

**SOUTH CAROLINA  
LEGISLATIVE SERVICES AGENCY  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2015**

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**South Carolina  
Office of the State Auditor**

**George L. Kennedy, III, CPA  
State Auditor**

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

April 11, 2016

Members of the South Carolina General Assembly  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Legislative Services Agency (the Agency), solely to assist you in evaluating the performance of the Agency for the fiscal year ended June 30, 2015, in the areas addressed. The Agency'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 thirteen 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 five 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 general fund to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality level (\$0 – general fund) and  $\pm 10$  percent.
- We made inquiries of management pertaining to the agency's policies for accountability and security over permits, licenses, and other documents issued for money. We observed agency personnel performing their duties to determine if they understood and followed the described policies.

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 twenty-five 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 Agency, 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 six 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 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 (\$40,800 – general fund and \$12,100 – earmarked fund) and  $\pm 10$  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 twenty-five 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; and 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 all new employees and all individuals 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 general fund to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality level (\$40,800 – general fund) and  $\pm 10$  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  $\pm 10$  percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

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

4. **Journal Entries and Appropriation Transfers**

- We inspected five selected recorded journal entries and all 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.

The individual journal entry 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 Agency's compliance with Appropriation Act general provisos as listed in the Appropriation Act work program, and agency specific provisos, if applicable.

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, 2015, prepared by the Agency 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 Prepaid Expenses Reporting Package in the Accountant's Comments section of this report.

7. **Status of Prior Findings**

- We inquired about the status of the finding reported in the Accountant's Comments section of the State Auditor's Report on the Agency resulting from our engagement for the fiscal year ended June 30, 2013, to determine if the Agency had taken corrective action. We applied no procedures to the Agency's accounting records and internal controls for the year ended June 30, 2014.

We found no exceptions as a result of the procedures.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Agency has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$100 related to processing cash receipts and cash disbursements transactions unless the errors occur in 10 percent or more of the transaction class tested.
- Clerical errors of less than \$100 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that 10 percent or more of the accounting transactions tested were found to be in error.

- Reporting packages which are submitted less than 3 business days after the due date unless it is determined that two or more of the reporting packages were submitted late.

We were not engaged to and did not conduct an examination, 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 Members of the South Carolina General Assembly and management of the South Carolina Legislative Services Agency and is not intended to be and should not be used by anyone other than these specified parties.



George L. Kennedy, III, CPA  
State Auditor

**ACCOUNTANT'S COMMENTS**

## **SECTION A - VIOLATION 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 condition described in this section has been identified as a violation of State Laws, Rules or Regulations.

## **PREPAID EXPENSES REPORTING PACKAGE**

### **Condition:**

Our testing of the Agency's Prepaid Expenses Reporting Package included selection and detailed testing of eighteen of the ninety transactions supporting the Agency's reported prepaid expense. One of the eighteen transactions was found to be mistakenly included by the Agency as part of June 30, 2015 prepaid expense and should have been excluded.

### **Cause:**

The inadvertent inclusion of the transaction by the preparer of the reporting package was not detected and corrected by the reviewer of the reporting package.

### **Effect:**

The reported prepaid expense was overstated by \$2,589 as a result of this error.

### **Criteria:**

Section 1.7 of the Comptroller General's Reporting Policies and Procedures Manual states, "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, complete, and timely."

### **Recommendation:**

We recommend the Agency develop and implement procedures to ensure that all reporting packages are completed in accordance with the Comptroller General's Office Reporting Policies and Procedures Manual and form instructions.

### **Management's Response:**

LSA ensures that all reporting packages are completed in accordance with the Comptroller General's Office Reporting Policies and Procedures Manual and form instructions. Going forward we will better scrutinize the working papers and forms to ensure compliance.

## **SECTION B - OTHER WEAKNESS**

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.

## **LEAVE PAYOUT**

### **Condition:**

An inaccurate leave payout was noted for one of the five individuals terminating employment with the Agency during the fiscal year ended June 30, 2015.

### **Cause:**

An undetected calculation error caused the leave payout discrepancy. The Agency is not required to utilize the South Carolina Enterprise Information System (SCEIS) for tracking employee leave and therefore uses an alternate system.

### **Effect:**

The noted discrepancy between the Agency's leave system and the annual leave payout totaled approximately \$1,500.

### **Criteria:**

Effective internal controls require safeguards to ensure that transactions are properly reviewed and approved to ensure proper payment.

### **Recommendation:**

We recommend the Agency determine any remaining amounts due to terminated employees to ensure proper payment has occurred. We also recommend the Agency strengthen its policies and procedures over termination payments to ensure proper payments.

### **Management's Response:**

The terminal leave payout process has been modified to include the administrative manager to review such paperwork and to verify terminal leave hours (if any) to be paid.

**SECTION C - STATUS OF PRIOR FINDING**

During the current engagement, we reviewed the status of corrective action taken on the finding reported in the Accountant's Comments section of the State Auditor's Report on the Agency for the fiscal year ended June 30, 2013, and dated November 17, 2014. We applied no procedures to the Agency's accounting records and internal controls for the year ended June 30, 2014. We determined the Agency has taken adequate corrective action on the finding.

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