

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

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2015**

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**South Carolina**  
**Office of the State Auditor**

**George L. Kennedy, III, CPA**  
**State Auditor**

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**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

August 19, 2016

The Honorable Nikki R. Haley, Governor  
and  
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 governing body and 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, 2015, 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 fourteen selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Council's policies and procedures and State regulations.
- We inspected five 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 account 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 Council's accounting records. The scope was based on agreed upon materiality level (\$4,300 – earmarked fund) and  $\pm 10$  percent.

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

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

- We inspected eleven 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 five 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 account 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 Council's accounting records. The scope was based on agreed upon materiality levels (\$30,500 – general fund and \$4,100 – earmarked fund) and  $\pm 10$  percent.

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

3. **Payroll Disbursements and Expenditures**

- We inspected five selected employees' personnel records to determine if the selected employees' disbursements were properly described, classified, and distributed in the accounting records; they were bona fide employees; and payroll transactions were properly authorized and were in accordance with existing legal requirements and processed in accordance with the Council's policies and procedures and State regulations.
- We inspected payroll transactions for five selected new employees and five individuals who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the Council'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 account level to those of the prior year. We investigated changes in the general fund to ensure that expenditures were classified properly in the Council's accounting records. The scope was based on agreed upon materiality level (\$30,500 – general fund) and  $\pm 10$  percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions. We investigated changes of  $\pm 10$  percent to ensure that payroll expenditures were classified properly in the Council's accounting records.

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

4. **Journal Entries**

- We inspected all recorded journal entries 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 Council's policies and procedures and State regulations.

We found no exceptions as a result of the procedures.

5. **Appropriation Act**

- We inspected Council documents, observed processes, and/or made inquiries of Council personnel to determine the Council's compliance with Appropriation Act general provisos as listed in the Appropriation Act work program, and Council specific provisos, if applicable.

We found no exceptions as a result of the procedures.

6. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2015, 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 Reporting Policies and Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records

Our finding as a result of these procedures is presented in Compensated Absences Reporting Package in the Accountant's Comments section of this report.

7. **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 Council resulting from our engagement for the fiscal year ended June 30, 2013, to determine if the Council had taken corrective action. We applied no procedures to the Council's accounting records and internal controls for the year ended June 30, 2014.

We found no exceptions as a result of the procedures.

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 specified parties. Management of the Council has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$100 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class tested.
- Clerical errors of less than \$100 related to reporting packages.

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- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions tested were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.
- Submission of the Schedule of Federal Financial Assistance less than three business days late.

We were not engaged to and did not conduct an examination, 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 Codification of Laws and Legislative Council and is not intended to be and should not be used by anyone other than these specified parties.



George L. Kennedy, III, CPA  
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.

## **GENERAL LEDGER ACCOUNT CODING**

### **Condition:**

During our testing of Council transactions, we noted the following errors in general ledger account coding during transaction processing:

1. During our testing of cash receipts and revenues, we noted thirteen of fourteen transactions tested were for revenue from the sale of the South Carolina Code of Laws annual updates and/or supplements. These were all coded to G/L 4480050000 - Sale of Documents instead of G/L 4480120000 - Sale of State Codes & Supplements.
2. During our testing of non-payroll disbursements and expenditures, we noted one of eleven transactions tested was a payment for a water cooler rental that was recorded to G/L account 5033990000 - Other Supplies when it should have been recorded to G/L account 5040490000 - Rent-Other. Based on a cursory review of these accounts, this coding error was noted in additional water cooler transactions.

### **Cause:**

1. Council staff was not aware that a more appropriate revenue general ledger account was available for recording transactions.
2. Agency oversight and lack of adequate review.

### **Effect:**

The above general ledger account balances were not accurate at fiscal year-end.

### **Criteria:**

Effective internal controls require safeguards to ensure that transactions are properly recorded. The Comptroller General's Office Policies and Procedures include the specific definitions for coding transactions to the proper revenue and expenditure accounts.

### **Recommendation:**

We recommend the Council implement procedures, training, and a more adequate review process to ensure that personnel responsible for preparing and posting accounting transactions use proper general ledger account codes and that transactions are reviewed to ensure accuracy.

### **Management's Response:**

We concur with auditor's finding and have taken corrective action to ensure compliance in the future.

## **COMPENSATED ABSENCES REPORTING PACKAGE**

### **Condition:**

During our testing of the Compensated Absences Reporting Package, we noted one of the five employees selected for testing had an incorrect hourly rate reported. The rate was actually reported as zero. Additionally, based on a cursory review, we noted three other employees on the Report with an hourly rate reported as zero.

### **Cause:**

Agency oversight and lack of adequate review.

### **Effect:**

Incorrect information was sent to the Comptroller General's Office understating the Council's leave liability at fiscal year-end by approximately \$11,900.

### **Criteria:**

The Comptroller General's Policies and Procedures states, "Each agency is responsible for designing and implementing internal controls for the accurate reporting of agency assets, liabilities, fund balance or net assets, revenue, and expenditures as required by State Reporting Policies and Procedures Manual. Each agency's executive director and finance director are responsible for submitting to the Comptroller General's Office reporting packages and/or financial statements that are: accurate and prepared in accordance with instructions, complete, and timely."

### **Recommendation:**

We recommend the Council implement policies and procedures to ensure that the reporting package is prepared in accordance with the Comptroller General's Reporting Policies and Procedures Manual requirements and that amounts reported are accurate and complete.

### **Management's Response:**

We concur with auditor's finding and have taken corrective action to ensure compliance in the future.

## **SECTION B - 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 Council for the fiscal year ended June 30, 2013, and dated September 23, 2014. We applied no procedures to the Council's accounting records and internal controls for the year ended June 30, 2014. We determined that the Council has taken adequate corrective action on each of the findings.

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