

**SOUTH CAROLINA CODIFICATION OF LAWS
AND LEGISLATIVE COUNCIL**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2011

CONTENTS

	<u>PAGE</u>
I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1
II. ACCOUNTANT'S COMMENTS	
SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS	5
REPORTING PACKAGES	6
Master Checklist	6
Compensated Absences Reporting Package	6
SECTION B – OTHER WEAKNESS	7
FURLOUGH DAYS REIMBURSEMENT	8
MANAGEMENT'S RESPONSE	9

State of South Carolina



Office of the State Auditor

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 15, 2012

Members of the General Assembly
and
Members of the Legislative Council
South Carolina Codification of Laws and Legislative Council
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Codification of Laws and Legislative Council (the Council), solely to assist you in evaluating the performance of the Council for the fiscal year ended June 30, 2011, in the areas addressed. The Council'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 earmarked fund to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$5,100) and ± 10 percent.

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

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 Council's policies and procedures and State regulations, were bona fide disbursements of the Council, 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 and earmarked funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$22,700 – general fund and \$5,200 – earmarked fund) and ± 10 percent.

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

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 and earmarked funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$22,700 – general fund and \$5,200 – earmarked fund) and ± 10 percent.

- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions. 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 Furlough Days Reimbursement in the Accountant's Comments section of this report.

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

- We inspected all 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.

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 Council 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 Council for the year ended June 30, 2011, and inspected selected reconciliations of balances in the Comptroller General'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 Council'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 Council's accounting records and/or in STARS.

We selected the fiscal year-end reconciliation and randomly selected one month's reconciliation for testing. We found no exceptions as a result of the procedures

7. **Appropriation Act**

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

We found no exceptions as a result of the procedures.

8. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2011, prepared by the Council and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's GAAP Reporting Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records.

Our findings as a result of these procedures are presented in Reporting 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 Members of the General Assembly and of the management of the South Carolina Codification of Laws and Legislative Council 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 condition described in this section has been identified as a violation of State Laws, Rules or Regulations.

REPORTING PACKAGES

Master Checklist

The Council incorrectly answered the following question from the checklist, “Did your agency collect and deposit revenues from non-state parties for charges for services and/or commodities?” Because the Council did not respond “Yes” the Council did not complete and submit the miscellaneous revenues reporting package.

Section 3.4 of the Comptroller General’s Reporting Policies and Procedures manual requires agencies to report at fiscal year end if they have any receivables or deferred revenues due related to the collection of revenues.

We recommend the Council ensure that the person(s) preparing and reviewing the master checklist understand the requirements of the questions. If they are uncertain about the question they should request assistance from the Comptroller General’s financial reporting section.

Compensated Absences Reporting Package

The Council’s Compensated Absences Reporting Package included an error in the calculation of total annual leave liability. The calculation for the total of annual leave liability included an employee’s salary that was effective August 1, 2011 rather than the salary that was in effect at June 30, 2011. The Council’s leave liability reported on the Compensated Absences Summary Form was overstated \$224 for Fiscal Year 2011.

Section 3.17 (Compensated Absences) of the Comptroller General’s Reporting Policies and Procedures manual states, “The compensated absence liability for an employee is based on the daily or hourly pay rate (dollars and cents) that is in effect at June 30.”

We recommend the Council ensure that the preparer and reviewer of the reporting package are knowledgeable of the reporting package requirements to ensure that each reporting package is accurate and completed in accordance with instructions.

SECTION B – OTHER WEAKNESS

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.

FURLOUGH DAYS REIMBURSEMENT

The Council made lump sum payments to 12 employees on either the 12/01/10 or 02/01/11 pay dates to repay employees for lost wages associated with 16 mandatory furlough days taken during fiscal year 2009 and fiscal year 2010. Payroll vouchers submitted to the Comptroller General did not state the reason for the one time increase in payroll or report the furlough repayments separate from regular salaries.

The Council could not provide legislative or other authority to allow the reimbursement of furlough days.

We recommend the Council either provide the authority for reimbursing employees for furlough days taken or eliminate the practice if it occurs in the future.

MANAGEMENT'S RESPONSE

South Carolina Legislative Council



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December 19, 2012

Ms. Sue Moss
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

Dear Ms. Moss:

Below are our responses to the draft report for FY 2011.

Master Checklist--GAAP Reporting

The Council receives reimbursements from state agencies and other public sector recipients such as the USC Law Center and the clerks of court for our cost of annual cumulative supplements to the 1976 Code of Laws distributed to them yearly. We do carry some receivables from these public sector recipients during the fiscal year, but they are cleared before the end of the fiscal year. No private sector recipients are involved. We interpreted the term "non-state" parties to mean private parties and not public sector recipients, thereby justifying a "no" answer on the question. In our exit interview, the auditor explained that under their interpretation the term "non-state" does include some public officials or entities, such as local entities and officials. As a result, the question was answered incorrectly, and in future years it will be answered "yes".

Compensated Absences

We acknowledge this computational error of \$224.00.

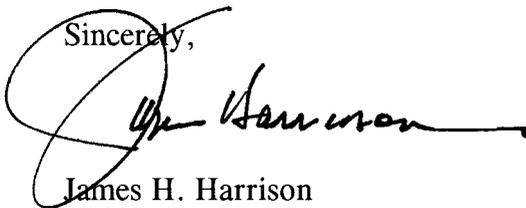
Ms. Sue Moss
December 19, 2012
Page Two

Furlough Days

As we understand the auditors comments as they were explained to us in regard to this portion of their report, they found this matter to be in compliance with state law, rules, and regulations but expressed some concerns about the details of the execution of it in the "Other Matters" part of their report. We have responded to these concerns here.

As the audit states, the Council did provide one-time salary increases to employees who were below a certain pay level to offset salary losses they sustained because of furlough days the Council had to ask them to take during the state budget crisis in prior years. It honors a commitment that was made to them at the time to try to make them whole in future years if we had the funds to do so. The Council, through its agency head, under Proviso 70.8 in the 2010-2011 Appropriation Act, has the unrestricted right to adjust personnel salaries for appropriate reasons at any time, just as any agency head may do in regard to unclassified employees which we at this agency all are. This was one such occasion. This proviso specifically and an agency head's authority generally therefore constitute full authority to take this action, and a copy of this proviso was given and explained to the state auditors conducting the audit. The audit report is therefore incorrect in stating no authority existed for this action, or that they weren't furnished a copy of same. The payrolls where these transactions were reflected were filled out in the same manner as any other payroll, and we are unfamiliar with where on the payroll form further explanations could be attached or where they would be placed.

Sincerely,

A handwritten signature in black ink, appearing to read "James H. Harrison", written over a large, stylized circular flourish.

James H. Harrison
Code Commissioner and Director

JHH/kh

4 copies of this document were published at an estimated printing cost of \$1.46 each, and a total printing cost of \$5.84. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.