

**SOUTH CAROLINA  
RURAL INFRASTRUCTURE AUTHORITY**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2017**



Independent Accountant's Report on Applying Agreed-Upon Procedures

May 3, 2018

Management and Members of the Board  
South Carolina Rural Infrastructure Authority  
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Rural Infrastructure Authority (the Authority), on the systems, processes and behaviors related to financial activity of the Authority for the fiscal year ended June 30, 2017. The Authority'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 Authority. 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 Authority 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 governing body and management of the Authority 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 Rural Infrastructure Authority (P45)**

**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 \$200,000 and 10%.
2. Haphazardly select ten cash receipts transactions, excluding federal drawdowns, 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 law.
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 \$100,000 and 10%.
5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
  - The transaction is properly completed as required by Authority procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Authority procedures and good business practice are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Authority, 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 five 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 \$100,000 and 10%.

## **Payroll (Continued)**

8. Haphazardly select three 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 Authority.
  - Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.
9. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10%.

We found no exceptions as a result of the procedures.

## **Journal Entries**

10. Randomly select fifteen journal entries 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**

11. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
12. Confirm compliance with the selected agreed-upon Authority-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

## **Finding:**

The Authority did not complete an inventory of personal property in fiscal year 2017 as required by South Carolina Code of Laws Section 10-1-140.

## **Management's Response:**

Management agrees with finding and have developed the necessary steps to ensure compliance.

## **Reporting Packages**

13. 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)

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

- Grants and Contribution Revenues Reporting Package

Determine if the amounts reported for accounts payable and other accrual adjustments agree to the SCEIS general ledger and/or Authority prepared reports/spreadsheets. In addition, recalculate the reported total receivables and deferred revenue to determine accuracy.

- Miscellaneous Commitments Reporting Package

Determine if responses and amounts are reasonable/accurate based on inspection of invoices and/or contractual agreements and related supporting documentation.

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Authority prepared records. In addition, inspect all payables from the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, calculated and reported and excluded from the original Accounts Payable Reporting Package submission.

### Finding:

Grants and Contribution Revenues Reporting Package – Accounts payable amounts for two line items were improperly added to the calculation of the ending fund balances rather than being subtracted. As a result, the ending accrual fund balances were overstated. In addition, an accrual adjustment of \$3,000 could not be adequately substantiated by supporting documentation.

### Management's Response:

Management agrees with finding and will development the necessary steps to ensure the closing package is completed properly.

### Water Loan/Grant Programs

15. Randomly select twenty loan/grant disbursements and inspect supporting documentation to determine:

- The loan/grant was disbursed to an eligible entity for a qualified project and the required documentation related to any associated financing agreements was maintained and reviewed by the Authority prior to disbursement in accordance with South Carolina Code of Laws Section 11-50-90.

16. Randomly select fifteen journal entries for the fiscal year to:

- Determine if loan payments were properly recorded in the correct revolving fund and allocated to the appropriate account in accordance with South Carolina Code of Laws Section 11-50-80 and the associated loan agreement.

## **Water Loan/Grant Programs (Continued)**

17. For the Loan Receivable Reporting Package:

Determine if the reported beginning and ending balances, new loans issued, capitalized interest, and loan repayments are reasonable/accurate based on inspection of the SCEIS general ledger and/or Authority prepared reports/spreadsheets. In addition, determine if the ending balances were properly classified between current and non-current loan receivables and interest accrual categories by inspection of the aforementioned documentation.

Obtain a detailed listing of the projects awarded as new loans during fiscal year 2017 and haphazardly select ten projects to determine if the Authority ensured the recipient followed the required application process and the approved project covered eligible activities.

We found no exceptions as a result of the procedures.

## **Minutes**

18. We will inspect the Authority's approved minutes beginning with the first day of fiscal year 2017 through the end of our fieldwork.

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