

**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, 2017**

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**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 D. 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, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated November 17, 2017. 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 deferred outflows and total revenues as described in our report on the State's financial statements and as presented in the following table. 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><u>Government-wide</u></b>				
Governmental activities	2%	11%	62%	11%
Business-type activities	-	-	82%	84%
Component units	-	-	99%	99%
<b><u>Fund Statements</u></b>				
Governmental Funds	-	-	24%	10%
Enterprise Funds	-	-	82%	84%
Internal Service Funds	35%	88%	54%	8%
Fiduciary Funds	78%	36%	21%	64%

### **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 have not been identified. However, as described in findings 2017-001, 2017-002 and 2017-003, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the schedule of findings as 2017-001 to be a material weakness.

*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 deficiencies described in the accompanying schedule of findings as 2017-002 and 2017-003 to be significant deficiencies.

## **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**

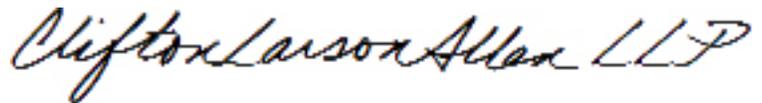
The State's responses to the findings identified in our audit are included in the section of this report titled "Management's Responses." The State's responses were not subjected to the auditing procedures applied in the joint audit of the financial statements and, accordingly, we express no opinion 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  
November 17, 2017



Baltimore, Maryland  
November 17, 2017

## **MATERIAL WEAKNESS**

**2017-001 MATERIAL WEAKNESS IN FINANCIAL REPORTING – PREPARATION OF STATEWIDE ACCOUNTING RECORDS AND COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) – COMPTROLLER GENERAL’S OFFICE**

***Condition***

Internal controls over financial reporting were inadequate to prevent or detect material misstatements during the preparation of the State’s Comprehensive Annual Financial Report (CAFR) and in the supporting accounting records, requiring the Comptroller General’s Office (CGO) to post adjustments to the State’s CAFR.

***Context***

The CGO is responsible for compilation of the CAFR from reporting packages and audited financial statements submitted from State agencies. There were two misstatements in the compilation of the CAFR which were not detected or corrected by the CGO supervisory staff during the review process and as a result, audit adjustments were recorded.

***Cause***

These errors were not detected during CGO supervisory staff review.

***Effect***

Amounts included in the financial statements were inaccurate, as a result, material audit adjustments were required.

***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.

***Recommendation***

We recommend the CGO review its procedures over recording adjustments related to other audited financial statements for inclusion in the statewide CAFR and make changes to strengthen its review procedures.

***Response***

See management’s response on page 9.

**SIGNIFICANT DEFICIENCIES**

**2017-002 FINANCIAL REPORTING – SOUTH CAROLINA ENTERPRISE INFORMATION SYSTEM (SCEIS) IMPLEMENTATION OF CASH, CASH EQUIVALENTS AND INVESTMENTS – STATE TREASURER’S OFFICE**

***Condition***

As of June 30, 2017 the reconciliation of internal activity related to cash and investments included in the South Carolina Enterprise Information System (SCEIS) had not been completed.

***Context***

During fiscal year 2016 the State Treasurer’s Office (STO) converted legacy systems used to account for cash, cash equivalents and investments to SCEIS. The STO had reconciled and agreed total cash and investment balances to external financial institutions at year end. However, internal transactions recorded as part of the conversion process had not been completely reconciled and amounts reclassified as necessary. As a result, journal entries were required to be posted in order to compile the State’s CAFR and to validate that cash and investments were correctly reported. These journal entries did not change total cash balances as originally reported by the STO.

***Cause***

Conversion entries related to cash and investments within SCEIS have not been fully completed.

***Effect***

Inadequate reconciliation may prevent management from identifying material misstatements, due to error or fraud. For fiscal year 2017, journal entries were required to be posted to compile the State’s CAFR.

***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.

***Recommendation***

We recommend the STO complete its conversion entries related to cash and investments in order to verify that all activity be reconciled and appropriately adjusted.

***Response***

See management’s response on page 11.

