

**SOUTH CAROLINA
COMMISSION FOR THE BLIND
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2008

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State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 31, 2009

The Honorable Mark Sanford, Governor
and
Commission Members
South Carolina Commission for the Blind
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Commission for the Blind (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2008, in the areas addressed. The Commission's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. **Cash Receipts and Revenues**

- We inspected selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations.
- We inspected selected recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.

- We compared current year recorded revenues at the subfund and object code level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$600 – general fund, \$3,700 - earmarked fund, and \$39,800 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Low Vision Clinic Transfers in the Accountant's Comments section of this report.

2. **Non-Payroll Disbursements and Expenditures**

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations, were bona fide disbursements of the Commission, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded expenditures were in agreement.
- We compared current year expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$31,700 – general fund, \$2,100 – earmarked fund, and \$44,500 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Capital Purchases in the Accountant's Comments section of this report.

3. **Payroll Disbursements and Expenditures**

- We inspected selected recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements and processed in accordance with the agency's policies and procedures and State regulations.
- We inspected selected payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS.

- We inspected payroll transactions for selected new employees and those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the agency's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement.
- We compared current year payroll expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$31,700 – general fund, \$2,100 – earmarked fund, and \$44,500 – federal fund) and ± 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of ± 5 percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Payroll Calculations in the Accountant's Comments section of this report.

4. **Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected selected recorded journal entries, all operating transfers, and all appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the agency's policies and procedures and State regulations.

The individual journal entry transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

5. **General Ledger and Subsidiary Ledgers**

- We inspected selected entries and monthly totals in the subsidiary records of the Commission to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and selected entries were processed in accordance with the agency's policies and procedures and State regulations.

The transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

6. **Reconciliations**

- We obtained all monthly reconciliations prepared by the Commission for the year ended June 30, 2008, and inspected selected reconciliations of balances in the Commission's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if accounts reconciled. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amounts to the Commission's general ledger, agreed the applicable amounts to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Commission's accounting records and/or in STARS.

The reconciliations selected were chosen randomly. Our finding as a result of these procedures is presented in Reconciliations in the Accountant's Comments section of this report.

7. **Appropriation Act**

- We inspected agency documents, observed processes, and/or made inquiries of agency personnel to determine the Commission's compliance with Appropriation Act general and agency specific provisos.

We found no exceptions as a result of the procedures.

8. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2008, prepared by the Commission and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements and if the amounts reported in the closing packages agreed with the supporting workpapers and accounting records.

Our findings as a result of these procedures are presented in Closing Packages in the Accountant's Comments section of this report.

9. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2008, prepared by the Commission and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

Our finding as a result of these procedures is presented in Schedule of Federal Financial Assistance in the Accountant's Comments section of this report.

The Honorable Mark Sanford, Governor
and
Commission Members
South Carolina Commission for the Blind
July 31, 2009

10. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission resulting from our engagement for the fiscal year ended June 30, 2007, to determine if the Commission had taken corrective action.

Our findings as a result of these procedures are presented in Payroll Calculations and Closing Packages in the Accountant's Comments section of this report.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor and of the governing body and management of the South Carolina Commission for the Blind and is not intended to be and should not be used by anyone other than these specified parties.



Richard H. Gilbert, Jr., CPA
Deputy State Auditor

ACCOUNTANT'S COMMENTS

SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

LOW VISION CLINIC TRANSFERS

The low vision clinic provides vision aids to clients at no cost to the client. When the clinic purchases the aids the cost is charged to a federal and/or state subfund. When the clinic issues a low vision aid to a client, the clinic processes an intra-departmental transfer. The intra-departmental transfer records an expenditure in a federal and/or state subfund and records revenue in an earmarked subfund.

The purpose of the first transaction is to recognize the low vision aid purchase as a clinic expenditure. The second transaction attempts to allocate the cost of the low vision aids to the appropriate department. Because the Commission records the low vision aid purchases in this manner expenditures and revenues are overstated.

