

**SOUTH CAROLINA  
PROCUREMENT REVIEW PANEL  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2006**

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# *State of South Carolina*



## *Office of the State Auditor*

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

May 21, 2007

The Honorable Mark Sanford, Governor  
and  
Members of the South Carolina Procurement Review Panel  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Procurement Review Panel (the Panel), solely to assist you in evaluating the performance of the Panel for the fiscal year ended June 30, 2006, in the areas addressed. The Panel'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 earmarked funds to ensure that revenue was classified properly in the agency's accounting records. We investigated changes of \$100 and  $\pm 10$  percent to ensure that revenue was 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.

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 Panel, and were paid in conformity with State laws and regulations, and 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 of \$3,400 for the General Fund and \$300 in the Earmarked Fund, and  $\pm 10$  percent to ensure that expenditures were classified properly in the agency's accounting records.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Expenditures by Fiscal Year 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, including employee payroll deductions, 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 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 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 the percentage change in recorded personal service expenditures to the percentage change in employer contributions. We investigated changes of  $\pm 2$  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 all 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 agency'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 Panel 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 agency'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 Panel for the year ended June 30, 2006, and inspected selected reconciliations of balances in the Panel'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 Panel'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 Panel's accounting records and/or in STARS.

The reconciliations selected were chosen randomly. Our finding as a result of these procedures is presented in the Documentation of Reconciliations in the Accountant's Comments section of this report.

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. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2006, prepared by the Panel and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements and if the amounts reported in the closing packages agreed with the supporting workpapers and accounting records.

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

The Honorable Mark Sanford, Governor  
and  
Members of the South Carolina Procurement Review Panel  
May 21, 2007

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 governing body and management of the South Carolina Procurement Review Panel and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**ACCOUNTANT'S COMMENTS**

## **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.

## **EXPENDITURES BY FISCAL YEAR**

During our testing of disbursement vouchers, we noted a voucher for a monthly subscription for June 2005 was paid using fiscal year 2006 funds. Therefore, in fiscal year 2006 there were thirteen payments instead of twelve payments for this monthly subscription.

Proviso 73.1 of the 2006 Appropriation Act requires expenditures for the current year to be charged to current year funds. The 2005 Appropriation Act contained a similar proviso for the expenditure of fiscal year 2005 funds.

We recommend the Panel develop and implement procedures to ensure it pays current year expenditures with current year appropriations.

## **DOCUMENTATION OF RECONCILIATIONS**

Section 2.1.7.20 of the Comptroller General's Policies and Procedures Manual (STARS) states that in order to ensure adequate error detection and to satisfy audit requirements, reconciliations must be: performed at least monthly on a timely basis (i.e., shortly after month-end); documented in writing in an easily understandable format with all supporting working papers maintained for audit purposes; signed and dated by the preparer; and reviewed and approved in writing by an appropriate agency official other than the preparer.

In reviewing the Panel's reconciliations for fiscal year 2006 we noted that the reviewer's signature was not documented on the monthly reconciliations. Also, agency personnel who prepared the revenue reconciliations did not sign and date the reconciliations.

We recommend the Panel prepare all monthly reconciliations as required by the STARS Manual. We recommend Panel personnel independently review the reconciliations to help ensure detection of errors.

## **COMPENSATED ABSENCES CLOSING PACKAGE**

During our testing of the fiscal year 2006 Compensated Absences Closing Package we noted that the reported annual leave liability was understated \$230. The Panel misinterpreted the instructions for Compensated Absences Closing Package. They used the maximum carryforward limit for individual annual leave instead of the individual's actual annual leave balance.

Section 3.17 of the GAAP Closing Procedures Manual – Compensated Closing Package states in part the following: “The accumulated unused annual leave earned by employees at June 30 is the actual leave balance in the agency’s records for each employee.”

We recommend the Panel follow the guidelines set forth in the GAAP Closing Procedures Manual to ensure accurate reporting of the Panel's annual leave liability.

**MANAGEMENT'S RESPONSE**

# South Carolina Procurement Review Panel

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CHAIRMAN

July 13, 2007

Ms. Sue Moss  
Office of the State Auditor  
1401 Main Street, Suite 1200  
Columbia, SC 29201

Dear Ms. Moss,

I have reviewed the preliminary draft copy of agreed upon procedures to the accounting records of the Procurement Review Panel and authorize release of the report.

If you have any questions, I can be reached at (843)524-8880.

Sincerely,

A handwritten signature in black ink, appearing to be "Phil Hodges".

Phil Hodges, Chairman  
Procurement Review

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