

**SOUTH CAROLINA HIGHER EDUCATION
TUITION GRANTS COMMISSION**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

May 19, 2020

Katherine H. Harrison, Director
and
Members of the Commission
South Carolina Higher Education Tuition Grants Commission
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Higher Education Tuition Grants 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 governing body and management of the South Carolina Higher Education Tuition Grants 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 Higher Education Tuition Grants
Commission (H06)

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 Earmarked Fund 30350000 General Ledger (G/L) Account 4660010000 – Investment Earnings.

We found no exceptions as a result of these procedures.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select ten non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Commission procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Commission 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 scholarship disbursements:
 - Use enrollment report to verify no student received more than \$3,300 annually.
 - Agree check report total to the total listed on the enrollment report.
 - Verify all selected certification forms are signed by a designated college office.
 - Agree voucher listing to South Carolina Enterprise Information System (SCEIS) General Ledger.

We found no exceptions as a result of these procedures.

Payroll

3. 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.

We found no exceptions as a result of these procedures.

Journal Entries and Transfers

4. Haphazardly select three journal entries and/or 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 these procedures.

Reporting Packages

5. 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 submitted by the due date established by the CG's Reporting Policies and Procedures Manual.

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

- Operating Leases Reporting Package

Determine if amounts agree to the SCEIS general ledger, the SCEIS Yearend Rptg Operating Lease Expense with Vendor report. Additionally, obtain the lease agreements for both operating leases and agree applicable effective lease dates and future minimum payments on the Future Minimum Payment Schedule. In addition, confirm that the Commission submitted copies of all leases to the CG in accordance with the CG's reporting package instructions.

- 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.

Finding

Operating Leases Reporting Package - The Commission incorrectly reported the sum of the future minimum payment amounts in the "Thereafter" column for two leases on the Future Minimum Payment Schedule. As a result future minimum lease payments were overstated by \$460,563.

Management's Response

After reading several times all provided instructions for answering this question on the reporting package itself and reviewing thoroughly the Comptroller General's Reporting Policies and Procedures Manual, Commission staff, including management, who were working together in an attempt to ensure reporting accuracy, completed the answer to this question incorrectly based on an incorrect interpretation of the instructions provided. Commission staff believed the purpose of the "Thereafter" column was to report total payments instead of to report future lease payments due after 2039. Commission staff and management agree that the column should have been left blank, which would have eliminated the overstatement outlined above. Commission staff and management will continue to follow the Manual as written to correctly calculate Future Minimum Payments for future reporting packages and will communicate directly with the Comptroller General's office in the event clarification is needed when completing reporting packages. Commission management will verify that correct calculations are made before completion.

Assets and Personal Property

7. Confirm that an inventory of Commission property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

We found no exceptions as a result of this procedure.

Monitoring of Tuition Grants

8. Obtain a listing of all independent, nonprofit, in-state colleges and universities participating in the tuition grant program. Haphazardly select three colleges and/or universities to determine if the Commission monitored the disbursement of tuition grant funds throughout the year in accordance with Commission policy, including an annual review by independent accountants.

We found no exceptions as a result of these procedures.