

**SOUTH CAROLINA
COMMISSION FOR THE BLIND
COLUMBIA, SOUTH CAROLINA
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
JUNE 30, 2010**

State of South Carolina



Office of the State Auditor

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DEPUTY STATE AUDITOR

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June 14, 2011

The Honorable Nikki R. Haley, Governor
and
Commission Members
South Carolina Commission for the Blind
Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the South Carolina Commission for the Blind for the fiscal year ended June 30, 2010, was issued by Rogers Laban, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

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

RHGjr/cwc

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

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Richard H. Gilbert, Jr., CPA,
Deputy State Auditor
State of South Carolina
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") and South Carolina Office of the State Auditor solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2010, 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 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 (\$118 – general fund, \$8,052 – earmarked fund, and \$76,757 – federal fund) and +/- 10 percent.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented 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 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 (\$31,709 – general fund, \$1,506 – earmarked fund, and \$69,937 – federal fund) and +/- 10 percent.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented 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.
- 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 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 (\$31,709 – general fund, \$1,506 – earmarked fund, and \$69,937 – 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 findings as a result of these procedures are presented in the Accountant's Comments section of this report.

4. Journal Entries, Operating Transfers and Appropriation Transfers

- We inspected selected recorded journal entries, operating transfers, and 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 transactions selected were chosen randomly. Our findings as a result of these procedures are presented in the Accountant's Comments section of this report.

5. 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.

6. Closing Packages

- We obtained copies of all closing packages as of and for the year ended June 30, 2010, 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 the Accountant's Comments section of this report.

7. Schedule of Federal Financial Assistance

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2010 prepared by the Commission and submitted to the State Auditor. We inspected it to determine that 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 findings as a result of these procedures are presented in the Accountant's Comments section of this report.

8. Status of Prior Year 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 the engagement for the fiscal year ended June 30, 2008 to determine if Commission had taken corrective action. We applied no procedures to the Commission's accounting records and internal controls for the year ended June 30, 2009.

Our findings as a result of these procedures are presented 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, the governing body and management of the South Carolina Commission for the Blind, and the South Carolina Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Rogers Lalar, PA

June 9, 2011

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

**ACCOUNTANT'S COMMENTS
JUNE 30, 2010**

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.

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

The reviewer's checklist was not retained with the closing package as required. Also, the closing package listed 116 full-time equivalent employees earning leave as of June 30, 2010 and there were only 114 employees actually earning leave.

Capital Assets Closing Package

The Capital Assets Overview Closing Package was required to be submitted to the Comptroller General by September 15, 2010 and was not submitted until September 29, 2010. The Capital Assets and Accumulated Depreciation Closing Package was due on September 20, 2010 and was not submitted until September 29, 2010. We also noted that no reviewer's checklist was retained with the capital asset working papers as required.

Operating Leases Closing Package

The closing package was required to be submitted by August 31, 2010 and was not submitted until September 3, 2010. A revised closing package was submitted on September 14, 2010 to remove a lease that did not have future minimum lease payments remaining exceeding one year. Also, a lease executed on May 13, 2010 with an effective date of July 1, 2010 with future minimum lease payments of approximately \$179,000 was omitted from the closing package in error. In addition, the Commission did not answer the question on Part III of the closing package dealing with leases with rent holiday provisions.

The Commission did not retain a reconciliation of operating lease payments with the printout of lease payments provided by the Comptroller General's office to document that they did not have any adjustments greater than \$5,000.

Grant/Contribution Closing Package

The Commission answered yes to the question on the reviewer's checklist about the beginning balance for each grant on the worksheet equaling the prior year's ending balance for the same grant but we found several 2010 beginning balances that did not agree with the 2009 ending balances. Also, the eligibility section of the grants analysis worksheet was not completed as required.

Cash and Investments Closing Package

The Commission could not provide us with a listing of the petty cash funds making up the balance of \$24,333 reported on the closing package. Also, no reviewer's checklist was retained as required.

