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State Auditor's report June 30, 2022

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**South Carolina
Department of Commerce**

Palmetto Partners

Columbia, South Carolina

State Auditor's Report

December 31, 2022



Independent Accountant's Report on Applying Agreed Upon Procedures

August 10, 2023

Mr. Harry M. Lightsey, III, Secretary of Commerce
State of South Carolina
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 Department of Commerce's (the Department) Palmetto Partners Composite Reservoir Account (the Account) for the year ended December 31, 2022. The Department's management is responsible for the systems, processes and behaviors related to financial activity.

The accompanying unaudited Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Cash Basis Method of Accounting for the Year Ended December 31, 2022, represents a summarization of data derived from the accounting records of the Account prepared by staff of the Department.

The Department'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 Department 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 Department for the year ended December 31, 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 Department's management. Management of the Department 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 non-payroll procedures.

We are required to be independent of the Department 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 management of the Department, 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 Department of Commerce – Palmetto Partners
(P32)**

Cash Receipts

1. Haphazardly select ten cash receipts and inspect invoices to determine:
 - Receipt was properly recorded in the accounting records and conforms with the purpose of the Account.
 - Receipt was deposited within five days of being received by the Department.
 - Receipt was recorded in the proper year.

We found no exceptions as a result of the procedure.

Cash Disbursements

2. Haphazardly select ten disbursements and inspect invoices, listing of attendees, and expenditure information submissions to determine:
 - Disbursement was properly recorded in the accounting records and conforms with the purpose of the Account.
 - Disbursement was properly approved.
 - Disbursement was a valid expenditure of the account.
 - Disbursement was recorded in the proper year.

We found no exceptions as a result of the procedure.

Composite Reservoir Account

3. Obtain monthly reconciliations for the Account and haphazardly select five reconciliations, and perform the following procedures:
 - Recalculate selected reconciliations and determine that they were timely performed and reviewed.
 - Agree month end amounts from the reconciliations to accounting records.
 - Agree month end amounts from the reconciliations to the State Treasurer's Office monthly reports.
 - Determine if reconciling differences were explained and resolved.
 - Determine if adjusting entries were made in the accounting records.

We found no exceptions as a result of the procedure.

Financial Statement Tie-Out

4. Obtain the unaudited *Statement of Cash Receipts, Disbursements and Changes in Cash Balances* for the year ended December 31, 2022, for the Account and determine:
 - Amounts agree by classification to the accounting records.
 - Mathematical accuracy of the statement.

We found no exceptions as a result of the procedure.

Bank Account Transparency

5. Obtain the *Bank Account Transparency and Accountability* report submitted for the Account, per Proviso 117.80 of the fiscal year 2022 Appropriations Act, and determine:
 - Transaction amounts and dates agree to accounting records.
 - Mathematical accuracy of the report.
 - Beginning balance agrees to the prior calendar year ending balance.
 - Report was properly prepared and submitted by the October first deadline.

We found no exceptions as a result of the procedure.

Recommendation

The Department should update Section 710.03 Expense Documentation Required of their policies and procedures to accurately reflect the current process for documenting expenditures.

SC Department of Commerce - Palmetto Partners
Statement of Cash Receipts, Disbursements, and Changes in Cash Balance
Cash Basis Method of Accounting
Unaudited
For the Years Ended

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash Receipts:		
Donations	282,333	60,667
Economic Development Training	43,176	26,500
PGA Championship Sponsorship	-	180,000
Foreign Missions & Trade	550	-
Other Receipts	3,336	870
Total Cash Receipts	329,395	268,037
Cash Disbursements:		
Lead Generation	175,455	125,300
Branding Campaign	258,203	48,937
PGA Championship Sponsorship	-	180,000
CJ Cup	126,274	-
Tradeshaw/Site Consultant	19,278	9,147
Economic Development Training	39,305	17,635
Heritage Golf Tournament	20,813	-
Small Business Development	25,000	25,000
Foreign Missions & Trade	27,506	1,063
Strategic Plan	43,991	-
Locate SC enhancements	22,000	-
Workforce Events	9,558	-
Other Expenditures	12,352	2,258
Total Cash Disbursements	779,735	409,340
Net Change in Cash Balance	(450,340)	(141,303)
Net Position:		
Cash Beginning of Year	811,656	952,959
Cash Ending of Year	361,316	811,656