We recommend the Commission implement procedures to ensure that costs are properly allocated and that revenues and expenditures are properly stated.

PAYROLL CALCULATIONS

We tested twenty-five payroll transactions of employees who terminated employment and noted four instances in which an employee's final pay was incorrectly calculated. The errors noted are described below:

- The Commission overpaid an employee \$25 because of a keying error.
- The Commission calculated one employee's pay based on the employee working eleven days instead of the nine days the employee actually worked. The error resulted in an overpayment of \$240.
- The Commission excluded annual leave from the final pay calculations of two employees. The errors resulted in a total underpayment of \$126.

Section 8-11-30 of the 1976 Code of Laws states that, "It shall be unlawful for anyone to receive any salary from the State or any of its departments which is not due, and it shall be unlawful for anyone in the employment of the State to issue vouchers, checks, or otherwise pay salaries or moneys that are not due to state employees of any department of the State..."

We recommend the Commission implement procedures to ensure proper payment to terminated employees. We also recommend that the procedures include independent reviews of payroll calculations. Finally, we recommend the Commission attempt to recover the overpayments and compensate the employees who were underpaid.

CLOSING PACKAGES

Section 1.7 of the Comptroller General's Closing Procedures Manual (Summary of Agency Responsibilities) states, "Each agency's executive director and finance director are responsible for submitting to the Comptroller General's Office closing package forms and/or financial statements that are: Accurate and prepared in accordance with instructions, complete, and timely." We tested the Commission's closing packages to determine if the closing packages were complete, accurate, submitted timely, and prepared in accordance with instructions. Based on our procedures we noted the following:

Compensated Absences Closing Package

We tested the compensated absences liability calculation of twenty-five employees. We determined that the Commission used an incorrect hourly rate to calculate the liability for one employee. The Office of Human Resources employee profile form documented that the employee's hourly rate was \$17.50, however the Commission's Annual Leave Liability report documented an hourly rate of \$18.69. The error caused the compensated absences liability to be overstated by \$500.

Loans/Notes Receivable Closing Package

When a vendor closes a concession stand the vendor is responsible for reimbursing the Commission for a shortfall between the initial inventory provided by the Commission and the final inventory. We noted three payments for debts owed by vendors were not applied to outstanding loan balances that are reported on the loan/notes receivable closing package. The Commission determined that receivable balances reported did not include all debts owed. The Commission should determine the amounts owed and report the balance on the closing package.

Recommendation

We recommend that the Commission develop and implement procedures to ensure that all closing packages are completed in accordance with the GAAP Closing Procedures Manual instructions. Furthermore, we recommend that the Commission make appropriate adjustments to future closing packages to correct the errors identified above if necessary.

RECONCILIATIONS

We noted five instances in which monthly reconciliations were not independently reviewed. In addition, we noted that monthly reconciliations were not prepared timely. We reached this conclusion because monthly reconciliations included several reconciling items that carried forward from month to month without being corrected on the Comptroller General's books until year-end.

Section 2.1.7.20 C. of the Comptroller General's Policies and Procedures Manual (STARS manual) states: "To ensure adequate error detection and to satisfy audit requirements, such reconciliations must be: Performed at least monthly on a timely basis (i.e., shortly after month-end), documented in writing in an easily understandable format with all supporting working papers maintained for audit purposes, signed and dated by the preparer, and reviewed and approved in writing by an appropriate agency official other than the preparer."

We recommend the Commission develop and implement procedures to ensure compliance with Section 2.1.7.20 C. of the STARS manual.

CAPITAL PURCHASES

We noted that the Commission purchased two computer servers totaling \$26,756 from IBM Corporation. The Commission used expenditure object code 5004 – Data Processing Equipment (Non-Capitalizable) to record the purchase. The Commission should have used object code 0604 – Data Processing Equipment (Capitalizable). Because of the misclassification, equipment and depreciation were misstated on the Commission's Capital Asset Closing Package. Additionally, we noted that the Commission did not obtain approval from the Office of Information Technology Planning – Research and Statistics for the purchase.