Loans/Notes Receivable Closing Package

The Commission could not provide us with a detailed schedule supporting the amounts reported as the beginning or ending balances for loans on the closing package. Also the amounts reported for new loans and repayments during the year did not agree with the Commission's accounting records and the Commission did not calculate an allowance for uncollectible loans as required. In addition, the Commission did not enter the four-digit GAAP expenditure code on the form as required for the new loans or repayments during the year and did not retain a reviewer's checklist as required.

Litigation Closing Package

The Commission did not retain a reviewer's closing package as required.

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. All amounts reported on the closing package should be supported by workpapers and agree to the Commission's accounting records. Furthermore, we recommend that the Commission make appropriate adjustments to future closing packages to correct the errors identified above if necessary.

LITIGATION EXPENDITURES

The Commission paid one law firm \$3,928 in excess of the amount approved by the State Attorney General's Office. Also, one invoice in the amount of \$3,734 was paid twice. The first payment was for the original invoice and the second payment occurred when the amount was also included on a subsequent invoice as a "balance of last invoice" and was paid again as part of the second invoice.

Section 11-35-1260 of the South Carolina Code of Laws required approval of the State Attorney General before legal expenditures are incurred. Good internal controls provide for the adequate review of invoices to ensure amounts are not paid more than once.

We recommend that the Commission implement procedures to ensure that the amount of approved expenditures are not exceeded and that invoices are not processed twice. In addition, the Commission should request a refund of the duplicate payment.

DISBURSEMENTS

Our testing of 25 disbursement vouchers and 5 interdepartmental transfers (IDT's) disclosed the following:

1. A manager of one of the BEP stands was reimbursed \$1,103 by the Commission 8 months after the obligation was incurred.
2. One invoice had an overcharge for local sales tax for \$6 that was not detected by the Commission before the invoice was paid.
3. The Commission processed an intra-departmental transfer funds to another State agency totaling \$224,102 that were not due and did not detect this error. The error was detected by another State agency and the transfers were then reversed.
4. There was no receiving report to support 3 direct pay invoice payments as required to document that the goods or services were actually received.
5. One vendor did not charge sales tax on one of two items on an invoice. The Commission tried to correct this by adding the sales tax to the cost of the item and then posting a negative shipping cost for the item to the accounting system.
6. The Commission is not paying use tax on out of state purchases. Per inquiry, use tax has not been calculated and paid since the Commission went on the new statewide accounting system.

State law requires payment of invoices within 30 working days from the date of the receipt of goods and services or proper invoices and for the payment of sales and use tax. Good internal controls require that invoices be reviewed before payment to ensure that the proper amounts are being charged and that all required documents are present and provide controls to ensure that items are not paid in error.

We recommend that the Commission implement procedures to ensure that all invoices are paid in a timely manner and that sales or use tax are paid on all purchases as required. The Commission should file delinquent returns and pay use tax on all purchases that were purchased from out of state vendors that did not collect use tax. Also, the Commission should implement controls to ensure that receiving reports are received before invoices are paid, that all invoices are mathematically correct, and prevent the duplicate payment of invoices.

SECTION B – OTHER WEAKNESSES

The conditions described in this section have been identified while performing the agreed-upon procedures but they are not considered violations of State Laws, Rules or Regulations.

RECEIPTS

Our testing of 25 receipts disclosed the following:

1. For 2 receipts which were refunds of expenditures, the receipt was not posted to the same fund as the original expenditure.
2. For 3 receipts which were for contributions, the receipt was posted as a restricted contribution even though the paperwork from the donor gave no indication as to any restriction on the contribution.
3. For 2 receipts, the Commission could not locate any paperwork for us to examine to determine if the receipts were properly posted to the Commission's records.

We also noted a lack of segregation of duties over the receipts function as the same individual opens the mail, date stamps the documentation, restrictively stamps the reverse side of the check, prepares the deposit and takes the deposit to the bank and posts the transaction to the accounting system.

Good internal controls provide for the posting of receipts to the correct accounts and the retention of required supporting documentation. Also good internal controls require the segregation of duties so no one person has the ability to initiate, process and record a transaction.