**2017-003 FINANCIAL REPORTING – REPORTING OF GRANT RECEIVABLES AND UNEARNED GRANT REVENUE – ADJUTANT GENERALS OFFICE/ DEPARTMENT OF HEALTH AND HUMAN SERVICES /DEPARTMENT OF SOCIAL SERVICES/DEPARTMENT OF PUBLIC SAFETY/ DEPARTMENT OF EMPLOYMENT AND WORKFORCE**

***Condition***

We noted grants that had both receivable and unearned revenue amounts reported in the general ledger.

***Context***

Cash receipts or expenditure activity 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 overstated asset and liability balances by the amounts reported below:

Agency	Amount
Adjutant Generals Office	\$4,886,714
Department Of Health And Human Services	2,303,990
Department Of Social Services	12,138,667
Department Of Public Safety	1,033,800
Department Of Employment And Workforce	1,190,290

***Cause***

There was a lack of adequate review by supervisory personnel that failed to detect the overstatements. 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 posted against a receivable balance or record unearned revenue.

***Effect***

Agencies overstated the amount of grant receivables and unearned revenue balances by not properly recording grant transactions in the accounting system, resulting in a reclassification entry.

***Criteria***

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.

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.

***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.

***Response***

See managements' responses on pages 12-19.

## **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 December 12, 2016 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 2016-001, 2016-002 and 2016-003. Therefore, we have repeated the comments at findings 2017-001, 2017-002 and 2017-003, respectively.

**MANAGEMENTS' RESPONSES**



**RICHARD ECKSTROM, CPA**  
COMPTROLLER GENERAL

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)

**WILLIAM E. GUNN**  
CHIEF OF STAFF

November 30, 2017

Mr. George L. Kennedy, III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
1401 Main Street, Suite 1200  
Columbia, South Carolina 29201

Dear Mr. Kennedy:

We will review our CAFR-compilation procedures to look for opportunities for improvement, focusing on our procedures for consolidating into the CAFR the financial information we obtain from separately audited financial statements of the numerous state entities your audit team is able to exclude from its auditing procedures.

The CAFR contains information we derive from many sources that include SCEIS, the separately audited financial statements of numerous agencies, agency "reporting packages" containing required financial details not available to us in SCEIS, and other sources. Our ability to produce a timely and accurate CAFR depends upon our timely receipt from agencies of accurate financial data. This activity occurs within a very short period of time, which creates a situation in which time is our most scarce resource. During this same short period we assist your audit team by preparing account analyses and running reports requested in connection with your audit testing.

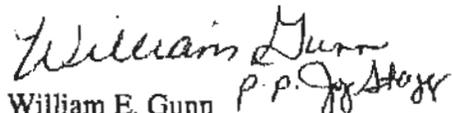
As you are aware, for various reasons we are confronted each year with timing challenges in receiving information that we need. Waiting on information needed to compile the CAFR while at the same time providing your audit staff with requested analyses and other information sometimes requires us to make a conscious, practical decision to perform our review of some pages in the CAFR only after we have given you a preliminary draft of the document for your review. While that hasn't always been an ideal solution, it's sometimes been a necessary one.

With one of the smallest financial reporting staffs in the nation, South Carolina is one of the timeliest states in the nation to produce its CAFR. However, for quality control purposes – and because of the increased volume and complexity of professional accounting standards – we clearly need additional staff resources. Our agency's budget has never recovered from the series of deep

George L. Kennedy, III  
November 30, 2017  
Page 2

cuts it experienced during the 2008-10 economic downturn. In spite of that fact, our CAFR has consistently been produced with unqualified opinions, and without interruption it has continued to receive GFOA's Certificate of Achievement for Excellence in Financial Reporting.

