Public Safety, and the Department of Social Services, respectively.

***Cause***

The agencies record revenue and receivables by Catalog of Federal Domestic Assistance (CFDA) number and grant year in a subledger account when expenditures are incurred. When cash is received by the State Treasurer's Office the agencies research these cash receipts and then either post against a receivable balance or record unearned revenue. There was a lack of adequate review by supervisory personnel that failed to detect the overstatement.

***Effect***

Agencies are causing the overstatement of grant receivables and unearned revenue balances by not properly recording grant transactions in the accounting system.

***Recommendation***

We recommend that additional procedures and controls be developed and implemented to ensure that the grant managers are accurately reporting grant activity to the correct subledger within the general ledger and that grant activity is accurately reported in the reporting package in accordance with Section 1.7 of the manual referenced above.

***Views of Responsible Officials and Corrective Action Plan***

See pages 14 - 16.

## **SUMMARY OF PRIOR FINDINGS**

During the current engagement, we reviewed the status of corrective action taken on the findings in the prior report on compliance and internal control over financial reporting at the basic financial statement level, dated November 25, 2015 to determine if the conditions still existed. Based on our audit procedures, we determined that the State has not taken adequate corrective action on the identified deficiencies listed as 2015-001, 2015-002 and 2015-004. Therefore, we have repeated the comments at findings 2016-001, 2016-002 and 2016-003, respectively. Comment 2015-003 has not been repeated in this report.

**MANAGEMENTS' RESPONSES**



State of South Carolina  
**Office of Comptroller General**

1200 Senate Street  
305 Wade Hampton Office Building  
Columbia, South Carolina 29201

Telephone: (803) 734-2121  
Fax: (803) 734-1765  
E-Mail: [cgoffice@cg.sc.gov](mailto:cgoffice@cg.sc.gov)

**RICHARD ECKSTROM, CPA**  
COMPTROLLER GENERAL

**WILLIAM E. GUNN**  
CHIEF OF STAFF

Feb. 10, 2017

Mr. George L. Kennedy, III, CPA  
State Auditor  
S.C. Office of the State Auditor  
1401 Main St., Ste. 1200  
Columbia, S.C. 29201

Dear Mr. Kennedy:

We have reviewed audit comment 2016-001, which addresses our office. The comment contained four bulleted auditor findings, each of which was said to have resulted in “misstatements in the compilation of the CAFR and the related financial accounting data which were not corrected by the Comptroller General’s Office supervisory staff during the review process, and as a result, audit adjustments were recorded.”

We acknowledge our office’s responsibility for:

- ✓ reviewing certain financial accounting data of State agencies
- ✓ recording statewide adjustments to the accounting data (to the extent we ascertain that adjustments are necessary) to properly reflect the State’s overall financial position at year end
- ✓ using the data to compile the CAFR

The 1<sup>st</sup> bulleted finding indicates that our office allowed an agency to provide us tax receivables and payables balances that we included in the general ledger but that did not agree to the underlying accounting records and that could not be substantiated. *We respectfully disagree with this assertion.*

The tax receivables and payables balances were provided to our office in a year end “reporting package” by the State agency responsible for administering tax law and overseeing and accounting for tax collections on behalf of State government. In discharging its tax oversight responsibilities, that agency closely controls taxpayer information, including taxpayer information in its accounting and tax

subsystems. Unlike the necessary access to taxpayer information it provides to State Auditor personnel, our office does not have similar access.

The tax agency did provide our office, as it does every year, with a 2016 reporting package that contained end of year balances derived from its tax accounting subsystem for tax receivables and payables. We needed this information for the CAFR. The reporting package we received included the signature of the agency's Chief Financial Officer asserting that the information being provided had been reviewed and that it was accurate and complete. The agency also provided us a written explanation for why the totals in this 2016 reporting package varied significantly from totals it had provided us in its 2015 reporting package. That explanation did not appear to be unreasonable or meritless. It explained that a new integrated tax accounting subsystem it was implementing gave it expanded reporting functionality and more accurate and complete information than could be obtained from its old non-integrated subsystems. We had no way to test the reporting package information. Yet aware that the CAFR auditors were scheduling their audit of the agency, we recorded the information from this reporting package into SCEIS as is our responsibility for reporting package information we receive from all State agencies.