We recommend that the Commission implement a system to ensure that all receipts are properly posted and required documentation retained. The Commission should also determine if some of the receipt functions could be performed by different personnel.

PAYROLL

Our testing of 25 payroll disbursements disclosed that on the 10-16-09 pay date, an employee was paid \$2,484 even though the employee's salary indicated that only \$2,332 should have been paid, which resulted in a difference of \$152. Per inquiry, the Commission approved the employee's temporary salary adjustment of \$152 per pay period beginning on 9-16-07. The \$152 was supposed to be reimbursed to the Commission by another State agency. The Commission could not provide documentation to support that it ever received reimbursement for this difference.

We also noted that after the Commission's payroll department began using the new statewide payroll system in December 2009, there was a lack of approval of gross payroll by someone other than the preparer. Note that the same individual recorded the salary adjustments and reviewed the payroll before it was processed.

Our comparison of current year payroll expenditures by fund compared to the employer contributions by fund with those of the prior year disclosed a variance that the Commission staff could not adequately explain. Payroll expenses for the general fund were 36.21% of total payroll expenditures while 51.52% of health insurance expenditures were charged to the general fund. Payroll expenditures for the federal funds were 63.2% of total payroll expenditures and only 48.11% of health insurance costs were charged to the federal funds. There was no change in the payroll expenditures for the earmarked fund between the years while employer contributions increased 33.04%. There were no health insurance costs charged to the earmarked fund in the prior year while there was health insurance costs charged in 2010.

Good internal controls provide for the retention of required supporting documentation and provide for adequate follow-up to ensure that any amounts due are received. Also good internal controls require the segregation of duties so that someone other than the preparer approves total payroll.

We recommend that the Commission implement a system to ensure that adequate documentation to support temporary salary adjustments and related reimbursements is received. The Commission should ensure that the total gross payroll is reviewed and approved by someone other than the preparer. The Commission should ensure that all payroll and employer contribution expenses are correctly allocated by fund.

JOURNAL ENTRIES

Our review of 18 journal entries disclosed 5 of the entries did not have supporting documentation so we could not determine the appropriateness of the journal entry. In addition, the supporting documentation for one of the entries did not appear to support the entry.

Good internal controls require the maintenance of documentation supporting all entries in the accounting records.

We recommend that the Commission implement procedures to ensure that all entries in the accounting records are supported by adequate documentation.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

The Commission submitted the Schedule of Federal Financial Assistance to the Office of the State Auditor on September 23, 2010. The Commission was required to submit it by August 23, 2010.

The beginning balance shown on the schedule for five of the grants did not agree to the prior year's ending balance that had been reported. Also, there were various other additions, other deductions and ending balances shown on the schedule that did not agree with the accounting records for a number of the grants. In addition, the Commission could not locate the grant award files for four of the grants so we could not verify the grant name or number.

Grant numbers were incorrect on three of the grants. This same finding was cited in the prior report also. In addition, the program titles on a number of grants did not agree with the Catalog of Federal Domestic Assistance or were not titled as required by the instruction provided by the Office of the State Auditor.

The Schedule of Federal Financial Assistance was not prepared in accordance with the instructions provided by the Office of the State Auditor and did not agree with the underlying accounting records.

We recommend that the Schedule of Federal Financial Assistance be prepared as required and agree with the Commission's accounting records. Adjusting entries should be made in the accounting records if required to accurately reflect the federal grants activity.

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

**STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2010**

During the current engagement, we reviewed the status of corrective action plan taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report for the fiscal year ended June 30, 2008 dated July 31, 2009. No procedures were performed for the year ended June 30, 2009. We determined that the Commission has taken adequate corrective action on each of the findings entitled Low Vision Clinic Transfers and Payroll Calculations. We noted continuing deficiencies regarding Closing Packages and the Schedule of Federal Financial Assistance as detailed in this year's Accountant's Comments section of this report.

