

**South Carolina
Rural Infrastructure Authority**

Columbia, South Carolina

State Auditor's Report

For the Period July 1, 2022, through March 31, 2023

And

Selected Procedures for the Fiscal Year Ended June 30, 2022



Independent Accountant's Report on Applying Agreed Upon Procedures

June 27, 2023

Management and Members of the Board
South Carolina Rural Infrastructure Authority
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 Rural Infrastructure Authority (the Authority) for the period July 1, 2022, through March 31, 2023, and the fiscal year ended 2022. The Authority's management is responsible for the systems, processes and behaviors related to financial activity.

The Authority'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 Authority 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 Authority for the period July 1, 2022, through March 31, 2023, and fiscal year ended 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 Authority's management. Management of the Authority has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Up Procedures:

- Errors of less than \$1,000 related to non-payroll procedures excluding the purchasing card procedure.

We are required to be independent of the Authority 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 South Carolina Rural Infrastructure 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)**

The following procedures will be performed for the period July 1, 2022, through March 31, 2023:

Cash Receipts/Revenues

1. Haphazardly select fifteen cash receipts and inspect payment transaction confirmation documents, composite reports, amortization schedules, and loan agreements to determine:
 - The receipt agrees with the general ledger as to amount, date, payor, and account classification.
 - The receipt was deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2023 Appropriation Act.
 - Revenue collections and amounts charged are properly authorized by Code of Laws 11-50-90 and federal awards.
 - The receipt was recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select fifteen non-payroll disbursements and inspect invoices to determine:
 - The disbursement's invoice agrees to general ledger as to vendor, amount, and date.
 - The disbursement approval was performed by an individual, with proper authority, who is different than the preparer.
 - The disbursement was a valid expenditure of the Authority.
 - The disbursement was properly classified in the general ledger.
 - The disbursement was recorded in the proper fiscal year.

For federally funded cash disbursements/non-payroll expenditures, inspect the grant award notification letter, sam.gov, and South Carolina Enterprise Information System (SCEIS) to determine:

- The disbursement was in accordance with the requirements and period of performance of the program and was properly reported on the SCEIS Business Warehouse Schedule of Federal Awards (SEFA) report as to fund source, reportability, federal sponsor, and assistance listing number.
3. Haphazardly select five purchasing card transactions and inspect receipts and bank statements to determine:
 - The cardholder was an authorized user and individual credit limits have been properly approved in accordance with Division of Procurement Services South Carolina Purchasing Card Policy and Procedures.
 - The purchase was a valid expenditure.
 - The monthly purchase summary was submitted along with applicable receipts and signed by the cardholder and approved by the supervisor.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.
 - The purchase did not exceed the procurement code's small purchase, no competition limit set forth in Section 11-35-1550(2)(a).

We found no exceptions as a result of the procedures.

Payroll

4. Select all employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the best practices established by the South Carolina Human Resources Division, and that their last paycheck, including any leave payout, was properly calculated.

Payroll (Continued)

5. Select all employees hired during the fiscal year to determine if they were added to the payroll in accordance with the best practices established by the South Carolina Human Resources Division and that their first paycheck was properly calculated.

Finding

The Authority did not correctly enter the employment information for one new hire who transferred from another state agency. The entry error resulted in the Authority not paying the new hire for their first three days of employment at the Authority. Those three days were paid by the new hire's former employer.

Management's Response

Management agrees with the finding. When hiring staff from another state agency, the Authority will consider a hiring date that is near the start of a pay period versus a hiring date this is close to the end of a pay period. This will ensure that all information is processed in a timely and accurate manner.

Journal Entries and Transfers

6. Haphazardly select eight journal entries and twelve transfers and inspect journal entry request forms and memorandums to determine that the journal entries and transfers are valid and approved by someone with proper authority who is different from the preparer.

We found no exceptions as a result of the procedures.

The following procedures will be performed for the fiscal year ended June 30, 2022:

Reporting Packages

7. Inspect fiscal year end reporting packages submitted to the CG. Compare responses in the Master Reporting Package Checklist and any required supplemental information to year end reporting packages submitted to the CG, SCEIS, and Authority prepared records. Additionally, compare the dates submitted to the due dates established by the CG's *Reporting Policies and Procedures Manual*.
8. In addition to the procedure above, perform the following:
 - Accounts Payable Reporting Package

Agree amounts to the Authority prepared records. In addition, haphazardly select ten payables reported on the Accounts Payable Summary Form and determine if the amounts were properly classified, calculated, and reported.
 - Loans Receivable Reporting Package

For all three funds, confirm the accuracy of responses and agree reported balances on the Loan and Note Receivables Summary Form to the SCEIS general ledger and Authority prepared records. Additionally, determine if the documentation compiled by the Authority to justify a zero-balance allowance for uncollectable loan receivables for each fund complies with requirements of the CG's *Reporting Policies and Procedures Manual*.
 - Miscellaneous Loss Liabilities, Loss Contingencies, and Commitments Reporting Package

For all three commitment types, confirm the accuracy of responses and agree reported balances on the Significant Miscellaneous Commitments Report Form to the Authority's prepared records. Select five individual commitments and determine if the amounts were properly reported and calculated as described in the CG's *Reporting Policies and Procedures Manual*.

Reporting Packages (Continued)

- Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and Authority prepared records. In addition, haphazardly select ten 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.

Findings

Accounts Payable Reporting Package – Seven of ten payables inspected were misclassified as “other current liabilities” on the package. The payables were owed to quasi-governmental entities (water and sewer districts) at June 30, 2022. Therefore, the payables should have been classified as “intergovernmental” payables on the package in accordance with guidance in the CG’s *Reporting Policies and Procedures Manual*.

Subsequent Events Questionnaire – Three of ten payables inspected were current year expenses that were improperly reported as fiscal year 2022 payables due on June 30, 2022.

Management’s Response

Management agrees with both findings. Quasi-governmental entities (water and sewer districts) have historically been classified as “other current liabilities”. After discussion with the Comptroller General’s Office, the Authority will review all payments made to quasi-governmental entities to ensure they are classified properly on the Accounts Payable Reporting Package.

Management has adopted the policy that if a liability that arises from an economic event as described in the CG’s *Reporting Policies and Procedures Manual* happens on or before June 30 that liability will be reported as a payable on the Subsequent Events Questionnaire Accounts Payable Worksheet. If a liability that arises from an economic event as described in the CG’s *Reporting Policies and Procedures Manual* happens after June 30 that liability will be treated as a current year expense when paid during the same fiscal year in which the liability arose.