

**South Carolina  
Commission on Higher Education**

**Columbia, South Carolina**

**State Auditor's Report**

**For the Fiscal Year Ended June 30, 2021**

**And**

**Selected Procedures  
For the Fiscal Year Ending June 30, 2022**



## Independent Accountant's Report on Applying Agreed Upon Procedures

June 17, 2022

Dr. Rusty Monhollon, President and Executive Director  
and  
Members of the Commission  
South Carolina Commission on Higher Education  
Columbia, South Carolina

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the South Carolina Commission on Higher Education (the Commission) for the fiscal years 2021 and 2022. The Commission's management is responsible for the systems, processes and behaviors related to financial activity.

The Commission's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of understanding the systems, processes and behaviors related to financial activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the Commission to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Commission for the fiscal years 2021 and 2022. Accordingly, we do not express such 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 Commission's management. Management of the Commission has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Up on 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.

We are required to be independent of the Commission and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the governing body and management of the South Carolina Commission on Higher Education, 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 Commission on Higher Education  
(H03)**

These procedures were performed for the fiscal year ended June 30, 2021:

**Reporting Packages**

1. Inspect fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Compare responses in the Master Reporting Package Checklist and any required supplemental information to year end reporting packages submitted to the CG, the South Carolina Enterprise Information System (SCEIS) and/or Commission prepared records. Additionally, compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual.

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

- Accounts Payable Reporting Package

Agree amounts to the SCEIS general ledger, SCEIS *Yearend Rptg - Prior Year Payables with Vendor report*, and Commission prepared records. Haphazardly select five payables from the Accounts Payable Summary Form and determine if the amounts were properly classified, calculated, and reported.

- Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and/or Commission prepared records. In addition, haphazardly select all (two) payables from the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, calculated, reported, and excluded from the original Accounts Payable Reporting Package submission.

**Finding**

The Commission did not report three interfund payables totaling \$1,697,904 either through the interfund payables and receivables reporting package or through subsequent event reporting. Additionally, a finding involving interfund payables was observed in the 2020 State Auditor's Report.

**Management's Response**

The Commission agrees with this finding. At the time of submission of the Master Reporting Checklist, the Commission did not believe there were any unpaid invoices to other state agencies and therefore answered "No" on questions 41 and 42 of the Master Reporting Checklist. Subsequently, the Commission realized unpaid invoices to other state agencies existed but failed to amend the Master Reporting Checklist and complete the interfund payable reporting package. The Commission will review the budget versus actual expenditures prior to the close of the fiscal year to ensure all payments are processed accordingly and necessary reporting packages are prepared.

**Personal Property**

3. Through inquiry of management and inspection of supporting documentation, determine 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.

## Personal Property (Continued)

### Recommendation

The Commission provided documentation of its annual inventory of personal property, but the documentation did not clearly identify the date of completion. We recommend as a best practice that the Commission strengthen their annual inventory procedures to include the identity of the individual(s) conducting the inventory and the date the inventory was completed.

### Commission-Specific Provisos

4. Determine compliance with Commission-specific state provisos 11.1 (Contract or Services Program Fees), 11.2 (African-American Loan Program), 11.6 (Performance Improvement Pool Allocation), and 11.12 (College Transition Need-Based Grants) by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedure.

These procedures were performed for the fiscal year ending June 30, 2022:

### Cash Receipts/Revenues

5. Haphazardly select fifteen deposits and inspect supporting documentation to determine:
  - Supporting documentation for transaction agrees with the general ledger as to amount, date, payor, and account classification.
  - All individual revenues/receipts within the selected deposit were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2022 Appropriation Act.
  - Both revenue collections and amounts charged are properly authorized by law and that any fee increases are in accordance with Proviso 117.7 of the fiscal year 2022 Appropriation Act.
  - All individual receipts within the selected deposit are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

### Cash Disbursements/Non-Payroll Expenditures

6. Haphazardly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
  - The transaction is properly completed as required by Commission procedures and invoice(s) agree(s) with general ledger as to vendor, amount, and date.
  - All supporting documents and approvals are present and agree with the invoice.
  - The transaction is an actual expenditure of the Commission.
  - The transaction is properly classified in the general ledger.
  - Disbursement is recorded in the proper fiscal year.
  - Clerical accuracy.

For federally funded cash disbursements/non-payroll expenditures, also inspect supporting documentation to determine:

- Charges are in accordance with the requirements of the program, incurred during the approved grant period, and applied uniformly to both federally assisted and other activities of the recipient.

## Cash Disbursements/Non-Payroll Expenditures (Continued)

### Finding

For one transaction, the Commission improperly recorded base rental charges for four copiers as contingent rental activity. Three of the copiers were already capitalized in the accounting system as leased assets; therefore, the associated rental payments should have been recoded to principal and interest accounts. The fourth copier should have been identified and recognized as a leased asset with a right-of-use asset and payments should have been recoded to principal and interest accounts. Additionally, a finding involving proper account recording was observed in the 2020 State Auditor's Report.

### Management's Response

The Commission agrees with the finding that the general ledger (G/L) account code was used incorrectly. The Office of Fiscal Affairs staff was unaware of the specific leasing G/L account code. A journal entry has been posted to correct the appropriate accounts based on an updated amortization schedule provided by the Department of Administration. The Director of the Office of Fiscal Affairs will require staff to thoroughly review G/L account codes used to pay leases to ensure compliance with state regulations and guidelines. In addition, the Department of Administration has implemented a process to reconcile leased assets monthly.

### Payroll

7. 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, and that their last pay check, including any leave payout, was properly calculated.
8. Haphazardly select 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.
9. Haphazardly select five bonus payments to determine:
  - The employee does not make more than \$100,000 annually.
  - The bonuses received during the year did not exceed \$3,000.
  - The payment amount agreed to supporting documentation and the bonus was given in accordance with Commission policy.
  - The bonus pay was approved by the appropriate supervisor.

We found no exceptions as a result of the procedures.

### Journal Entries

10. Haphazardly select five journal entries and inspect supporting documentation to determine:
  - Postings in the general ledger agree to supporting documentation.
  - Transaction is properly approved.
  - The purpose of the transaction.

### Finding

For two journal entries involving a quarterly adjustment to correct the initial funding, amounts posted in SCEIS did not agree with the Commission's supporting allocation documentation.

## Journal Entries (Continued)

### Management's Response

The Commission agrees with this finding. The Office of Fiscal Affairs changed its recording of journal entries methodology during the fiscal year and the Office of Fiscal Affairs staff used the old allocation cover sheet versus the updated allocation cover sheet. Journal entries will be posted to correct the appropriate accounts. The Director of the Office of Fiscal Affairs will require staff to thoroughly review journal entries to ensure the SCEIS coding for the journal entries agree with the supporting allocation documentation.

### Lease Reporting

11. Obtain the Lease Reporting Package due on March 31, 2022, and agree all (two) Commission leased asset values to lease documentation. In addition, agree lease building and equipment principal and interest general ledger account balances in SCEIS as of March 31, 2022, to lease documentation.

### Observation

Although there were no findings related to the performance of the above procedure, we did notice two leased assets that were omitted from the Lease Reporting Package. See finding at **Cash Disbursements/Non-Payroll Expenditures**.

### Management's Response

See response in the **Cash Disbursements/Non-Payroll Expenditures** Section.

### Moving Expenditures

12. For all transactions posted to G/L account 5010980000 (Moving Expense Reimbursement – Reportable), inspect supporting documentation to determine compliance with the following requirements of South Carolina Code of Laws Section 8-11-135:
  - The new employee's place of residence is outside of the State of South Carolina at the time of employment by the Commission.
  - The Commission can demonstrate that paying these costs is necessary to fill the position.
  - The maximum payment in any instance to any new employee may not exceed five thousand dollars.
  - The payment is certified by the Executive Director of the Commission (or the Commission chairman if the new employee is the agency head) as the total paid by the Commission toward the total moving cost incurred by the new employee.

We found no exceptions as a result of the procedure.

### Status of Prior Findings

13. Through inquiry of management and inspection of supporting documentation, determine the Commission has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We determined that the Commission has taken adequate corrective action on prior year findings, except as described in the findings of the **Reporting Packages** and **Cash Disbursements/Non-Payroll Expenditures** sections above.