

**SOUTH CAROLINA
AERONAUTICS COMMISSION**

WEST COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

February 14, 2020

Mr. James Stephens, Executive Director
and
Members of the Commission
South Carolina Aeronautics Commission
West Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Aeronautics Commission (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2019. The Commission'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 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 Commissioners and management of the South Carolina Aeronautics 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 Aeronautics Commission (U30)**

Cash Receipts/Revenues

1. Compare current year revenues at the fund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations for the following General Ledger (G/L) Accounts: Earmarked Fund: G/L Account 4480010004 (Sales-Aviation Parts) and G/L Account 448020000 (Sale of Services); Federal Fund: G/L Account 4280020000 (Fed Operating Grant – Restricted).
2. Haphazardly select ten cash receipts transactions and inspect supporting documentation to:
 - Ensure supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, and account classification. When applicable, agree amount to supporting flight log and appropriate hourly rate.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2019 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 fund and account level to those of the prior year. Obtain from management an understanding of variations in G/L Accounts -515 (Utilities) in the General Fund.
4. Haphazardly select ten non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by the Commission's procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by the Commission's procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Commission.
 - 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.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / 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 five purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for fiscal year 2019 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with the Commission's 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.

We found no exceptions as a result of the procedures.

Payroll

6. Compare current year payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations in G/L Accounts - 501 (Salaries) in the Federal Fund.
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%.
9. Select the sole employee who terminated employment during the fiscal year to determine if the employee was removed from the payroll in accordance with the Commission'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. Select the sole employee hired during the fiscal year to determine if the employee was added to the payroll in accordance with the Commission's policies and procedures and that the employee's 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

11. Haphazardly select 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 procedures.

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:

- Other Receivables Reporting Package

Determine if reported amounts are accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Rptg - Accounts Receivable Current with Customer report and/or Commission prepared records. In addition, haphazardly select three receivable transactions to determine if the amounts were properly classified.

- Inventory Reporting Package

Determine if reported amounts agree to the SCEIS Yearend Rptg - Inventory report. In addition, confirm that a physical inventory count was completed between April 1 and year end, and that the Office of the State Auditor was notified of inventory dates per the reporting package instructions.

- Operating Leases Reporting Package

Determine if amounts agree to the SCEIS Yearend Rptg Operating Lease Expense with Vendor report. In addition, based on inspection of invoices, determine if contingent rental payments were properly classified, coded and calculated by inspecting and recalculating two haphazardly selected contingent rental payments. In addition, confirm that the Commission submitted copies of all leases to the CG in accordance with the CG's reporting package instructions.

- Miscellaneous Loss Liabilities, Loss Contingencies, and Commitments Reporting Package

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

- 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.

We found no exceptions as a result of the procedures.

Capital Assets

14. Haphazardly select three capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.

Capital Assets (Continued)

15. For all (three) capital asset retirements, inspect supporting documentation and the SCEIS Asset History Sheet, to determine that each asset was approved for removal, and that the asset was properly removed from the Commission's books/general ledger in accordance with the CG's Reporting Policies and Procedures Manual.

We found no exceptions as a result of the procedures.

Aviation Grants Process

16. Obtain a listing of Commission grants awarded during fiscal year 2019. Haphazardly select one grant to determine if the Commission followed its grants process and addressed project priority, airport selection, and criteria for distribution of funds among eligible airports in accordance with Proviso 87.5 of the fiscal year 2019 Appropriation Act.

We found no exceptions as a result of the procedures.

Appropriation Act / Agency-Specific Provisos

17. Confirm that the Commission maintained a continuing log of all flights online for public inspection and that aircraft(s) owned or operated by the Commission is used only for official business in accordance with Proviso 117.22 of the fiscal year 2019 Appropriation Act.
18. Confirm that an inventory of Commission property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Law 10-1-140.
19. Confirm compliance with the selected agreed-upon Commission-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 Commission 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.