

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

STATE AUDITOR'S REPORT

JUNE 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

February 22, 2018

Ms. Jocelyn G. Boyd
and
Members of the Commission
South Carolina Public Service Commission
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Public Service Commission (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2017. The Commission's management is responsible for the systems, processes and behaviors related to financial activity. 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 in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Commission. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Commission has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

This report is intended solely for the information and use of the Commissioners 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. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed - Upon Procedures Related to the South Carolina Public Service Commission (R04)**

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations over \$35,000 in Earmarked Funds and 10%.
2. Randomly select six cash receipt transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by applicable laws.
3. Randomly select five cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$35,000 in Earmarked Funds and 10%.
5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Commission procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Commission procedures and good business practice are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Commission, properly coded to the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Clerical accuracy / confirm proper sales/use tax.
6. Randomly select nine non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$35,000 in Earmarked Funds and 10%.

Payroll (Continued)

8. Randomly select five salaried employees and inspect supporting documentation during the fiscal year to:
 - Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Commission.
 - Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.
9. Select the sole bonus pay disbursement to determine:
 - Employee does not make more than \$100,000 annually.
 - Bonus received during the year did not exceed \$3,000.
 - Transaction was appropriately documented and approved.
10. Randomly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
11. Select the three employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Commission's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
12. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contribution expenditures between the current year and prior year. Obtain an explanation of changes of +/- 10%.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

13. Randomly select three journal entries and two transfers for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Appropriation Act

14. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.

We found no exceptions as a result of the procedures.

Reporting Packages

15. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by CG's Reporting Policies and Procedures Manual.

Reporting Packages (Continued)

16. In addition to the procedure above, we will perform the following:

- Prepaid Expenses Reporting Package
 - Determine if amounts agree to the South Carolina Enterprise Information System (SCEIS) Year-end Reporting - Prepaid Expenses report and/or Commission prepared records. In addition, select the sole prepaid expense to determine if the amount was properly classified, calculated and reported based on inspection of the SCEIS general ledger and invoices.
- Capital Assets Reporting Package
 - Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet and/or Commission prepared records.
- Operating Leases Reporting Package
 - Determine if amounts agree to the SCEIS general ledger, the SCEIS Year-end Reporting Operating Lease Expense with Vendor report and/or Commission prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Three haphazardly selected contingent rental payments; (2) One haphazardly selected payment for each vendor included in the remaining rental payment classifications (One Time Rental Payments and Other Adjustments) ; and (3) The effective dates, current expense and future minimum lease payments of all property leases.
- Accounts Payable Reporting Package
 - Determine if responses and reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Year-end Reporting - Prior Year Payables with Vendor and/or Commission prepared records.
- Litigation Reporting Package
 - Determine if the Commission had approval from the Attorney General's Office to hire attorneys and to ensure proper coding of legal and attorney payments based on inspection of the SCEIS general ledger and the Year-end Reporting – Litigation Expense. Haphazardly select five transactions to inspect for proper approval, amounts charged within approved limits, and service date range.

Finding

Capital Assets Reporting Package – The Commission responded on the Capital Assets Questionnaire that its acquisitions plus transfers-in and retirements plus transfers-out equaled the debit and credit balances reflected in SCEIS, respectively. However, we noted a variance of \$4,697 between these balances which should have prompted the Commission to report updated information to the preparers of the financial statements.

Management's Response

The Commission acknowledges that the General Ledger balances, not the debit and credit balances were compared to the acquisitions plus transfers-in and retirements plus transfers-out on the Capital Assets Questionnaire, resulting in an omission of updated information to the preparers of the financial statements.

Management's Response (Continued)

The required information on the Capital Assets Questionnaire has been explained in detail by the Office of State Auditors to personnel responsible for completing and reviewing the reporting package. It is the Commission's intent to remain knowledgeable of the reporting package requirements and complete the reporting package in accordance with instructions.

In addition, the Commission will submit for review and feedback the completed package no less than ten days before the Capital Assets Reporting Package's due date to the Comptroller General's CAFR team member whose responsibility is the Capital Assets Reporting Package.

Capital Assets

17. Randomly select five asset acquisitions and inspect supporting documentation, the SCEIS general ledger, and the SCEIS Asset History Sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.
18. For the Commission's sole capital asset retirement, inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that the asset was properly removed from the Commission's books and the disposal was properly approved.

Finding

The Commission capitalized five assets valued between \$1,218 and \$1,489 in the SCEIS General Ledger and SCEIS asset system. The CG's Reporting Policies and Procedures Manual requires moveable assets with a value greater than \$1,000 but less than \$5,000 be tagged and tracked in SCEIS as a low value asset rather than a capital asset.

Management's Response

The Commission acknowledges that five assets were incorrectly capitalized that should have been tagged and tracked as low value assets rather than capital assets. On March 9, 2018, with the assistance of the SCEIS Asset Team, the Finance Department correctly classified these assets as low value.

In the future, the Finance Department will ensure that all moveable assets are reported in accordance with the Comptroller General's Reporting Policies and Procedures Manual by reconciling on a monthly basis the SCEIS ZGLA General Ledger entries for assets with the Agency's record of acquisitions, retirements, and transfers (purchase orders, Surplus Turn-In Documents, etc.) and maintaining the records in the Finance logs.

Minutes

19. We will inspect the Commission's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.