

South Carolina Division of Aeronautics

West Columbia, 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*

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA  
DEPUTY STATE AUDITOR

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June 18, 2014

The Honorable Nikki R. Haley, Governor  
and  
Members of the Commission  
South Carolina Division of Aeronautics  
West Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the South Carolina Division of Aeronautics for the fiscal year ended June 30, 2013, was issued by Scott and Company, LLC, Certified Public Accountants, 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/cwc

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

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

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Division of Aeronautics (the "Division") and the South Carolina Office of the State Auditor (the "State Auditor"), solely to assist you in evaluating the performance of the Division for the fiscal year ended June 30, 2013, in the areas addressed. The Division'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.

Our procedures and findings are as follows:

### **1. Cash Receipts and Revenues**

- We inspected 18 recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Division's policies and procedures and State regulations.
- We inspected 5 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, federal funds to ensure that revenue was classified properly in the Division's accounting records. The scope was based on agreed upon materiality levels (\$21,000 – earmarked fund and \$15,000 – federal fund) and +/- 10 percent.

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

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

- We inspected 25 recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Division's policies and procedures and State regulations, were bona fide disbursements of the Division, and were paid in conformity with State laws and regulations and if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected 18 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 Division's accounting records. The scope was based on agreed upon materiality levels (\$12,000 – general fund, \$21,000 – earmarked fund, and \$15,000 – federal fund) and +/- 10 percent.

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

## **3. Payroll Disbursements and Expenditures**

- We inspected 25 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; and payroll transactions were properly authorized and were in accordance with existing legal requirements and processed in accordance with the Division's policies and procedures and State regulations.
- We inspected payroll transactions for 3 new employees and 2 individuals who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the Division'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 Division's accounting records. The scope was based on agreed upon materiality levels (\$12,000 – general fund, \$21,000 – earmarked fund, and \$15,000 – 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 Division's accounting records.

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

**4. Journal Entries, Operating Transfers, and Appropriation Transfers**

- We inspected 5 journal entries, 5 operating transfers, and 4 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 Division's policies and procedures and State regulations.

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

**5. Appropriation Act**

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

We found two exceptions as a result of the procedures. Our findings as a result of these procedures are presented in Section A in the Accountant's Comments section of this report.

**6. Reporting Packages**

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

We found no exceptions as a result of the procedures.

**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 Division 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 and 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**

- There were no findings reported in the Accountant's Comments section of the Independent Accountant's Report on Applying Agreed-Upon Procedures on the Division resulting from our engagement for the fiscal year ended June 30, 2012.

Mr. Richard H. Gilbert, Jr.  
June 9, 2014

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on 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 governing body and management of the Division, and the South Carolina Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Scott and Company LLC*

Columbia, South Carolina  
June 9, 2014

**ACCOUNTANT'S COMMENTS**

## **SECTION A – VIOLATIONS 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 Division require that we plan and perform the engagement to determine whether any violations of State Laws, Rules, or Regulations occurred.

The conditions described in this section have been identified as violations of State Laws, Rules, or Regulations.

## **Mileage Reimbursements:**

### **Condition:**

We inspected five mileage reimbursements to determine if these disbursements were described and classified in the accounting records in accordance with the Division's policies and procedures and State regulations, were bona fide reimbursements of the Division and were paid in conformity with State laws and regulations.

Two of the five transactions were reimbursed at the incorrect mileage rate.

### **Cause:**

The two transactions were reimbursed at the prior year rate rather than the current year rate.

### **Effect:**

Mileage reimbursements were incorrectly paid. This resulted in the incorrect amount received by the employee. For the first transaction, an employee was reimbursed 50.5 cents per mile and should have been reimbursed 55.5 cents per mile. For the second transaction, an employee was reimbursed 46.5 cents per mile and should have been reimbursed 52.5 cents per mile. This resulted in the employees being underpaid for their travel.

### **Criteria:**

Proviso 89.21J of the 2012-2013 South Carolina General Appropriations Act provides for mileage reimbursements at the standard business mileage rate established by the Internal Revenue Service. For the period from July 1 to December 31, 2012, the rate was 55.5 cents per mile. For the period from January 1 to June 30, 2013, the rate was 56.5 cents per mile. In this same proviso there is a reduction in 4 cents per mile from the standard mileage rate if an employee chooses to use his or her personal vehicle when a motor pool vehicle is reasonably available.

### **Recommendation:**

We recommend that the Division refer to the current proviso to determine the accurate mileage reimbursement for the particular period of time in which a transaction falls.



**Nikki R. Haley**  
Governor

**SOUTH CAROLINA**  
Aeronautics Commission

**Paul G. Werts**  
Executive Director

May 27, 2014

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COMMISSION

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

Dear Mr. Gilbert:

In reviewing the finding resulting from the Agreed Upon Procedures engagement for the fiscal year ending June 30, 2013, the South Carolina Aeronautics Commission submits the attached response.

If you have any questions concerning our response, please contact

Regards,

Paul Werts  
Executive Director

## SECTION A – VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

### Mileage Reimbursements

“Two of five transactions were reimbursed at the incorrect mileage rate. The two transactions were reimbursed at the prior year rate rather than the current year rate.”

The South Carolina Aeronautics Commission and Budget and Control Board concur with the finding. **The South Carolina Aeronautics Commission will use the Budget and Control Board Internal Operations website to access the most current form for travel reimbursements.**

**Additionally, since the Budget and Control Board processes our documents, they will re-emphasize the importance of ensuring accurate rates are used for travel reimbursement to the accounts payable staff.**