

**SOUTH CAROLINA OFFICE
OF THE STATE INSPECTOR GENERAL**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2013

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State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 22, 2014

The Honorable Nikki R. Haley, Governor
and
Mr. Patrick J. Maley, Inspector General
South Carolina Office of the State Inspector General
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Office of the State Inspector General (the Office), solely to assist you in evaluating the performance of the Office for the fiscal year ended June 30, 2013, in the areas addressed. The Office'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. **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 Office, 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.

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

2. 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 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 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.

The individual payroll disbursement transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Transaction Support in the Accountant's Comments section of this report.

3. Appropriation Act

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

We found no exceptions as a result of the procedures.

4. Reporting Packages

- We obtained copies of all reporting packages as of and for the year ended June 30, 2013, prepared by the Office 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.

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 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 management of the South Carolina Office of the State Inspector General 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 – OTHER WEAKNESS

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 while performing the agreed-upon procedures but is not considered a violation of State Laws, Rules or Regulations.

TRANSACTION SUPPORT

Total fiscal year 2013 payroll cost of the Office included paychecks funded by other state agencies and subsequently reimbursed by the Office to those agencies. Within the context of our payroll testing, we reviewed the reimbursements and found the supporting documentation did not adequately support some of the reimbursements. Specifically, a reimbursement to one state agency could not be reconciled to the individual paychecks. The difference between the paychecks and the reimbursement was several hundred dollars. Also, an agreement supporting and explaining the details of these reimbursements, such as which specific paychecks were required to be reimbursed, was referenced but not specifically available.

Effective internal controls require adequate supporting documentation for all accounting transactions. Transactions which are unusual or infrequent in nature, such as the reimbursements described above, typically require additional support.

We recommend the Office ensure that adequate supporting documentation is part of its procedures for all accounting transactions.

MANAGEMENT'S RESPONSE



State of South Carolina Office of the Inspector General

January 15, 2015

Mr. Richard H. Gilbert, Jr.
Deputy State Auditor
1401 Main St. – Suite 1200
Columbia, SC 29201

Dear Mr. Gilbert

In response to the finding noted in “Section A - Other Weakness” concerning inadequate transaction support relative to the reimbursement of employees’ salaries paid by another state agency, I would like to offer the following response. First, the Office of the State Inspector General (SIG) strives to maintain adequate documentation of all transactions. However, in the instance noted we agree that the supporting documentation does not adequately support the transaction and provide a reconciliation of the amount reimbursed to one state agency for two employees’ salaries compared to their paycheck amounts.

In the way of background, this transaction occurred in the first six months of the SIG’s operation at a time when a separate state agency was performing this office’s administration – processing accounts payable and personnel transactions. The employees in question had been funded by another state agency in the previous Office of the Inspector General created by Executive Order, and were transitioned into the current Office. Upon discovering that the SIG’s budget for the first year of its operation was not adequate to support the employees’ salaries for the entire budget year, I requested that the agencies funding those salaries continue to fund them for the first quarter of the fiscal year. When the request was agreed to, some time had passed beyond the first quarter, and the agencies were instructed to request reimbursement for salaries paid beyond the first quarter. Each agency calculated their reimbursement amounts and created Interdepartmental Transfer (IDT) requests, which were processed and paid by the agency handling our Office’s administration.

Again, the SIG agrees with the finding and recognizes the need to maintain adequate transaction support and assures that it does so in the present and will do so in the future. I also note that the circumstances surrounding this transaction were unusual and no longer exist. Beginning with the current fiscal year, the SIG is handling its own administration.

Thank you for the opportunity to respond to this finding and thanks to your staff for their efforts in this agreed upon procedures review of the SIG.

Sincerely,

Patrick J. Maley
Inspector General

PM/pw

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