

**SOUTH CAROLINA
OFFICE OF REGULATORY STAFF
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2013

CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES | 1 |
| II. ACCOUNTANT'S COMMENTS | |
| VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS | 4 |
| MILEAGE REIMBURSEMENT | 5 |
| GRANT AND CONTRIBUTION REVENUES REPORTING PACKAGE | 6 |
| MANAGEMENT'S RESPONSE | 7 |

State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 23, 2014

The Honorable Nikki R. Haley, Governor
and
Mr. C. Dukes Scott, Executive Director
South Carolina Office of Regulatory Staff
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of South Carolina Office of Regulatory Staff (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. **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 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, restricted and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$325,900 – earmarked fund, \$24,700 – restricted fund, and \$0 – federal fund) 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 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.
- We compared current year expenditures at the subfund and account level to those of the prior year. We investigated changes in the earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$330,300 – earmarked fund, \$27,200 – restricted fund, and \$300 – federal fund) and ± 10 percent.

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

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 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.
- We compared current year payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$330,300 – earmarked fund, \$27,200 – restricted fund, and \$300 – federal 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 ± 10 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 and Operating Transfers**

- We inspected selected recorded journal entries and one (100%) operating transfer 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.

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

5. **Appropriation Act**

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

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, 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.

Our finding as a result of these procedures is presented in Grant and Contribution Revenues Reporting Package in the Accountant's Comments section of this report.

7. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2013, prepared by the Office and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts 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 Regulatory Staff 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.

MILEAGE REIMBURSEMENT

During our testing of cash disbursements, we noted an Office employee claimed mileage while on official State business for miles driven by the employee's spouse and was reimbursed \$27.75 in excess of the allowable mileage.

Office personnel considered the miles driven by the employee's spouse to be reimbursable.

State travel regulations stipulate that only actual miles driven on official State business will be reimbursed.

The overpayment of the employee's travel was reimbursed by the Executive Director by the end of our fieldwork.

We recommend that Office review its travel reimbursement policies to ensure they are in compliance with State travel regulations.

GRANT AND CONTRIBUTION REVENUES REPORTING PACKAGE

During our testing of the Grant and Contribution Revenues Reporting Package, we noted that the Office reported a current receivable of \$9,000 applicable to a Federal grant that began in June 2013. However, no funds were received until the next fiscal year and no expenditures were incurred during fiscal year 2013.

Part III, Section 3 of the South Carolina Comptroller General's Office Reporting Policies and Procedures Manual states that for all Federal grants an expenditure must occur before revenue is recognized or a receivable is recorded.

Office personnel stated the Comptroller General's Office Reporting Package instructions were unclear.

We recommend that the Office strengthen its procedures to ensure that reporting packages are completed in accordance with the Comptroller General's Office Reporting Policies and Procedures Manual instructions.

MANAGEMENT'S RESPONSE

C. DUKES SCOTT
EXECUTIVE DIRECTOR

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NANETTE S. EDWARDS
DEPUTY EXECUTIVE DIRECTOR

August 7, 2014

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

Dear Mr. Gilbert:

The Office of Regulatory Staff (ORS) has completed its review of the report on the performance of the Agreed-Upon Procedures for the fiscal year ending June 30, 2013.

Each of the findings noted in your report has been reviewed. Corrections to procedures have been implemented and ORS procedures have been modified, accordingly.

ORS will continue to work diligently to ensure compliance with all State laws, rules, and regulations.

We appreciate your assistance, and we authorize the release of the report.

Sincerely,

C. Dukes Scott
Executive Director

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