Sincerely,

  
William E. Gunn *p.p. Joe Stagg*  
Chief-of-Staff

WG/jds

cc: Sue Moss

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

November 21, 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 again a pleasure working with your team during the recent audit of the State's CAFR. We are in receipt of the **2017-002 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 acknowledgement that at no time were the balances of cash, cash equivalents, nor investments as reported by the State Treasurer Office ever in question, nor was there any question regarding the safe custody thereof. We offer this management's response:

The limited SCEIS conversion entries remaining to be performed will not impact cash, cash equivalents nor investment balances as noted within the CAFR. Any remaining entries will only enhance the already improved transparency, timeliness, and accuracy of Treasury activities within the State Enterprise. These entries, expected to be completed in FY 2018, will simply be a ledger move between offsetting accounts and will have no impact on CAFR reporting.

As perpetual process improvement activities continue, The State Treasurer's Office will continue to ensure that Treasury data is accurately reflected within the Financial Accounting enterprise of SCEIS.

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

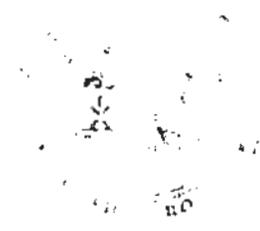
Sincerely,



Tonia L. Morris, CPA  
Deputy State Treasurer



HENRY McMASTER, GOVERNOR  
V. SUSAN ALFORD, STATE DIRECTOR



November 22, 2017

Mr. George L. Kennedy, III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
1401 Main Street, Suite 1200  
Columbia, South Carolina 29201

Dear Mr. Kennedy,

**We have reviewed audit comment 2017-003, Financial Reporting – Reporting of Grant Receivables and Unearned Grant Revenue, and we agree that corrective action is needed.**

The Agency receives various grants that are awarded annually with two or three-year performance periods, and the Agency generally draws the funds awarded quarterly based on actual expenditures. The cash receipts are posted as revenue to the earliest grant year for which funds remain available. For the grant in question, all the funds received were properly posted to the 2016 grant year. The overstatements arose because we posted a large portion of the related expenditures to the 2017 grant year. This caused the Comptroller General’s staff to characterize a portion of the 2016 grant year revenue as unexpended thus unearned, and to characterize an equal amount of the expenditures posted to the 2017 grant year as unfunded, thus receivable. The Agency should have netted these balances in its general ledger.

The Agency charges costs to grants using PCA codes that are updated annually to reflect our latest federally-approved cost allocation plan. Generally, we charge costs using the PCA codes in effect when we incur the expenditures because doing so produces a more accurate allocation of costs. This normally results in posting expenditures to the latest open grant year. For the grant in question, this meant that a substantial amount of expenditures eligible for funding with 2016 grant proceeds were initially posted to the 2017 grant.

The correct, routinely applied remedy in this case is to record a journal entry to move the expenditures from the 2017 grant year back to the 2016 grant year to fully consume the recorded 2016 grant revenue. Had the agency done this prior to the close of fiscal 2017, we would have correctly reflected a receivable for undrawn funds expended of approximately \$1,446,000, and we would have reported no unearned revenue.

George L. Kennedy, III, CPA  
Page Two

The Agency's policy is to record these journal entries quarterly. We were not able to complete the necessary analysis and accomplish this as of June 30, 2017, primarily due to turnover of grants accounting management and staff at or near yearend.

We have since filled key accounting positions with highly-qualified personnel, and we fully expect to complete these entries timely and correctly going forward.

We are dedicated to submitting timely, complete and accurate reporting packages. We will ensure that our processes for yearend closing and for preparation and submission of reporting packages are well-designed and thoroughly supervised to accomplish this important objective. This will provide strong assurance that the Agency accurately reports its grant activity in the correct subledger within the general ledger and in the reporting package, in accordance with Section 1.7 of the Comptroller General's Reporting Policies and Procedures Manual.

Please contact me if you have any questions or continuing concerns about this matter.

