

**SOUTH CAROLINA
PUBLIC SERVICE COMMISSION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

March 4, 2020

Ms. Jocelyn G. Boyd, Chief Clerk/Administrator
and
Members of the Commission
South Carolina Public Service Commission
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Public Service 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 Public Service 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 Public Service Commission (R04)**

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 the variation in GL Account 4520010000 (Refund of Prior Year Expenditures) in the Earmarked Fund.

We found no exceptions as a result of the procedure.

Cash Disbursements/Non-Payroll Expenditures

2. 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 over \$30,000 and 10% in the Earmarked Fund.
3. Haphazardly select fifteen 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.

We found no exceptions as a result of the procedures.

Payroll

4. Compare current year payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations over \$30,000 and 10% in the Earmarked Fund.
5. 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.
6. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were 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.
7. Haphazardly select four employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission'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

8. Haphazardly select four journal entries and one transfer 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

9. 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.
10. 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 up to five receivable transactions to determine if the amounts were properly classified.
 - 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 Commission prepared records.
 - Operating Leases Reporting Package

Determine if amounts agree to the 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 the following reported amounts: (1) Five haphazardly selected contingent rental payments; (2) One haphazardly selected payment for each vendor included in the remaining rental payment classifications (One Time Rentals, Month to Month Rentals, Cancelable Leases, and Other Rentals); and (3) The effective dates, current expense, and calculations of both (two) leases with future minimum lease payments. 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.

Reporting Packages (Continued)

Findings

Reporting Package Submission - The Commission submitted one reporting package after the due date established by the CG.

Operating Leases Reporting Package - The Department overstated future minimum lease payments by \$231,616 for the fiscal years 2025-2029 for one lease reported on the Operating Leases Future Minimum Payment Schedule.

Management's Response

Reporting Package Submission – The late closing package submission was for the Master Closing Package that was due on Friday, July 5th and submitted on Tuesday, July 9th. The Commission's Finance Director was out of the office unexpectedly. The Commission will make a task for April 15th each year to download the CAFR calendar and, then, post tasks and/or appointments for each closing package due date to ensure timely submissions.

Operating Leases Reporting Package – The overstatement of future minimum lease payments was for building rent. The future minimum lease payments on the lease schedule were prepopulated by the Comptroller General's Office and included an extra month's lease payment in the last year of the lease. The Commission was amiss in relying on the prepopulated data and only completed the one unpopulated data field. In the future, the Commission will double check each prepopulated data field to ensure the data is accurate.

Assets and Personal Property

11. Select the sole capital asset acquisition and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that the 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.
12. 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.

We found no exceptions as a result of the procedures.

Legal Services

13. Haphazardly select three transactions from Commission prepared records to determine if the Commission obtained approval from the Attorney General's Office to hire attorneys, to ensure amounts charged were within approved limits and service date range and to ensure proper coding of legal and attorney payments.

We found no exceptions as a result of the procedures.

Appropriation Act / Commission-Specific Provisos

14. Confirm that the Commission submitted to the State Human Affairs Commission employment and filled vacancy data by race and sex by October thirty-first of the fiscal year in accordance with Proviso 117.13 of the fiscal year 2019 Appropriation Act.

We found no exceptions as a result of the procedure.