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*South Carolina Sea Grant Consortium*

Charleston, South Carolina

Independent Accountant's Report on Applying Agreed-Upon  
Procedures for the year ended June 30, 2013

*State of South Carolina*



*Office of the State Auditor*

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May 19, 2014

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

This report on the application of agreed-upon procedures to the accounting records of the South Carolina Sea Grant Consortium for the fiscal year ended June 30, 2013, was issued by Brown, CPA, LLC, Certified Public Accountant, 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 black ink, appearing to read "Richard H. Gilbert Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/sag

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. Richard H. Gilbert, Jr., CPA  
Deputy State Auditor  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Office of State Auditor and management of South Carolina Sea Grant Consortium (the "Department"), solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2013, in the areas addressed. The Department'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 selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations.
- We inspected 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 and federal funds to ensure that revenue was classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels \$3,300 – earmarked fund and \$37,000 – federal fund and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in the Accountant's Comments section of this report.

## 2. **Non-Payroll Disbursements and Expenditures**

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations, were bona fide disbursements of the Department, 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 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 Department's accounting records. The scope was based on agreed upon materiality levels \$8,600 – general fund, \$2,800 – earmarked fund, and \$40,000 – 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 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; payroll transactions were properly authorized and were in accordance with existing legal requirements and processed in accordance with the Department's policies and procedures and State regulations.
- We inspected payroll transactions for selected new employees and those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the Department'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 and federal funds to ensure that expenditures were classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels \$8,600 – general fund, \$2,800 – earmarked fund, and \$40,000 – 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  $\pm 15$  percent to ensure that payroll expenditures were classified properly in the Department'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 and Appropriation Transfers**

- We inspected selected recorded journal entries, operating transfers, 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 Department's policies and procedures and State regulations.

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

#### 5. **General Ledger and Subsidiary Ledgers**

- We inspected selected entries and monthly totals in the subsidiary records of the Department to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and selected entries were processed in accordance with the Department's policies and procedures and State regulations.

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

#### 6. **Appropriation Act**

- We inspected documents, observed processes, and/or made inquiries of Department personnel to determine the Department's compliance with Appropriation Act general and Department specific provisos.

We found no exceptions as a result of the procedures.

#### 7. **Reporting Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2013 prepared by the Department 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..

#### 8. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2013, prepared by the Department 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.

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

**9. Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the Independent Accountant's Agreed-Upon Procedures report on the Department resulting from the engagement for the fiscal year ended June 30, 2012, to determine if the Department has taken corrective action.

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

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, the South Carolina Office of the State Auditor, and the governing body and management of the Sea Grant Consortium 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  
April 30, 2014

# Accountant's Comments

## SECTION A - OTHER WEAKNESSES

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The conditions described in this section have been identified while performing the agreed-upon procedures but they are not considered a violation of State Laws, Rules or Regulations.

### **2013–1 Cash Receipts and Revenue & Schedule of Federal Financial Assistance Understatement of Revenue**

*Condition* – During our testwork of the Schedule of Federal Financial Assistance (“SFFA”) submitted to the State Auditor we became aware that the schedule showed federal revenue totaling \$2,980,830. This amount is not in agreement with the amount as recorded in the SC statewide accounting system commonly known as “SCEIS”. SCEIS shows total federal revenue of \$3,019,354. As a result there is a difference between the two of \$38,524.

*Cause* – Upon inquiry of Department personnel we were informed that Sea Grant Consortium invoiced its grantor April 19, 2011 for \$34,524. Sea Grant Consortium received payment on April 25, 2011 through a wire transfer received by the SC State Treasurers Office. This wire transfer remained as an unreconciled deposit by the SC State Treasurers Office until correcting entries were posted for this transaction in fiscal year ended June 30, 2013.

*Effect* – Overall federal revenue as recorded within SCEIS is not in agreement with the amount as recorded on the Schedule of Federal Financial Assistance by \$38,524. Further the transaction has been posted in fiscal year 2013 federal revenue and should have been posted in fiscal year 2011 federal revenue.

*Criteria* – A properly designed internal control environment includes monitoring of financial activity. Monitoring of grant invoicing and associated grant revenue should have identified this difference at an earlier date. Generally Accepted Accounting Principles and common practice require that revenue transactions be posted to the fiscal year to which they relate.

*Recommendation* – Department staff should closely review all amounts as reported within SCEIS and the SFFA and verify that they are in agreement with associated grant invoicing activity for the fiscal year.

### **2013–2 Schedule of Federal Financial Assistance Difference in Grant Cash Balance**

*Condition* – During our testwork of the Schedule of Federal Financial Assistance (“SFFA”) submitted to the State Auditor we became aware that the schedule showed a net cash position for all grants totaling a balance due of \$103,705. This amount is not in agreement with the amount as recorded in the SC statewide accounting system commonly known as “SCEIS”. SCEIS shows a total federal balance due of \$103,240. As a result there is a difference between the two of \$465.

*Cause* – Upon inquiry of Department personnel we were informed that this difference is a result of a misposting to federal grants in an unidentified prior fiscal year.