Sincerely,



Susan Roben  
Controller



## South Carolina Department of Public Safety

November 22, 2017

Tom Ashley, Manager  
Assurance Services  
CliftonLarsonAllen, LLP  
1966 Greenspring Drive, Suite 300  
Timonium, MD 21093

Mr. Ashley:

Please see our response to the audit finding below:

### **2017-003 Financial Reporting – Reporting of Grant Receivables and Unearned Grant Revenue**

The South Carolina Department of Public Safety has previously reported all revenue requests as an income reimbursement at the master grant level and all expenditures as subrecipient level expenditures since these grants are pass through grants. As of July 1, 2017, SCDPS has transferred several grants encompassing numerous subrecipients to the South Carolina State Office of the Attorney General. Given this substantial decrease in the volume of grants managed by our agency, SCDPS is now in a position to effectively review the receipt of federal funds on an individual grant award level. SCDPS will develop and implement new policies and procedures to ensure appropriate reporting of receivables and unearned revenue balances which will post revenue down to the subrecipient level for grant reimbursements processed during the fiscal year ending June 30, 2018.

Sincerely,

Karl A. Boston  
Chief Financial Officer  
South Carolina Department of Public Safety

Henry McMaster GOVERNOR  
Joshua D. Baker INTERIM DIRECTOR  
P.O. Box 8206 • Columbia, SC 29202  
www.scdhhs.gov

November 22, 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 2017 State of South Carolina CAFR, and offer the following response for your consideration:

**2017-003 Financial Reporting – Reporting of Grant Receivables and Unearned Grant Revenue**

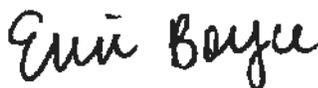
***Recommendation***

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 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***

The grant receivable and unearned grant revenue were related to agency provider accounts receivable balances. Agency financial staff will conduct regular reviews of accounts receivable balances prior to the fiscal year end closing to ensure that the balances are accurately recorded and prevent potential misstatements.

Sincerely,



Erin Boyce  
Acting Deputy Director and CFO

# The State of South Carolina

## Military Department



OFFICE OF THE ADJUTANT GENERAL  
1 NATIONAL GUARD ROAD  
COLUMBIA, S. C. 29201-4752

November 28, 2017

### **2017-003 FINANCIAL REPORTING – REPORTING OF GRANT RECEIVABLES AND UNEARNED GRANT REVENUE**

#### ***Condition***

We noted 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 overstated asset and liability balances by the amounts reported below:

#### ***Cause***

There was a lack of adequate review by supervisory personnel that failed to detect the overstatements. 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 posted against a receivable balance or record unearned revenue.

#### ***Effect***

Agencies overstated the amount of grant receivables and unearned revenue balances by not properly recording grant transactions in the accounting system, resulting in a reclassification entry.

#### ***Criteria***

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. 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.

***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.

***Response***

The error occurred when an amount was copied into the report as a debit rather than a credit. A procedure will be put in place to show the totals on the original page to be matched with the Closing Package to indicate when an error has occurred.

P.O. Box 995  
1550 Gadsden Street  
Columbia, SC 29202  
dew.sc.gov



Henry McMaster  
Governor

Cheryl M. Stanton  
Executive Director

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

**RE: 2017-003 FINANCIAL REPORTING – REPORTING OF GRANT RECEIVABLES AND UNEARNED GRANT REVENUE**

***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 the amounts reported below:

***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 overstatements.

***Effect***

Agencies overstated the amount of grant receivables and unearned revenue balances by not properly recording grant transactions in the accounting system.

***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.

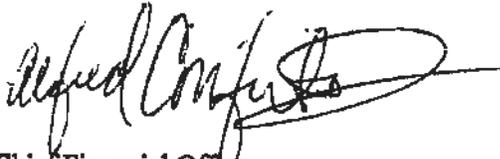
***Recommendation***

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.

***Response***

SCDEW realizes that the individual accounts in question are overstated and that those accounts require additional scrutiny. SCDEW finance management will implement additional process and systemic controls to ensure all grant revenues, expenses and any related accruals are properly reflected on the subledger to better ensure grant accounting and grant reporting are in compliance with section 1.7 of the CG manual referenced in the finding.

Alfred Comfort III, MBA, CPM

A handwritten signature in black ink, appearing to read "Alfred Comfort III", with a large, sweeping flourish extending to the right.

Chief Financial Officer  
South Carolina Department of Employment and Workforce  
1550 Gadsden Street  
Columbia, SC 29202