Section 4.2.10.1 of the Comptroller General's Statewide Accounting and Reporting System Manual (STARS Manual) states that, "Approval for the purchase or lease of data processing equipment, with an annual cost of \$10,000 or more must be obtained from the Office of Information Technology Planning – Research and Statistics." Also, Section 2.1.6.20 of the STARS Manual provides definitions of expenditure object codes to help agencies properly classify expenditures.

We recommend the Commission implement procedures to ensure that the proper approval is obtained from the Office of Information Technology Planning – Research and Statistics for all eligible data processing equipment purchases. The Commission should also implement procedures to ensure that expenditures are properly classified. The Commission should also make appropriate adjustments to capital assets closing package to correct the error identified above.

SECTION B – OTHER WEAKNESS

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The condition described in this section has been identified while performing the agreed-upon procedures but it is not considered a violation of State Laws, Rules or Regulations.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

We noted four grant numbers on the Schedule of Federal Financial Assistance did not agree with the grant award document.

The Schedule of Federal Financial Assistance instructions state, "For each grant enter the grant identification number (not the CFDA number). If the grant has no identification number enter "NONE"."

We recommend that procedures be followed to ensure that grant numbers are reported correctly on the Schedule of Federal Financial Assistance.

SECTION C - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission for the fiscal year ended June 30, 2007, and dated June 9, 2008. We determined that the Commission has taken adequate corrective action on the finding entitled Object Codes. We noted continuing deficiencies which are described in Payroll Calculations and Closing Packages in Section A of the Accountant's Comments.

MANAGEMENT'S RESPONSE



South Carolina Commission for the Blind

1430 CONFEDERATE AVENUE" PO Box 2467 COLUMBIA. SC 29202
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Commissioner
James M. Kirby

November 4, 2009

Mr. Richard H. Gilbert, Jr. CPA
Deputy State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201

Re: State Auditor's Report
June 30, 2008

Dear Mr. Gilbert:

The Commission for the Blind appreciates the professional attitude and conduct of your staff during the audit of our agency's financial records and will ensure corrective actions are taken regarding all findings.

1. Low Vision

The Commission has implemented procedures to ensure that costs are properly allocated. All Low Vision expenditures will be cost allocated to the Rehab Center only and not by agency department.

2. Payroll

The Commission will begin cross checking employee final pay amounts. Also, attempts will be made to collect/correct any over/under payment amounts.

3. Closing Packages

The Commission will make the necessary corrections with closing packages. Compensated Absences Package will be cross referenced with OHR and the agency's liability report.

Loans/Notes Receivable Package will be reconciled by the BEP area and adjustments made accordingly for future closing packages.

The mission of the South Carolina Commission for the Blind is to provide quality, individualized vocational rehabilitation services, independent living services, and prevention of blindness services to blind and visually impaired consumers leading to competitive employment and social and economic independence.

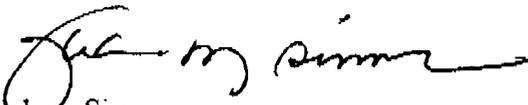
4. Reconciliations

With the implementation of SCEIS, the reconciliations process has been overhauled and new policies and procedures are being put into place. Reconciliations will be completed in a timelier manner and they will be independently reviewed within one week of completion. Adjustment entries will be made in a timely manner as not to carry reconciling items from month to month.

5. Capital Purchases

Adjustments will be made to the Capital Assets Closing Packages. All Information Technology purchases over \$10,000 will follow policy and procedures as outlined in section 4.2.10.1 of the STARS manual. Also, corrective actions will be taken to ensure the correct expenditure code is used.

Sincerely,

A handwritten signature in black ink, appearing to read "Juan Sims", written in a cursive style.

Juan Sims
Controller

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