

**SOUTH CAROLINA
PUBLIC SERVICE COMMISSION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2013

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State of South Carolina



Office of the State Auditor

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 29, 2015

The Honorable Nikki R. Haley, Governor
and
Commissioners
South Carolina Public Service Commission
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Public Service Commission (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2013, in the areas addressed. The Commission'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 agency'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 agency's accounting records. The scope was based on agreed upon materiality levels (\$35,900 – earmarked fund and \$4,600 – federal fund) and ± 10 percent.

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

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 agency's policies and procedures and State regulations, were bona fide disbursements of the Commission, 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 earmarked and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$35,400 – earmarked fund and \$4,400 – federal fund) and ± 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 agency'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 agency'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 earmarked and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$35,400 – earmarked fund and \$4,400 – federal fund) and ± 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 ± 10 percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

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

4. **Journal Entries and Appropriation Transfers**

- We inspected selected recorded journal entries and appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the agency's policies and procedures and State regulations.

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

5. **Appropriation Act**

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

We found no exceptions as a result of the procedures.

6. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2013, prepared by the Commission and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's Reporting Policies and Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records.

Our finding as a result of these procedures is presented under the title Capital Assets Reporting Package in the Accountant's Comments section of this report.

7. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2013, prepared by the Commission and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

8. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission resulting from our engagement for the fiscal year ended June 30, 2012, to determine if the Agency had taken corrective action.

We found no exceptions as a result of the procedures.

The Honorable Nikki R. Haley, Governor
and
Commissioners
South Carolina Public Service Commission
January 29, 2015

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 and of the governing body and management of the South Carolina Public Service Commission and is not intended to be and should not be used by anyone other than these specified parties.

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

ACCOUNTANT'S COMMENTS

SECTION A - VIOLATION OF STATE LAWS, RULES OR REGULATIONS

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The condition described in this section has been identified as a violation of State Laws, Rules or Regulations.

CAPITAL ASSETS REPORTING PACKAGE

Section 1.7 “Summary of Agency Responsibilities” of the Comptroller General’s Reporting Policies and Procedures Manual states that “Each agency’s executive director and finance director are responsible for submitting to the Comptroller General’s Office reporting packages and/or financial statements that are: accurate and prepared in accordance with instructions, complete, and timely.”

During our review of the Commission’s reporting packages, we noted the Commission neglected to file its Capital Assets Reporting Package in a timely manner. The Reporting Package was due September 27, 2013, but was not submitted to the Comptroller General’s Office until October 22, 2013.

We recommend the Commission implement policies and procedures to ensure timely submission of reporting packages.

SECTION B - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission for the fiscal year ended June 30, 2012, and dated September 10, 2013. We determined that the Commission has taken adequate corrective action on each of the findings.

MANAGEMENT'S RESPONSE



The Public Service Commission State of South Carolina

COMMISSIONERS
Nikiya "Nikki" Hall, Sixth District
Chairman
Swain E. Whitfield, Fifth District
Vice Chairman
John E. "Butch" Howard, First District
Elliott F. Elam, Jr., Second District
Comer H. "Randy" Randall, Third District
Elizabeth B. "Lib" Fleming, Fourth District
G. O'Neal Hamilton, Seventh District

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February 11, 2015

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

Dear Mr. Gilbert:

As always, the Public Service Commission values the time that you and your staff take to help us improve our processes. We are in receipt of the State Auditor's Report for fiscal year ended June 30, 2013, and we have completed our review.

The State Auditor's Report (SAR) for fiscal year ended June 30, 2013, found that the Commission neglected to file its Capital Assets Reporting Package in a timely manner. The SAR indicates that this Report was due September 27, 2013; however, the Commission did not submit its filing until October 22, 2013. In its initial Master Reporting Package, the Commission concluded, based on the State of South Carolina, Office of Comptroller General, Reporting Policies and Procedure Manual, that a Capital Assets Reporting Package should not be filed for Fiscal Year 2013.

Corrective Action Taken by the Public Service Commission of South Carolina

For Fiscal Year 2014, the Public Service Commission of South Carolina filed a Capital Assets Reporting Package. For corrective action beginning with Fiscal Year 2015, the Commission, upon the filing of its Master Reporting Package, will email the following completed form letter or information to the Comptroller General's Office and ask that the Comptroller General's Office verify the Commission's position. The form letter will read as follows:

"Dear (Appropriate Comptroller General Employee Name):

The Public Service Commission of South Carolina has timely completed and submitted its Master Reporting Package. Please review the chart below for reporting packages that the Commission has determined, in its opinion based on the Comptroller General's Reporting Policies and Procedure Manual, should not be filed for Fiscal Year 20xx.

February 11, 2015
Richard H. Gilbert, Jr.
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Reporting Package Name	Reason for Not Filing the Reporting Package
Reporting Package ABC	Justification for Not Filing Reporting Package ABC
Reporting Package XYZ	Justification for Not Filing Reporting Package XYZ

Please provide written verification (e.g. via email) that the above-referenced report(s) must not be filed with your office. We will contact your office to ensure that you have received this email. Thank you for your time.”

Mr. Gilbert, with this response, we authorize release of the report.

Sincerely,



Jocelyn Boyd

Enclosure:

4 copies of this document were published at an estimated printing cost of \$1.43 each, and a total printing cost of \$5.72. Section 1-11-425 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.