

**SOUTH CAROLINA
HOUSE OF REPRESENTATIVES
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
DEPOSIT	6
ACCOUNTS PAYABLE REPORTING PACKAGE	7
SECTION B - STATUS OF PRIOR FINDINGS	8
MANAGEMENT'S RESPONSE	9

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 26, 2012

Members of the South Carolina House of Representatives
South Carolina General Assembly
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the Clerk of the South Carolina House of Representatives (the House), solely to assist you in evaluating the performance of the House for the fiscal year ended June 30, 2011, in the areas addressed. The House'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 and earmarked funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$0 – general fund and \$1,500 – earmarked fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Deposit 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 House's policies and procedures and State regulations, were bona fide disbursements of House, 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 (\$87,600 – general fund and \$900 – earmarked fund) and ± 10 percent.

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

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 House'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 House'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 (\$87,600 – general fund and \$900 – earmarked 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. We found no exceptions as a result of the procedures.

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

The reconciliations selected were chosen randomly. 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 Agency'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 House 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 finding as a result of these procedures is presented in Accounts Payable Reporting Package in the Accountant's Comments section of this report.

9. **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 House resulting from our engagement for the fiscal year ended June 30, 2008, to determine if the House had taken corrective action. We applied no procedures to the House's accounting records and internal controls for the years ending June 30, 2009 and 2010.

Our finding as result of these procedures is presented in Deposit 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 Clerk of the House and Members of the House 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.

DEPOSIT

During our test of cash receipts, we determined that one of the twenty-five receipts tested was not deposited in a timely manner. Our review of receipt numbers 2868 and 2869 (RC90), issued by the House Ethics Committee, documented that a check for payment was received on April 15, 2011 but was not deposited by House Bookkeeping until May 6, 2011. House personnel explained that the employee responsible for bringing the collected receipts from the Ethics Committee to Bookkeeping did not adhere to House procedures which requires cash receipts be deposited within ten days of receipt. Once received by Bookkeeping the check was deposited timely.

South Carolina General Assembly General Appropriations Bill for fiscal year 2010 – 2011 Proviso 89.1 states, “For the current fiscal year, except as hereinafter specifically provided, all general state revenues derived from taxation, licenses, fees, or from any other source whatsoever, and all institutional and departmental revenues or collections, including income from taxes, licenses, fees, the sale of commodities and services, and income derived from any other departmental or institutional source of activity, must be remitted to the State Treasurer at least once each week when practical, and must be credited, unless otherwise directed by law, to the General Fund of the State...”

We recommend the House strengthen its internal controls to ensure that receipts are deposited in accordance with State law.

ACCOUNTS PAYABLE REPORTING PACKAGE

During our review of the Comptroller General Year-End Reporting Packages, we noted that House personnel had not completed the Accounts Payable Reporting Package. Our non-payroll expenditure cut-off test disclosed that the House processed two invoices relating to service received during fiscal year 2011 but paid after the close of the fiscal year. Based on this information, the House should have completed and submitted the Accounts Payable Reporting Package to the Comptroller General.

The Comptroller General's Policies and Procedures manual for Year-End Reporting Packages Section 1.7 (Summary of Agency Responsibilities) states that, "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..."

We recommend that the House follow the policies and procedures established by the Comptroller General's Office and thoroughly review responses to the Master to Reporting Checklist in order ensure that all appropriate and necessary reporting packages are completed.

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 House for the fiscal year ended June 30, 2008, and dated September 29, 2009. We applied no procedures to the House's accounting records and internal controls for the year ended June 30, 2009 and 2010. We determined that the House has taken adequate corrective action on each of the findings with the exception of Deposits, which has been repeated in this report.

MANAGEMENT'S RESPONSE

The House of Representatives



HOUSE ACCOUNTING
AND BENEFITS

STATE OF SOUTH CAROLINA
P. O. Box 11867
Columbia, SC 29211
(803) 734-2053

Suite 216
SOLOMON BLATT BUILDING
1105 PENDLETON STREET
COLUMBIA, SC 29201

January 4, 2013

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

Dear Mr. Gilbert,

I am in receipt of the preliminary draft copy of agreed-upon procedures of the accounting records of the South Carolina House of Representatives for the fiscal year ending June 30, 2011 and do authorize the release of the report.

Actions have been taken to correct the findings.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles F. Reid".

Charles F. Reid
Clerk of the House

CFR/smb

4 copies of this document were published at an estimated printing cost of \$1.43 each, and a total printing cost of \$5.72. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.