As a part of compiling the 2016 CAFR, our office received a total of 790 separate reporting packages from State agencies. It is our practice to review each package to assure that an agency director or his/her designee attests to the accuracy and completeness of the data included thereon. We then, as a normal and necessary step in compiling the CAFR, record that data into SCEIS. During this process, if we detect an obvious error in a reporting package we try to resolve it to avoid entering obviously erroneous data into the State's central accounting system. Yet it is not within the scope of our office's responsibility or authority to audit the content of agency reporting packages in the manner a financial statement auditor would.

The 2<sup>nd</sup> bulleted finding indicates that our office misclassified and reported general ledger accounts in SCEIS that were related to a separately-audited enterprise fund. We agree that in compiling the CAFR we should not have included the entity's accounting information in SCEIS. *However, we respectfully disagree with the assertion that our office misclassified this entity's general ledger accounts, thereby producing "misstatements in the compilation of the CAFR."*

This assertion involved three general ledger cash accounts that a SCEIS consultant working with the Treasurer's office had asked our office to establish in connection with that office's ongoing conversion of its cash and investments subsystem from STARS to SCEIS. We were instructed to group these two new accounts within the State's general fund.

We have since been informed that these accounts should have been grouped with an enterprise fund rather than with the State's general fund. Yet the written documentation we received accompanying the request instructed us to group them exactly as we did within the general fund. We will analyze our

longstanding procedures for establishing new accounts to see if there are additional safeguards we can employ to eliminate similar errors in the future.

The 3<sup>rd</sup> bulleted finding reports “the omission (*in our compilation of the CAFR*) of an entity which was determined to qualify as a discretely presented component unit.” *We believe this finding creates a misleading impression that this was a finding discovered and corrected by the auditors.*

Prior to 1994 the omitted entity had been included in the State’s CAFR as a nonmajor enterprise fund. For reasons that we have not been able to identify, a decision was made in FY 1994 to no longer include it in the CAFR. During FY 2016 our office decided to take a fresh look at that decision. We re-examined this entity, including its relationship with the State, and concluded that based on prevailing accounting standards we would include the entity in the 2016 CAFR as a nonmajor discretely presented component unit. Before the auditors began their year-end testing, we informed them of our decision to include it in the 2016 CAFR because of our determination that it met the test provided in GASB 61 of a discretely presented component unit of the State.

The 4<sup>th</sup> bulleted finding indicates that we eliminated certain revenue and expense activity that should not have been eliminated in compiling the CAFR. *We agree with this finding.*

During the STARS to SCEIS conversion in 2012, a report to eliminate internal activity that had been available in STARS was no longer available after converting to SCEIS. Consequently, in compiling the CAFR in subsequent years we calculated estimated amounts for internal activity eliminations based on account balance relationships existing in FY 2011. In FY 2016, our office worked with SCIES to develop a new calculation methodology to ensure more accurate reporting and we rebuilt our former STARS-based report in its entirety to create a report from SCEIS. We appreciate the auditors’ review of the complex process we followed in creating this new report. The results of their review produced improvements that benefit the CAFR compilation process.

We appreciate this opportunity to respond to your findings in order to provide this essential detail.

Yours very truly,



Richard Eckstrom  
Comptroller General



**THE HONORABLE CURTIS M. LOFTIS, JR.**  
State Treasurer

February 10, 2017

Mr. George L. Kennedy, III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
1401 Main Street  
Columbia, South Carolina 29201

Dear Mr. Kennedy,

It was a pleasure working with your team during your recent audit of the State's CAFR. We are in receipt of the **2016-002 Financial Reporting – South Carolina Enterprise Information System (SCEIS) Implementation of Cash, Cash Equivalents and Investments – State Treasurer's Office**. We also thank you for the kind words of praise expressed during the exit conference and your recognition of the tremendous progress made due to the SCEIS Treasury Management module conversion.

We are extremely proud to have completed this important work. As you know, this statewide module conversion should have been undertaken in 2007. However, no other State Treasurer chose to commit the substantial time and effort required to complete the conversion from the 30-year-old legacy system. The Treasury module conversion did prove to be a tremendous undertaking, and we are pleased to note confirmation by your office, as well as the outside audit firm, Clifton Larson Allen, that the data and accounting supported by the State Treasurer's Office was *never in question* during the conversion as to the amount of cash, cash equivalents, or investment balances held within the Treasury, nor was there any question regarding the safe custody thereof.

