Independent Accountant’s Report on Applying Agreed-Upon Procedures

March 19, 2019

Members of the Board
South Carolina State Board for Technical and Comprehensive Education
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Board for Technical and Comprehensive Education (the Board), on the systems, processes and behaviors related to financial activity of the Board for the fiscal year ended June 30, 2018. The Board’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 Board. 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 Board has agreed that the following deficiencies will not be included in the State Auditor’s Report on Applying Agreed-Upon Procedures:

- Errors of less than $1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than $1,000 related to reporting packages.

This report is intended solely for the information and use of the governing body and management of the South Carolina State Board for Technical and Comprehensive Education 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 from management an understanding of variations over $10,000 – General Funds, $400,000 – Earmarked Funds, $20,000 – Restricted Funds, $25,000 – Federal Funds and 10%.

2. Randomly select twenty-five cash receipts transactions and inspect supporting documentation to:
   - Agree transaction amount, date, payor, document number, and account classification 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.
   - 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

3. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over $700,000 – General Funds, $400,000 – Earmarked Funds, $300,000 – Restricted Funds, $100,000 – Federal Funds and 10%.

4. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
   - Transaction is properly completed as required by Board procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
   - All supporting documents and approvals required by Board procedures are present and agree with the invoice.
   - The transaction is a bona fide expenditure of the Board.
   - The transaction is properly classified in the general ledger.
   - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
   - Determine that disbursements are recorded in the proper fiscal year.
   - Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures selected, inspect supporting documentation to determine:
   - Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.
Cash Disbursements/Non-Payroll Expenditures (Continued)

5. Inspect the Board’s distribution of funding to technical colleges to determine if the distributions were performed in accordance with Board policies and procedures and State regulations.

We found no exceptions as a result of the procedures.

Payroll

6. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over $700,000 – General Funds, $400,000 – Earmarked Funds, $300,000 – Restricted Funds, $100,000 Federal – Funds and 10%.

7. 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 greater than 10%.

8. 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 greater than 10%.

9. Randomly select twenty-five employee payments and inspect supporting documentation during the fiscal year to:

   For Salaried Employees:
   - 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 Board.
   - Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

   For Hourly Employees:
   - 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 Board.
   - Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

10. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Board'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.

11. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Board's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

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

12. Haphazardly select thirteen journal entries and five 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.

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 the CG’s Reporting Policies and Procedures Manual.

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

- Grants and Contributions Revenue Reporting Package
  
  For all grants, determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the South Carolina Enterprise Information System (SCEIS) general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue to determine accuracy.

- Prepaid Expenses Reporting Package
  
  Determine if amounts agree to the SCEIS Yearend Reporting - Prepaid Expenses report and/or Board prepared records. In addition, haphazardly select five prepaid expense transactions to determine if the amounts were 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 Board prepared records. In addition, haphazardly select and inspect five capital asset acquisitions and five retirements and determine that assets were properly coded and classified in SCEIS and ensure that assets conform with appropriate useful lives for depreciation and that the amounts calculated for depreciation and accumulated depreciation were correct. For retirements, ensure that assets were properly disposed in accordance with applicable State regulations.

- Operating Leases Reporting Package
  
  Agree applicable effective dates and future minimum lease payments on the Future Minimum Lease Payment Schedule to the prior year Schedule. For any new operating leases reported, determine that the effective dates, periodic minimum payment, current expense, and future minimum lease payments were accurately reported based on inspection of invoices and lease agreements.
Reporting Packages (Continued)

- **Accounts Payable Reporting Package**
  
  Haphazardly select ten payables to determine if reported amounts were properly identified, classified, and reported based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting - Prior Year Payables with Vendor, SCEIS Yearend Reporting – Inter-Agency Prior Year Payables, and/or Board prepared records.

- **Interfund Payables and Receivables Reporting Package**
  
  Determine if responses and reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting – Inter-Agency Prior Year Payables and/or Board prepared records.

- **Miscellaneous Loss Liabilities, Loss Contingencies, and Commitments Reporting Package**
  
  Determine if responses and amounts are reasonable/accurate based on Board supporting documentation of active projects. In addition, haphazardly select ten projects and confirm the project balance by verifying the project budget to Board approval and total expenditures through June 30, 2018 to SCEIS.

- **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 Board prepared records. In addition, haphazardly select five 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.

  We found no exceptions as a result of the procedures.

**Minutes**

15. Inspect the Board’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.

**Governance, Risk and Compliance (GRC) SCEIS Module**

16. Select all (six) controls identified through the SCEIS GRC system and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

  We found no exceptions as a result of the procedures.
Appropriation Act

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

18. Confirm compliance with the Board-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Status of Prior Findings

19. Through inquiry and inspection, determine if the Board has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures.