

OVERVIEW

The South Carolina Department of Commerce (S.C. Commerce) is responsible for the stimulation of economic development activity, including recruiting new business to the state and helping existing businesses grow. To help support the mission, S.C. Commerce manages the Palmetto Partners program. The primary purpose of the Palmetto Partners program is to assist funding special marketing events and initiatives with the goal of bringing jobs and capital investment to South Carolina.

Calendar year 2020 presented an economic crisis that uprooted the global business landscape. South Carolina, like the rest of the world, had to pivot to navigate the impacts of COVID-19. While the team demonstrated tremendous flexibility, many of the events and initiatives facilitated via Palmetto Partners funding were postponed/cancelled or shifted to a virtual format. With that perspective, the Palmetto Partners facilitated funding for three (3) major initiatives and one (1) unique economic development event in calendar year 2020.

INITIATIVES

SizeUpSC

The COVID pandemic underscored the importance of business resiliency, as companies had to embrace a flexible mindset and pivot to ensure operational continuity. As an additional resource for businesses facing complex challenges and those exploring new ways of working and servicing customers, S.C. Commerce launched SizeUpSC. This easy-to-use, online platform allows a company to receive data to help make better decisions around competitive benchmarking, customers, suppliers, even marketing and advertising. Business intelligence can be a huge differentiator, and SizeUpSC is an additional tool to support South Carolina companies.

Lead Generation

To support continued efforts to build relationships with domestic and international prospects, business leaders and decision-makers to encourage investment and to establish export connections, S.C. Commerce utilized limited lead generation efforts to targeted geographic locations and, as part of, select mission trips.

Branding Campaign

Following the initial 'Just right' launch, S.C. Commerce maintained 'legacy' promotion of the brand, representing the many ways in which South Carolina is just right for business. NP Strategies

SPECIAL MARKETING EVENTS

PGA

In preparation of the 103rd playing of the PGA Championship in May 2021 at The Ocean Course at Kiawah Island Golf Resort (for the second time), S.C. Commerce, along with S.C. Parks, Recreation and Tourism, committed to using the prestigious event as a platform to showcase South Carolina to potential businesses.

SUMMARY

During the 2020 calendar year, the Palmetto Partners structure continued to provide the public-private framework necessary to execute activities that complement S.C. Commerce's traditionally-funded business recruitment and retention efforts. Recognizing many of these efforts shifted to virtual platforms or were postponed/cancelled as a result of the pandemic, S.C. Commerce did not seek contributions during the calendar year. However, the Palmetto Partners initiatives and events help position and accelerate economic development in South Carolina and are not possible without the overall good health and management of the program.

**South Carolina
Department of Commerce**

Palmetto Partners

Columbia, South Carolina

State Auditor's Report

December 31, 2020



Independent Accountant's Report on Applying Agreed-Upon Procedures

September 20, 2021

Mr. Harry M. Lightsey, III, Secretary of Commerce
South Carolina Department of Commerce
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 calendar year ended December 31, 2020. 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, 2020 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, 2020. 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:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.

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 five cash receipt transactions and inspect supporting documentation to determine:
 - The transaction is properly classified in the accounting records in accordance with the Department's policies and procedures and conforms with the purpose of the composite reservoir account.
 - The receipt was deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriations Act.
 - The receipt is recorded in the proper year.

We found no exceptions as a result of the procedure.

Cash Disbursements

2. Haphazardly select five disbursements and inspect supporting documentation to determine:
 - The transaction is properly classified in the accounting records in accordance with the Department's policies and procedures and conforms with the purpose of the composite reservoir account.
 - All supporting documentation and approvals required by the Department are present and agree with the invoice.
 - The transaction is an actual expenditure of the Account.
 - The disbursement is recorded in the proper year.
 - Clerical accuracy.

We found no exceptions as a result of the procedure.

Reconciliations

3. Obtain monthly reconciliations for the Account and for two haphazardly selected reconciliations, perform the following procedures:
 - Determine that selected reconciliations were timely performed, reviewed, and properly documented in accordance with State regulations, and are mathematically correct.
 - Agree applicable amounts from reconciliations to accounting records.
 - Agree applicable amounts from reconciliations to the State Treasurer's Office monthly reports.
 - Determine if reconciling differences were adequately explained and properly resolved.
 - Determine if necessary adjusting entries were made in the accounting records.

Finding

The Department did not perform a timely reconciliation for the month ending May 31, 2020. The reconciliation was not performed until July 10, 2020. Department policy requires reconciliations to be performed monthly.

Management's Response

The Department agrees with the finding. This issue occurred during a transition in staffing to a remote working environment. Since June of 2020, this reconciliation has been completed in a timely manner. The reconciliations were also completed timely in previous years.

Financial Statement Tie-Out

4. Obtain the unaudited Statement of Cash Receipts, Disbursements and Changes in Cash Balances for the year ended December 31, 2020 prepared by management and determine:
 - The amounts agree by classification to the accounting records.
 - The mathematical accuracy of the statement.

We found no exceptions as a result of the procedure.

Bank Account Transparency

5. Obtain the fiscal year 2020 *Bank Account Transparency and Accountability* report submitted for the Account, per Proviso 117.82 of the Appropriations Act, and determine:
 - The transaction amounts and dates agree to accounting records.
 - The mathematical accuracy of the report.
 - The beginning balance agrees to prior fiscal year ending balance.
 - The report was properly prepared and submitted by the October 1st deadline.

We found no exceptions as a result of the procedure.

South Carolina 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, 2020</u>	<u>December 31, 2019</u>
Cash Receipts:		
Donations	331,833	610,464
SEUS – Japan	-	93,408
Rural Summit	36,965	53,737
Tradeshaw/Site Consultant	13,577	90,231
Business to Business Events	18,247	28,390
Opportunity Zone Conference	4,575	12,000
Heritage Golf Tournament	3,349	16,664
Other Receipts	3,676	13,536
Total Cash Receipts	412,222	918,430
Cash Disbursements:		
Lead Generation	69,950	248,596
Tradeshaw/Site Consultant	5,843	135,616
Foreign Missions & Trade	1,733	24,680
Site Development	-	50,000
Heritage Golf Tournament	3,850	36,965
Rural Summit	54,557	38,497
Branding Campaign	12,543	11,475
Business to Business Events	17,031	24,998
Economic Development Training	1,750	1,411
SEUS Japan	-	144,608
Workforce – ManuFirst	-	31,271
Woman's US Open	-	79,600
Opportunity Zone Conference	492	43,905
Small Business Development	-	24,995
Agricultural Study and Analysis	-	30,000
Other Expenditures	3,721	11,819
Total Disbursements	171,470	938,436
Net Change in Cash Balance	240,752	(20,006)
Net Position:		
Cash Beginning of Year	712,207	732,213
Cash Ending of Year	952,959	712,207