These conversion efforts represent quantum improvements over the legacy systems that were external to the SCEIS enterprise. The State Treasurer's Office looks forward to finalizing the innovative internal control procedures over financial reporting that will further enhance the already improved transparency, timeliness, and accuracy of Treasury activities within the State Enterprise. We look forward to an even more successful reporting process next year as we further implement reconciliation procedures to ensure that Treasury data is accurately reflected within the Financial Accounting enterprise of SCEIS and inculcate recommendations in any and all practices and processes.

Please feel free to contact me should you have any questions regarding this matter.

Sincerely,

A handwritten signature in blue ink that reads "Tonia L. Morris".

Tonia L. Morris, CPA  
Deputy State Treasurer



HENRY McMASTER, GOVERNOR  
V. SUSAN ALFORD, STATE DIRECTOR

February 8, 2017

Sue F. Moss, CPA  
Director of State Audits  
South Carolina Office of the State Auditor  
1401 Main Street, Suite 1200  
Columbia, SC 29201

Dear Ms. Moss:

The South Carolina Department of Social Services respectfully submits the following corrective action plan for the finding identified in the SC Comprehensive Annual Financial Report audit for the year ended June 30, 2016.

**2016-003 Financial Reporting – Reporting of Grant Receivables and Unearned Grant Revenue Recommendation**

We recommend that additional procedures and controls be developed and implemented to ensure that the grant managers are accurately reporting grant activity to the correct subledger within the general ledger and that grant activity is accurately reported in the reporting package in accordance with Section 1.7 of the manual referenced above.

**Views of Responsible Official and Corrective Action Plan**

The Department administers several federal grants which have multiple grant years whose activity may cross state fiscal year, which causes more than one program grant year to be active. This lends itself to the event of having a receivable for one grant at state fiscal year end and a deferred revenue for the same grant, but for a different grant year. The occurrence for this finding was due to necessary adjusting transactions not being posted prior to state fiscal year end, which would have alleviated the balances highlighted in the review.

Grant balances are currently reconciled and reviewed on a quarterly basis. The Department will take the necessary action(s) to ensure grant receivable and unearned revenue balances are accurately stated.

Thank you,

LaTonya Rish, Asst. Director  
Cost Allocation & Reporting



## **S. C. DEPARTMENT OF PUBLIC SAFETY**

---

### **Financial Services**

*P.O. Box 1993 Blythewood, SC 29016 Telephone: 803-896-7900 Fax: 803-896-5201*

February 10, 2017

State of South Carolina  
Office of the State Auditor  
1401 Main Street, Suite 1200  
Columbia, SC 29201

Please see our response to your finding below:

#### **Response to Audit Finding – Reporting of Grants Receivable and Unearned Grant Revenue**

##### **View of Responsible Officials**

We concur with this condition and recommendation.

##### **Corrective Action Plan**

We plan to review our internal controls, meet with specialist with the Comptroller General's Office to develop new procedures to ensure more accurate reporting.

Sincerely,

Paul Lewis  
Chief Financial Officer

/swt

February 7, 2017

Sue F. Moss, CPA  
Director of State Audits  
South Carolina Office of the State Auditor  
1401 Main Street, Suite 1200  
Columbia, South Carolina 29201

We have reviewed the audit finding related to the Department of Health and Human Services (DHHS) for the Fiscal Year 2016 State of South Carolina CAFR, and offer the following response for your consideration:

**2016-003 Financial Reporting – Reporting of Grant Receivables and Unearned Grant Revenue – Department of Social Services / Department of Public Safety / Department of Health and Human Services**

***Recommendation***

We recommend that additional procedures and controls be developed and implemented to ensure that the grant managers are accurately reporting grant activity to the correct sub-ledger within the general ledger and that grant activity is accurately reported in the reporting package in accordance with Section 1.7 of the manual referenced above.

***Views of Responsible Officials and Corrective Action Plan***

Agency staff who prepare the reporting package have been made aware of the error and the reporting files have been notated for future reference. An additional level of supervisory review will be implemented for the Fiscal Year 2017 reporting packages to help detect any potential overstatements.

Sincerely,



Kathryn L. Bass  
Deputy Director and CFO

