SOUTH CAROLINA
SEA GRANT CONSORTIUM

CHARLESTON, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 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, 2018. 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:

- 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 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 from management an understanding of variations over $5,000 – Earmarked Funds, $25,000 – Federal Funds and 10%.

2. Select all cash receipt transactions from the Earmarked fund 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 $10,000 – General Funds, $10,000 – Earmarked Funds, $25,000 – Federal Funds and 10%.

4. Randomly select twenty-five non-payroll disbursements from the General and Earmarked 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.
   - The transaction is a bona fide expenditure of the Consortium.
   - 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.
   - Disbursement is recorded in the proper fiscal year.
   - Clerical accuracy / confirm proper sales/use tax.

5. Haphazardly select five purchasing card transactions from the Office of the State Comptroller General (CG) listing of purchasing card transactions for Fiscal Year 2018 and inspect supporting documentation to determine:
   - The cardholder is an authorized user.
   - The purchase is authorized based on the cardholder’s job title/position.
Cash Disbursements/Non-Payroll Expenditures (Continued)

- 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

The applicable monthly purchase summary was not signed by the cardholder for one of the five purchasing card transactions selected.

Management’s Response

Per this finding, the Consortium will ensure agency cardholders are required to approve their individual transaction statements upon reception of the monthly statement. The Consortium’s Assistant Director for Administration must obtain the necessary cardholder signatures prior to processing payment. No additional action(s) or new policies/procedures are necessary as determined by Consortium Administration.

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 $10,000 – General Funds, $10,000 – Earmarked Funds, $25,000 – 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. Haphazardly select five 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. Haphazardly select five 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.

11. Haphazardly select five bonus pay disbursements to determine:

   - Employee does not make more than $100,000 annually.
   - Bonuses received during the year did not exceed $3,000.
   - Payment agreed to supporting documentation.
   - Bonus pay was approved by the appropriate supervisor.

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

12. Haphazardly select five journal entry transactions 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 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

     Haphazardly select five grants to 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.

   - 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.

   - Accounts Payable Reporting Package

     Haphazardly select five 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 Consortium prepared records.

   - 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 Consortium prepared records.

Finding

The Consortium submitted the Master Reporting Checklist one business day late.

Management’s Response

Per this finding, the Consortium will continue to ensure deadlines for financial reporting requirements are achieved by the expected due dates. No additional action(s) or new policies/procedures are necessary as determined by Consortium Administration.
Governance, Risk and Compliance (GRC) SCEIS Module

15. Select all 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 procedures.

Appropriation Act

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

17. 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.

Minutes

18. Inspect the Consortium’s approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork to determine any impact on our agreed upon procedures.

We found no other matters related to our agreed-upon procedures and noted no new approved minutes since the end date of prior year fieldwork.

Status of Prior Findings

19. Through inquiry and inspection, determine if the Consortium 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.