Independent Accountant’s Report on Applying Agreed-Upon Procedures

August 8, 2018

Members of the Board of Directors
South Carolina Sea Grant Consortium
Charleston, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Sea Grant Consortium (the Consortium), on the systems, processes and behaviors related to financial activity of the Consortium for the fiscal year ended June 30, 2017. The Consortium’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 Consortium. 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 Consortium 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 South Carolina Sea Grant Consortium 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
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 $8,000 – Earmarked Funds, $25,000 – Federal Funds and 10%.

2. Randomly select five cash receipts transactions from the Earmarked fund 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. Select all three cash receipt transactions recorded in the last month of fiscal year 2017 and the first month of fiscal year 2018 and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

Finding

The receipt date could not be confirmed for receipts in five of the transactions selected because the stamped receipt date was not retained with the transaction supporting documentation.

Management’s Response

Per this finding, the Consortium has implemented an internal administrative policy to date-stamp non-electronic (ACH) deposits/receipts effective July 1, 2018. Upon receipt of the receivable, the Assistant Director for Administration (or designated proxy) will ensure funds are deposited into the State’s checking account and corresponding SCEIS entries are processed within two weeks. In the event this timeline cannot be met due to circumstances beyond our control, a detailed explanation for the delay will be included within the supporting documentation attachment upon entry of the SCEIS revenue and cash deposit transactions.

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 $10,000 – General Funds, $10,000 – Earmarked Funds, $25,000 – Federal Funds and 10%.

5. Randomly select thirteen non-payroll disbursements from the Earmarked and General Funds and inspect supporting documentation to determine:
   - Transaction is properly completed as required by Consortium procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
   - All supporting documents and approvals required by Consortium procedures are present and agree with the invoice.
Cash Disbursements/Non-Payroll Expenditures (Continued)

- The transaction is a bona fide expenditure of the Consortium, 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 thirteen non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

Finding

Timely payment could not be confirmed for one of the disbursement transactions selected because it could not be determined through the supporting documentation the date that the invoice was received.

Management’s Response

The Consortium processes invoices on a weekly basis as received from state vendors, outside entities/institutions, and other state agencies. Thus, the necessity to date invoices upon receipt has not been required in the past (nor expected in the future under normal circumstances). However, for future instances where a missing or omitted accounts payment situation arises (such as an invoice lost in transit), the Consortium’s Assistant Director for Administration (or designated proxy) will include a short explanation for the delay within the SCEIS supporting documentation attachment of the invoice payment transaction.

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 $10,000 – General Funds, $10,000 – Earmarked Funds, $25,000 – Federal Funds and 10%.

8. Select all employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Consortium’s policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

9. Select all employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Consortium’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.

10. 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 variations over 10%.

11. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations over 10%.

We found no exceptions as a result of the procedures.
Journal Entries and Transfers

12. Randomly select four journal entries and one transfer 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

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

14. Confirm compliance with the Consortium-specific state proviso by inquiring with management and observing supporting documentation, where applicable.

   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 the CG’s Reporting Policies and Procedures Manual. Inspect the reporting packages to:

   - Determine if preparation was in accordance with CG requirements.
   - Determine if amounts reported in the reporting packages agree with the supporting workpapers and accounting records.

Finding

On the subsequent events questionnaire, the Consortium responded that no late submissions of leave were identified. However late submissions of leave of approximately $1,000 existed in the leave system when the subsequent events questionnaire was submitted.

In addition, while no discrepancies were identified with the amounts reported as payables on the Accounts Payable Summary Form and Worksheet, it was noted that approximately $150,000 of the amounts reported as intergovernmental payables should have been classified as vendor payables.

Management’s Response

Per the response provided in our FY2014-15 AUP audit, Consortium management implemented a policy for employees and supervisors to ensure all leave is entered, approved, and reconciled in MySCEmployee prior to July 1st of each year. This new procedure implemented and yielded successful results for the FY2015-16 closing package reporting period. However, per this finding, the Consortium’s Executive Team will reiterate the importance of ensuring all employee leave is submitted and managers approve said entries prior to June 30th for future fiscal years.
Reporting Packages (Continued)

Management’s Response (Continued)

Regarding the classification of general ledger account expenditures between intergovernmental payables and vendor payables, the Consortium has adjusted its accounts payables structure to eliminate these misclassifications moving forward. This finding originates from subaward/subcontractual payments to in-state universities and colleges that were previously classified accurately as intergovernmental payables (specifically Allocations to Other State Agencies). However, in-state universities and colleges are no longer accumulated within the State’s year-end financial reporting, thus no longer classified under the intergovernmental payables general ledger account. Per this finding, effective July 1, 2018, all Consortium payments of this nature have been processed correctly as vendor payments (specifically Allocations to Entities of Federal Subrecipients).

Minutes

16. Inspect the Consortium’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 procedures.

Corrective Action Plans

17. Inspect the Consortium’s policies and procedures associated with corrective action plans for fiscal year 2017 Statewide Single Audit findings.

   We found no other matters related to our procedures.

Status of Prior Findings

18. Through inquiry and inspection, determine if the Consortium has taken appropriate corrective action on the findings reported during the engagement for fiscal year 2015.

   We determined that the Consortium has taken adequate corrective action on each of the findings, except for the discrepancy associated with late leave described in the Reporting Packages section finding above.