

South Carolina Department of Health and Environmental Control

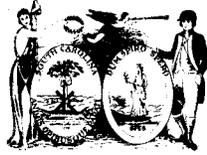
Columbia, South Carolina

Independent Accountants' Report on

Applying Agreed-Upon Procedures

June 30, 2003

State of South Carolina



Office of the State Auditor

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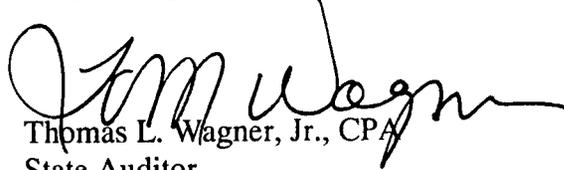
June 23, 2004

The Honorable Mark Sanford, Governor  
and  
Members of the Board of Health and Environmental Control  
South Carolina Department of Health and Environmental Control  
Columbia, South Carolina

This report on the application of agreed-upon procedures to the accounting records of the South Carolina Department of Health and Environmental Control for the fiscal year ended June 30, 2003, was issued by Scott McElveen, L.L.P., 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,

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/trb

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Independent Accountants' Report on Applying Agreed-Upon Procedures

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The Honorable Mark Sanford, Governor  
and  
Members of the Board of Health and Environmental Control  
South Carolina Department of Health and Environmental Control  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Department of Health and Environmental Control (the "Department"), solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2003, in the areas addressed. The Department'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. We selected and tested 25 recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the tested receipt transactions were adequate. We also selected certain 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 from sources other than State General Fund appropriations to those of the prior year and, using estimations and other procedures, made inquiries regarding the reasonableness of collected and recorded amounts by revenue account. The individual transactions were chosen randomly. We found no exceptions as a result of the procedures.

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2. We selected and tested 25 recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records, were bona fide disbursements of the Department, 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; and if internal controls over the selected disbursement transactions were adequate. We also tested and selected certain 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 to those of the prior year and made inquiries regarding the reasonableness of amounts paid and recorded by expenditure account. The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.
3. We selected and tested 25 recorded payroll disbursements to determine if the tested 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 internal controls over the tested payroll transactions were adequate. We selected and tested 4 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 also selected and tested 5 transactions for new employees and those who terminated employment to determine if internal controls over these transactions were adequate. 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 performed other procedures such as comparing current year recorded payroll expenditures to those of the prior year; and comparing the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computing the percentage distribution of recorded fringe benefit expenditures by fund source and comparing the computed distribution to the actual distribution of recorded payroll expenditures by fund source to determine if recorded payroll and fringe benefit expenditures were reasonable by expenditure account. The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.
4. We selected and tested 16 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, were adequately documented and explained, were properly approved, and were mathematically correct; and the internal controls over these transactions were adequate. The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

5. We selected and tested certain entries and monthly totals in the subsidiary records of the Department 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 the internal controls over the tested transactions were adequate. The transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
6. We obtained monthly reconciliations prepared by the Department for the year ended June 30, 2003, and determined that the reconciliations were signed and dated by both the preparer and reviewer and that the reconciliations were dated at a reasonable time after month end. We determined that they were properly prepared and completed and that all reconciling items were adequately explained. For two randomly selected monthly reconciliations, we agreed the applicable amounts to the Department's general ledger and agreed the applicable amounts to the STARS reports. We found no exceptions as a result of the procedures.
7. We made inquiries regarding the Department's compliance with applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for the year ended June 30, 2003. We found no exceptions as a result of the procedures.
8. We obtained copies of all closing packages as of and for the year ended June 30, 2003, prepared by the Department and submitted to the Comptroller General. We reviewed them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. We found no exceptions as a result of the procedures.
9. We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2003, prepared by the Department and submitted to the State Auditor. We reviewed it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. We found no exceptions as a result of the procedures.

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 areas, 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, South Carolina Office of the State Auditor and the governing body and management of the Department and is not intended to be and should not be used by anyone other than these specified parties.

*A. J. McElveen, L.L.P.*

Columbia, South Carolina  
June 4, 2004

## Accountants' Comments

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### Section A – Findings

We found no exceptions as a result of the procedures performed for the year ended June 30, 2003.

### Section B – Status of Prior Findings

There were no prior findings for the year ended June 30, 2002, the last year for which an agreed-upon procedure report was issued for the South Carolina Department of Health and Environmental Control.