

**SOUTH CAROLINA
FORESTRY COMMISSION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

July 13, 2018

Mr. Scott Phillips, State Forester
and
Members of the South Carolina Forestry Commission
5500 Broad River Road
Columbia, South Carolina 29212

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, 2017. 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:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

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. Compared current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtained and documented an understanding of variations over \$20,000 and 10% for the General Fund, \$100,000 and 10% for the Earmarked Fund, and \$90,000 and 10% for the Federal Fund.
2. Randomly selected twenty cash receipts transactions from the following general ledger accounts: Sale of Timber, Burning Assistance Fee, Fire Lane Fee, Sale of Seedlings, Sale of Services, Sale of Machinery and Equipment, and Sale of Vehicles and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding 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.
3. Randomly selected ten cash receipts and inspected supporting documentation to 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

4. Compared current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtained and documented an understanding of variations over \$100,000 and 10% for the General Fund, \$100,000 and 10% for the Earmarked Fund, and \$200,000 and 10% for the Federal Fund.
5. Randomly selected twenty-five non-payroll disbursements and inspected supporting documentation to determine:
 - 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, properly coded to the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
 - Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures, inspected 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)

6. Randomly selected twenty non-payroll disbursements and inspected supporting documentation to determine that disbursements are recorded in the proper fiscal year.

Finding

During our inspection of cash disbursements/non-payroll expenditures, we observed one transaction in the amount of \$5,998 that related to an FY17 cost-share program expenditure for services performed on 6/16/17, but the expenditure was recorded in FY18 on 7/12/17.

Management's Response

This question has been raised in previous AUP reviews and the Commission's process of paying the cost-share payment based on the date it was approved by the Program Manager or Program Assistant in Columbia has been acceptable. For background, the Commission has historically processed cost-share payments based on the date that the Columbia office signed off on the document, not based on the field forester's signature date. Payment requests are not always complete or eligible for reimbursement when they are received from the field. Proper documentation from the landowners is required in order to process the request and issue payment. Due to the time it takes to collect necessary paperwork it often causes payment to cross State fiscal years. Moving forward, we will ensure any payment request that is received in one fiscal year but the payment cannot be processed until the following fiscal year is marked as a prior year payable.

Procurement Card Transactions

7. Haphazardly selected ten procurement card purchases and inspected supporting documentation to determine:
 - The cardholder is an authorized user.
 - The purchase is reasonable based on the cardholder's position.
 - The monthly purchase statement was submitted along with applicable receipts and signed by both the cardholder and supervisor.
 - The transaction did not exceed the single transaction limit or the individual credit card limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedures.

Payroll

8. Compared current year payroll expenditures at the subfund and account level to those of the prior year. Obtained and documented an understanding of variations over \$100,000 and 10% for the General Fund, \$100,000 and 10% for the Earmarked Fund, and \$200,000 and 10% for the Federal Fund.
9. Randomly selected twenty employees and inspected supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtained and inspected the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Commission.
- Agreed gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

Payroll (Continued)

For Hourly Employees:

- Obtained and inspected the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Commission.
 - Confirmed the hourly rate and time sheets are properly approved; recalculated gross pay.
10. Haphazardly selected ten bonus pay disbursements to determine:
 - Employee does not make more than \$100,000 annually.
 - Bonuses received by the employee during the year did not exceed \$3,000.
 - Transaction was appropriately documented and approved.
 11. Haphazardly selected five 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.
 12. Haphazardly selected five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Commission 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.
 13. Compared 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. Obtained an explanation of changes greater than 10%.
 14. Computed the percentage distribution of fringe benefit expenditures by fund source and compared to the actual distribution of recorded personal service expenditures by fund source. Obtained an explanation of variations greater than 10%.

We found no exceptions as a result of the procedures.

Journal Entries

15. Randomly selected twenty-five journal entries for the fiscal year to:
 - Traced postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirmed transaction is properly approved.
 - Inspected supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Appropriation Act

16. Inspected the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
17. Confirmed compliance with the selected agreed-upon Commission-specific State provisos by inquiring with management and observing supporting documentation, where applicable.
18. Confirm employees are paid in compliance with proviso 43.4.

Appropriation Act (Continued)

Finding

During our inspection of the Appropriation Act work program, we observed that the Commission was not in compliance with proviso 117.83 when they prepared and filed a report related to their composite reservoir accounts on 10/10/16. The report was due on 10/1/16.

Management's Response

The report was filed late due to an oversight on management's part. In the future we will monitor due dates for all required packages to ensure they are submitted on time.

Reporting Packages

19. Obtained copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspected 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.

- Other Receivables Reporting Package

Determined if reported amounts are accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Reporting - Accounts Receivable Current with Customer report and/or Commission prepared records.

Haphazardly selected ten transactions to determine if reported amounts are properly classified, calculated, and reported based on inspection of Commission records.

- Inventory Reporting Package

Determined if reported amounts agree to the SCEIS Yearend Reporting - Inventory report. In addition, determine if the Commission's reconciliation of physical inventory to SCEIS was properly completed by agreeing amounts to the SCEIS general ledger and/or Commission prepared records.

- Capital Assets Reporting Package

Determined 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.

Haphazardly selected five capital asset acquisitions and inspected supporting documentation including the SCEIS general ledger and the SCEIS Asset History Sheet to determine 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.

Haphazardly selected five capital asset retirements and inspected supporting documentation including the SCEIS general ledger and the SCEIS Asset History Sheet to determine if the asset was properly removed from the Commission's books and the disposal was properly approved.

Reporting Packages (Continued)

- Subsequent Events Questionnaire

Determined 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.

Minutes

20. Inspected the Commission's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.

Surety Bond Transactions

21. Haphazardly selected ten surety bond deposits, recorded in the 4530160000 SCEIS general ledger account, to confirm they were properly processed and documented.

We found no exceptions as a result of the procedures.