We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Forestry Commission (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2018. The Commission 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 Commission. 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 Commission 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 Commission 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 Forestry Commission (P12)

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 $15,000 - general fund, $100,000 - earmarked and federal funds, and 10%.

2. Randomly select ten cash receipts transactions from all revenue and receipts general ledger accounts (excluding insurance premium tax, primary forest product assessment, indirect cost recovery account, and surety bond deposit), and inspect supporting documentation to:

   - Ensure transaction amount, date, payor, document number, and account classification are properly reported in 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 $100,000 - general fund, $200,000 - earmarked and federal funds, and 10%.

4. Randomly select ten non-payroll disbursements and inspect supporting documentation to determine:

   - Transaction is properly completed as required by agency procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
   - All supporting documents and approvals required by agency procedures are present and agree with the invoice.
   - The transaction is a bona fide expenditure of the agency.
   - 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 I confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures, 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. Haphazardly select eight purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for Fiscal Year 2018 and inspect supporting documentation to determine:
   - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with agency policies.
   - The purchase is authorized based on the cardholder’s job title/position.
   - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
   - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

Finding

Per inspection of supporting documentation supplied by Commission staff related to purchasing card transactions, the cardholder's signature was missing from one of the monthly purchasing card summaries inspected.

Management Response

The employee was on vacation when the purchasing card statement was received so the statement was signed by his supervisor and sent to Columbia. In the future statements will be held until the employee returns from leave so they can sign it prior to it being sent to Columbia.

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 $100,000 - general fund, $200,000 - earmarked and 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 changes greater than 10% when the proportion of employer contribution to personal service expenditures also varies at a rate greater than 5% between fiscal years.

9. Haphazardly select ten employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the agency'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. Haphazardly select ten employees hired during the fiscal year to determine if they were added to the payroll in accordance with the agency's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
Payroll (Continued)

Finding

We observed two terminated employees and one newly hired employee that were paid incorrectly. The employees were overpaid a total of $160.

Management Response

Since SCEIS handles the electronic payroll calculations for employees, this office does not manually compute employee salaries unless there are extenuating circumstances.

We agree with the auditors finding and will update processes to eliminate these payroll errors in the future.

Journal Entries and Transfers

11. Haphazardly select a total of five journal entries and 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 procedure.

Reporting Packages

12. Obtain copies of fiscal year end reporting packages submitted to the 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.

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

   • Operating Leases Reporting Package
     
     Determine if amounts agree to the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Rptg Operating Lease Expense with Vendor report and/or Commission prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating reported amounts for five haphazardly selected payments included in the cancelable leases category.

   • Accounts Payable
     
     Determine if responses and reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Rptg - Prior Year Payables with Vendor and/or Commission prepared records. In addition, haphazardly select five payables from the accounts payable summary form and determine if the amounts were properly classified, calculated and reported.
Reporting Packages (Continued)

- **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 Commission 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.

Surety Bond Transactions

14. Haphazardly select five surety bond deposits, recorded in the surety bond deposit SCEIS general ledger account, to ensure they were properly processed and documented.
  
  We found no exceptions as a result of the procedure.

Cost Share Program

15. Haphazardly select five Forest Renewal Program transactions and five Southern Pine Beetle Program transactions to ensure the items were properly processed with applicable forms, correctly calculated according to Commission policies and procedures, and properly recorded in SCEIS.
  
  We found no exceptions as a result of the procedure.

Governance, Risk and Compliance (GRC) SCEIS Module

16. Select all eleven controls identified through the SCEIS GRC system that were in place during fiscal year 2018 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.
  
  We found no exceptions as a result of the procedure.

Minutes

17. Inspect the Commission's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork for matters related to our agreed-upon procedures.
  
  We found no other matters related to our agreed-upon procedures.

Appropriation Act

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

19. Confirm compliance with the selected agreed-upon agency-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

20. Through inquiry and inspection, determine if the agency 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 procedure.