South Carolina Department of Commerce
Palmetto Partners

Independent Accountants' Report on Applying Agreed-Upon Procedures
December 31, 2017

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
1401 Main Street, Suite 1200 • Columbia, SC 29201

June 12, 2018

Mr. Robert M. Hitt, III, Secretary of Commerce
South Carolina Department of Commerce
Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to the financial activity of the South Carolina Department of Commerce Palmetto Partners for the fiscal year ended December 31, 2017, was issued by Brown CPA, LLC 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,

George L. Kennedy, III, CPA
State Auditor

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Robert M. Hitt III – Secretary of Commerce
South Carolina Department of Commerce

Mr. George L. Kennedy, III CPA – South Carolina State Auditor
South Carolina Office of the State Auditor

We have performed the procedures described below, which were agreed to by management of the South Carolina Department of Commerce (the "Department"), solely to assist you in evaluating the financial activity of the of the South Carolina Department of Commerce Palmetto Partners Composite Reservoir Account (the "Account") of the South Carolina Department of Commerce for the year ended December 31, 2017, in the areas addressed. The Department is responsible for the financial records, internal controls and compliance with laws and regulations of the Account. 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:

Receipts

We nonstatistically selected the lesser of; a) 20 recorded cash receipts or b) individual transactions accounting for a minimum of 40% of overall recorded cash receipts, for the year ended December 31, 2017 and performed the following:

a) Traced each cash receipt to the associated supporting documentation if any.

b) Agreed receipt total and inspected reasonableness of classification to posting in the attached statement of cash receipts, disbursements and changes in cash balances.

c) Proved clerical accuracy of each receipt.

d) Determined if the receipt was recorded in the proper year.

The total of the selected cash receipts was 23.1% of the aggregate amount of all recorded cash receipts for the 2017 calendar year. We found no exceptions as a result of our procedures.

Disbursements

We nonstatistically selected the lesser of; a) 20 recorded cash disbursements or b) individual transactions accounting for a minimum of 40% of overall recorded cash disbursements, for the year ended December 31, 2017 and performed the following:

a) Traced each cash disbursement to the appropriate voucher package, noting proper authorization and agreement to associated invoice.

b) Agreed voucher package total and inspected reasonableness of classification to posting in the attached statement of cash receipts, disbursements and changes in cash balances.

c) Proved clerical accuracy of each voucher package.

d) Determined that the cash disbursement was properly recorded in the proper year.

The total of the selected cash disbursements was 35.8% of the aggregate amount of all recorded cash disbursements for the 2017 calendar year. We found no exceptions as a result of our procedures.

Other

The accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Cash Basis Method of Accounting, Unaudited, for the Year Ended December 31, 2017 represents summarization of data derived from the accounting records of the Palmetto Partners account prepared by staff of the South Carolina Department of Commerce. We agreed the amounts by line-item to the accounting records of the Palmetto Partners Account and confirmed the mathematical accuracy of the statement. We found no exceptions as a result of our procedures.

We were not engaged to and did not conduct an examination or a review of the subject matter, the objective of which would be the expression of an opinion or a disclaimer of an opinion on the subject matter. 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 Secretary and management of the Department of Commerce, 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. However, this report is a matter of public record and its distribution is not limited.

BROWN CPA, L.L.C.

Irmo, South Carolina
June 12, 2018

South Carolina Department of Commerce - Palmetto Partners
Statement of Cash Receipts, Disbursements and Change in Cash Balance
Cash Basis Method of Accounting - Unaudited
For the Years Ended

	December 31, 2017	December 31, 2016
Cash Receipts (Refunds):		
Donations	$ 652,906	$ 658,779
SEUS Japan	621,618	225,701
Volvo Car Open	234,500	79,559
Rural Summit	38,363	28,421
Foreign Mission	-	21,485
B2B Events	10,956	7,127
Tradeshow / Site Consult.	7,206	6,973
Foreign Delegation Events	-	4,811
Other Receipts (Refunds)	15,877	(7,857)
Site Selector Guild	10,000	-
Lead Generation	24,950	-
	1,616,376	1,024,999
Cash Disbursements:		
Volvo Car Open	394,824	648,573
SEUS Japan	536,900	90,020
Branding Campaign	2,929	80,427
Rural Summit	25,321	51,096
Tradeshow / Site Consult.	147,852	44,246
Heritage Golf Tournament	33,581	24,585
Intl. Strategy & Trade	43,295	22,849
B2B Events	12,751	15,661
Foreign Mission	-	14,777
Lead Generation	232,759	12,500
Economic Dev. Training	11,268	12,437
Other Expenses	21,558	10,021
Fundraising Event Planng	4,792	3,121
Foreign Delegation Events	-	590
Prospect Expenses	16,425	-
Site Selector Guild	26,000	-
	1,510,255	1,030,903
Net Change in Cash Balance	106,121	(5,904)
Net Position:		
Cash Beginning of Year	498,837	504,741
Cash End of Year	$ 604,958	$ 498,837

See Independent Accountant's Report

The statement of cash receipts, disbursements and changes in cash balances of the Palmetto Partners Account (the "Account") of the South Carolina Department of Commerce (the "Department") was prepared on the cash basis method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Cash receipts are recorded when received regardless of when earned and disbursements are recorded when paid regardless of when incurred.

Reporting Entity

The Department is responsible for the stimulation of economic development activity, management of business affairs of the Division of Savannah Valley Development, and public railways systems. The Department is an agency of the State of South Carolina established by Section 1-30-10 and 1-30-25 and 13-1 of the Code of Laws of South Carolina.

In 1991, the State's Budget and Control Board approved and created the Special Events Account for the purpose of raising and expending private sector funds for sponsoring special marketing events with the goal of recruiting new business to the State. In July 1993, a restructuring of State government formed the Department and the Department assumed responsibilities of other State agencies including the Special Events Account. During the year ended December 31, 2005 the Special Events Account was renamed to the Crescent Fund. During the year ended December 31, 2011 the Crescent Fund was renamed to Palmetto Partners.

The Department uses the Account primarily for making disbursements that are not allowed or are limited under State laws, rules and regulations. These disbursements include but are not limited to the purchase of alcohol, meals, and entertainment costs of prospects and Department allies. Additionally, the Account is used for disbursements for several annual economic development events and industry expansion announcements, groundbreaking ceremonies, and economic development related programs.

For financial reporting purposes the Account is considered a Composite Reservoir Account. In 2010 the S.C. General Assembly began requiring each state agency to publicly report the composite reservoir accounts. This is required under General Proviso 117.83 (Bank Account Transparency and Accountability) of the 2016 – 2017 Appropriations Act. Composite Reservoir Accounts are accounts that are not included in detail in the Comptroller General's South Carolina Enterprise Information System (SCEIS).

Amounts shown on the statement as 'Cash" represent cash on deposit with the SC State Treasurer's Office. State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

Reclassification – Certain prior year amounts as shown on the schedule of cash receipts and disbursements have been reclassified to conform with the current year presentation.

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