

SOUTH CAROLINA AERONAUTICS COMMISSION

WEST COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

February 11, 2019

Mr. James Stephens, Executive Director
and
Members of the South Carolina Aeronautics Commission
State of South Carolina
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, 2018. 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 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 \$100,000 in Earmarked Funds and Federal Funds and 10%.
2. Randomly select twenty-five cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account classification to the general ledger. 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 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.

Finding

The Commission attempted to reclassify \$176,500 of FY17 expenditures to a project grant. However, instead of debiting the applicable expenditure account, the Commission debited revenue G/L Account 4520010000 (Refund of Prior Yr Expenditure).

Management's Response

Upon review we agree the Commission should have debited an expenditure G/L Account as this was an adjustment within an open grant award fiscal year. This has been reviewed with the Commission to ensure this will not occur in the future.

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 \$100,000 in General Funds, \$150,000 in Earmarked Funds, and \$100,000 in Federal Funds and 10%.
4. Randomly select fifteen non-payroll disbursements and inspect 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.
 - 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.
 - Determine that disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

Cash Disbursements/Non-Payroll Expenditures (Continued)

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.
5. Haphazardly select ten purchasing card transactions from the Comptroller General's listing of purchasing card transactions for fiscal year 2018 to determine:
- The cardholder is an authorized user.
 - 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 subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$100,000 in General Funds, \$150,000 in Earmarked Funds, and \$100,000 in 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 changes greater than 10%.
9. For the one employee who terminated employment during the fiscal year 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.
10. Haphazardly select one bonus pay disbursement to determine:
- Employee does not make more than \$100,000 annually.
 - Bonuses received during the year did not exceed \$3,000.
 - Transaction was appropriately documented and approved.

Payroll (Continued)

Finding

We 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 and observed that personal service expenditures increased approximately twenty-seven percent more than fringe benefit expenditures in the federal fund. According to Commission personnel, the Commission worked in conjunction with the Moncrief Army Health Clinic at Fort Jackson and FEMA for the medical emergency evacuation of Hurricane Maria patients and was to be reimbursed for labor expenses related to this effort. Document #1005262066 was posted at fiscal-year end to move the labor expense to federal funds for employees who worked on the mission. The labor expenses included overtime hours paid at a time and a half rate while the fringe benefit expenditures associated with labor expense was paid on a straight rate which is the reason for the difference noted.

Upon further inquiry with Commission personnel we learned that the Commission gave the employees compensatory time instead of paying them overtime because the employees were exempt employees. Therefore, the overtime expenditures should have been calculated using straight time instead of time and a half. In addition, the Commission did not book the compensatory time/liability for these employees in the South Carolina Enterprise Information System (SCEIS).

Management's Response

We agree with this finding and have requested that Aeronautics maintain a report of comp time that is not entered in SCEIS at straight time rather than time and a half and advise the Admin Finance Reporting staff at year end of any unused comp time for reporting of compensated absence balances to the CG's Office.

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 procedure.

Reporting Packages

12. 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.
13. In addition to the procedure above, perform the following:
 - Grants and Contributions Revenue Reporting Package
 - Select three grants that were new in fiscal year 2018 and determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the SCEIS general ledger and/or SCEIS Display Grant Master.

Reporting Packages (Continued)

- Operating Leases Reporting Package

Based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the effective dates, current expense and future minimum lease payments of all property leases.

- Accounts Payable Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Rptg - Prior Year Payables with Vendor and/or Commission prepared records. In addition, haphazardly select five payable transactions to determine if the amounts were properly classified.

- 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.

Finding

Miscellaneous Commitments Reporting Package – The Commission reported \$4,588,843 as the commitment amount remaining at June 30, 2018. The Commission should have reported \$4,628,843, the total of state (\$4,588,843) and federal (\$40,000) grant commitments.

Management's Response

We agree with this oversight and have reviewed with the Admin Reporting staff to ensure this will not occur going forward.

Capital Assets

14. Select all (two) 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.

We found no exceptions as a result of the procedure.

Governance, Risk and Compliance (GRC) SCEIS Module

15. Select the sole control identified through the SCEIS GRC system that was implemented in fiscal year 2018 and inspect mitigating control documentation. Confirm with management the control is operating as designed.

We found no exceptions as a result of the procedure.

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 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.

Aviation Grants Process

18. Obtain a listing of Commission grants awarded during fiscal year 2018. 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 2018 Appropriation Act.

We found no exceptions as a result of the procedure.

Minutes

19. Inspect 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.

Status of Prior Finding

20. Through inquiry and inspection, determine if the Commission has taken appropriate corrective action on the finding reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures.