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State Auditor's report June 30, 2018

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**SOUTH CAROLINA
RURAL INFRASTRUCTURE AUTHORITY**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

June 21, 2019

Management and Members of the Board
South Carolina Rural Infrastructure Authority
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Rural Infrastructure Authority (the Authority), on the systems, processes and behaviors related to financial activity of the Authority for the fiscal year ended June 30, 2018. The Authority'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 Authority. 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 Authority 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 \$2,500 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$2,500 related to reporting packages.

This report is intended solely for the information and use of the governing body and management of the Authority 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 Rural Infrastructure Authority (P45)**

Cash Receipts/Revenues

1. Haphazardly select five cash receipts transactions and inspect supporting documentation to:
 - Ensure transaction amount, date, payor, document number, and account classification are properly reported in 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.
 - Determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of this procedure.

Cash Disbursements/Non-Payroll Expenditures

2. 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 for the following general ledger accounts: general fund: Aid to Municipality-Restricted; and restricted fund: Allocation to Entities All Principal Forgiveness, and Aid to Municipality-Restricted.
3. Haphazardly select ten non-payroll disbursements, excluding grant/loan disbursements (517- and 518-general ledger account series) and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Authority procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Authority procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Authority.
 - The transaction is properly classified in the general ledger.
 - The disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - The disbursement is recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

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.
4. Haphazardly select three purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for Fiscal Year 2018 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with agency policies.
 - 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 these procedures.

Journal Entries and Transfers

5. Haphazardly select a total of 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 this procedure.

Reporting Packages

6. Obtain copies of fiscal year end reporting packages submitted to the 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.
7. In addition to the procedure above, perform the following:
 - Grants and Contributions Revenue Reporting Package

Haphazardly select three grants to determine if the reported beginning and ending fund balances, receipts, qualified payments, fund, grant number, CFDA number, accounts payable, and other accrual adjustments agree to the South Carolina Enterprise Information System (SCEIS) general ledger, SCEIS Display Grant Master, and/or Authority prepared reports/spreadsheets. In addition, recalculate the reported total receivables and deferred revenue to determine accuracy.
 - Loan Receivable Reporting Package

Determine if reported beginning and ending balances, new loans issued, capitalized interest, and loan repayments are reasonable/accurate based on inspection of the SCEIS general ledger and/or Authority prepared reports/spreadsheets. In addition, determine if the ending balances were properly classified between current and non-current loan receivables, and interest accrual categories by inspection of the aforementioned documentation.
 - 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 Authority prepared records. In addition, haphazardly select five payables from the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, calculated and reported and excluded from the original Accounts Payable Reporting Package submission. Further, compare the annual leave, holiday leave, and compensatory leave balances for each employee from the CG's Compensated Absences Report to the balances reflected in SCEIS as of June 30, 2018 to determine if the Authority had any unreported late leave submissions.

Finding

Two accounts payable amounts were improperly reported on the subsequent events accounts payable worksheet. One amount was previously reported on the original accounts payable reporting package, resulting in a duplication, while a second amount related to both fiscal year 2018 and 2019 service dates but was not properly prorated. As a result of the errors, payables were overstated by an aggregate total of \$47,828.

Management's Response

Management agrees with the finding and will take the necessary steps to prevent this finding in future years.

Governance, Risk and Compliance (GRC) SCEIS Module

8. Select the control identified through the SCEIS GRC system that was in place during 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 this procedure.

Appropriation Act

9. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
10. Confirm compliance with the selected agreed-upon Authority-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of these procedures.

Minutes

11. Inspect the Authority's approved minutes beginning with the end date of prior year fieldwork through the end of our current year fieldwork for matters applicable to our agreed-upon procedures.

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

Annual Report

12. Inspect the Authority's 2018 Annual Report to identify any matters applicable to our agreed-upon procedures.

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

Status of Prior Findings

13. Through inquiry and inspection, determine if the Authority has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of this procedure.