MANAGEMENT'S RESPONSE

ATTACHMENT A



Commissioner
James M. Kirby

South Carolina Commission for the Blind

1430 CONFEDERATE AVENUE • P.O. BOX 2467 COLUMBIA, SC 29202
PHONE: (803) 898-8822 • FAX: (803) 898-8845

June 24, 2011

Rogers and Laban, PA
P.O. Box 124
Columbia, South Carolina 29201

Mr. Richard H. Gilbert
Deputy State Auditor
1401 Main Street
Columbia, South Carolina 29201

Re: FY 2010 AUP Audit

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.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. Kirby", is written over the typed name and title.

James M. Kirby,
Commissioner

Attachment

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.



Commissioner
James M. Kirby

South Carolina Commission for the Blind

1430 CONFEDERATE AVENUE • P.O. BOX 2467 COLUMBIA, SC 29202

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Attachment A

Management's Response to Accountant's Comments from Independent Accountant's Report on Applying Agreed-Upon Procedures for fiscal year ending 6/30/2010

Section A

Closing Packages

Compensated Absences Closing Package

The Commission will re-visit Closing Package Procedures to ensure that reviewer's checklists are retained with the closing packages as required. The Commission will re-visit Closing Package Procedures to ensure that accurate data is submitted.

Capital Assets Closing Package

The Commission will re-visit Closing Package Procedures to ensure that reviewer's checklists are retained with the closing packages and as required. The Commission will submit future Closing Packages in a timely manner.

Operating Lease Closing Package

The Commission will submit future Closing Packages in a timely manner. The Commission will follow Closing Package instructions more closely in an attempt to interpret them correctly. The Commission will be more diligent in completing Closing Packages and maintaining back-up as required.

Grant/Contribution Closing Package

Reviewers will be more careful when checking Closing Packages. The Commission will re-visit Closing Package Procedures to ensure all areas of Closing Packages are completed as required.

Cash and Investments Closing Package

The Commission will be more diligent in completing Closing Packages and maintaining back-up as required. The Commission will re-visit Closing Package Procedures to ensure that reviewer's checklists are retained with the closing packages as required.

Loans/Notes Receivable Closing Package

The Commission will be more diligent in completing Closing Packages and maintaining back-up as required.

Litigation Closing Package

The Commission will re-visit Closing Package Procedures to ensure that Closing Packages along with reviewer's checklists and back-up are retained as required.

Litigation Expenditures

The Commission will re-visit Disbursement Procedures and implement any new policy that may be needed to ensure that invoices are not paid twice.

Disbursements

1.-5. The Commission will re-visit Disbursement Procedures and implement any new policy that may be needed to ensure that invoices are paid timely, accurately, with the correct back-up and are not paid twice.

6. The Commission will research why use tax has not been paid on out of state purchases and begin paying use tax on out of state purchases immediately as well as file delinquent returns as necessary.

Section B

Receipts

1.-2. The Commission will be more diligent in posting receipts to ensure they are posted accurately.

3. The Commission will be more diligent in maintaining back-up for receipts as required.

The Commission will re-visit staffing needs in the Finance department to ensure segregation of duties in the future.

Payroll

The Commission will be more diligent in retaining and maintaining documentation for special payroll situations.

The Commission does not have any plans to make changes to the process of gross payroll as far as the review process is concerned. The Commission has inquired with other state agencies as well as SC Comptroller General in reference to this matter and will make any changes necessary at the time of their response.

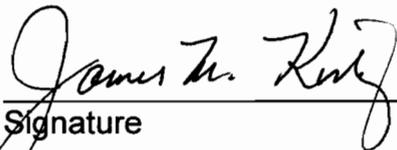
The Commission has no plans to make any changes to the posting of health insurance costs besides those already determined necessary by the federal government. Due to the fluctuation of staff during any given fiscal year as well as staffing choices of health insurance and their individual costs, there will be variances.

Journal Entries

The Commission will re-visit Procedures for Journal Entries and implement any new policy that may be needed to ensure that back-up is maintained properly.

Schedule of Federal Financial Assistance

The Commission will be more diligent in completing the Schedule of Federal Financial Assistance in the future.



Signature



Title

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.