*Effect* – Overall federal cash due the Department as recorded within SCEIS is not in agreement with the amount as recorded on the Schedule of Federal Financial Assistance by \$465.

*Criteria* – Generally Accepted Accounting Principles and common practice require that the amounts be in agreement.

*Recommendation* – Department staff should closely review all amounts as reported on the SFFA and verify that they are in agreement with the amounts as recorded within SCEIS and make such corrections as necessary prior to submitting the SFFA to the SC Office of the State Auditor.

**SECTION B – STATUS OF PRIOR FINDINGS**

<b>Comment - June 30, 2012 Report</b>	<b>Status</b>
#1 During our analytical review of the account balances at June 30, 2012 we determined that the Department had recorded sales of tee shirts for the annual Beach Sweep River Sweep event and donations for the event totaling \$5,342.50 to account # 4020010000 Sales and Use Tax. The Department then remitted sales tax for the tee shirt sales to the SC Department of Revenue totaling \$473.99 resulting in an overall credit account balance of \$4,868.51	Corrective action taken.
#2 During our testwork of Reporting Packages submitted to the SC Office of the Comptroller General we became aware that there was a \$8,700 difference in the amount recorded for expenditures as recorded in the SC statewide accounting system commonly known as “SCEIS” and the amount as reported to the SC Office of the State Auditor on the Schedule of Federal Financial Assistance (“SFFA”).	See similar comment #2013-1 regarding revenue for the current year.

## Attachment A



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#### Member Institutions

The Citadel  
Clemson University  
Coastal Carolina  
University  
College of Charleston  
Medical University  
of South Carolina  
S.C. Department of  
Natural Resources  
S.C. State University  
University of South Carolina

#### Chairman

**Dr. David A. DeCenzo**  
President,  
Coastal Carolina University

#### Executive Director

**M. Richard DeVoe**

May 14, 2014

### MEMORANDUM

**TO:** Brown CPA, LLC  
**FROM:** M. Richard DeVoe, Sea Grant Consortium Executive Director  
**RE:** Sea Grant AUP Audit for fiscal year ending June 30, 2013  
**TITLE:** Response to Section A – Other Weaknesses:

- (1) 2013-1 Cash Receipts and Revenue & Schedule of Federal Financial Assistance Understatement of Revenue
- (2) 2013-2 Schedule of Federal Financial Assistance Difference in Grant Cash Balance

### **2013-1: Cash Receipts and Revenue & Schedule of Federal Financial Assistance Understatement of Revenue**

*Condition* – During our testwork of the Schedule of Federal Financial Assistance (“SFFA”) submitted to the State Auditor we became aware that the schedule showed federal revenue totaling \$2,980,830. This amount is not in agreement with the amount as recorded in the SC statewide accounting system commonly known as “SCEIS”. SCEIS shows total federal revenue of \$3,019,354. As a result there is a difference between the two of \$38,524.

*Cause* – Upon inquiry of Department personnel we were informed that Sea Grant Consortium invoiced its grantor April 19, 2011 for \$34,524. Sea Grant Consortium received payment on April 25, 2011 through a wire transfer received by the SC State Treasurers Office. This wire transfer remained as an unreconciled deposit by the SC State Treasurers Office until correcting entries were posted for this transaction in fiscal year ended June 30, 2013.

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*Criteria* – A properly designed internal control environment includes monitoring of financial activity. Monitoring of grant invoicing and associated grant revenue should have identified this difference at an earlier date. Generally Accepted Accounting Principles and common practice require that revenue transactions be posted to the fiscal year to which they relate.

*Recommendation* – Department staff should closely review all amounts as reported within SCEIS and the SFFA and verify that they are in agreement with associated grant invoicing activity for the fiscal year.

*Sea Grant Response* – The Consortium will continue to utilize these internal controls and follow GAAP principles and thus concur with these recommendations.

## **2013-2: Schedule of Federal Financial Assistance Difference in Grant Cash Balance**

*Condition* – During our testwork of the Schedule of Federal Financial Assistance (“SFFA”) submitted to the State Auditor we became aware that the schedule showed a net cash position for all grants totaling a balance due of \$103,705. This amount is not in agreement with the amount as recorded in the SC statewide accounting system commonly known as “SCEIS”. SCEIS shows a total federal balance due of \$103,240. As a result there is a difference between the two of \$465.

*Cause* – Upon inquiry of Department personnel we were informed that this difference is a result of a misposting to federal grants in an unidentified prior fiscal year.

*Effect* – Overall federal cash due the Department as recorded within SCEIS is not in agreement with the amount as recorded on the Schedule of Federal Financial Assistance by \$465.

*Criteria* – Generally Accepted Accounting Principles and common practice require that the amounts be in agreement.

*Recommendation* – Department staff should closely review all amounts as reported on the SFFA and verify that they are in agreement with the amounts as recorded within SCEIS and make such corrections as necessary prior to submitting the SFFA to the SC Office of the State Auditor.

*Sea Grant Response* – The Consortium will continue to utilize these internal controls and follow GAAP principles and thus concur with these recommendations.

Regards,



M. Richard DeVoe  
SCSGC Executive Director