

STATE OF SOUTH CAROLINA

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

June 30, 2012

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Honorable Nikki R. Haley, Governor
 and Members of the General Assembly
 State of South Carolina
 Columbia, South Carolina

We have jointly audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina (the State) as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements and have issued our report thereon dated June 7, 2013. We did not jointly audit the financial statements of certain agencies and component units of the State of South Carolina, which represent the indicated percent of total assets and total revenues as presented in the table below. Those financial statements were audited by other auditors, or were audited solely by CliftonLarsonAllen LLP, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those agencies and component units, is based solely on the reports of the other auditors.

	Percentage Audited by CliftonLarsonAllen LLP Separately		Percentage Audited by Other Auditors	
	Total Assets	Total Revenue	Total Assets	Total Revenue
<u>Government-wide</u>				
Governmental activities	-	-	66	19
Business-type activities	-	-	98	100
Component units	-	-	100	100
<u>Fund Statements</u>				
Governmental Funds	-	-	19	10
Enterprise Funds	-	-	98	100
Internal Service Funds	-	-	89	94
Fiduciary Funds	82	21	17	79

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include certain entities separately audited by CliftonLarsonAllen LLP separately or other auditors as noted in the preceding paragraph. The auditors of those entities have issued separate reports on their consideration of internal control over financial reporting and their tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for these entities. The findings, if any, included in those reports are not included herein.

Internal Control Over Financial Reporting

Management of the State of South Carolina is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the State's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2012-01, 2012-02, and 2012-03 as described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2012-04, 2012-05, and 2012-06 as described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of South Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State's responses to the findings identified in our audit are included in the section of this report titled "Management's Responses." We did not audit the State's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Governor, members of the General Assembly, the governing body and management of State agencies, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


Columbia, South Carolina
June 7, 2013


Baltimore, Maryland
June 7, 2013

SCHEDULE OF FINDINGS

MATERIAL WEAKNESSES

2012-01 FINANCIAL REPORTING – PREPARATION OF STATEWIDE ACCOUNTING RECORDS AND COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) – COMPTROLLER GENERAL’S OFFICE

Condition

Internal controls over financial reporting were inadequate to prevent or detect multiple misstatements during the preparation of the State’s CAFR and the supporting accounting records, which required the Comptroller General’s Office to post adjustments to the State’s CAFR. Some of the individual misstatements were material.

Context

The Comptroller General’s Office is responsible for the reporting of State financial accounting data in the CAFR. Upon receipt of State agencies’ financial accounting data, the Comptroller General’s Office is responsible for compiling the State’s CAFR using the State agencies’ data, and recording statewide accounting adjustments to that data to properly reflect the State’s overall financial position at year end. During the preparation of the fiscal year 2012 CAFR, the Comptroller General’s Office implemented new processes and procedures related to compilation of the CAFR using the South Carolina Enterprise Information System (SCEIS). Errors occurred in the CAFR and the related financial accounting data as a result of difficulties encountered by the Comptroller General’s Office staff in using SCEIS to compile the statewide accounting data. The errors were not detected or corrected by the Comptroller General’s Office supervisory staff during the review process, and as a result, material misstatements were identified during the audit of the financial statements and footnotes.

Cause

The Comptroller General’s Office staff did not accurately compile and report financial accounting data from SCEIS during preparation of the CAFR. There was lack of adequate and timely review by the Comptroller General’s Office supervisory staff, as errors were not detected during review. The inadequate reviews were a result of the following:

- The Comptroller General’s Office staff did not have adequate experience using the new SCEIS accounting system and its CAFR preparation module to prevent and detect all errors.
- The Comptroller General’s Office staff did not take the time necessary to develop processes and procedures to capture all financial accounting data correctly and as a result, controls that were in place were not adequate to prevent or detect errors.

Effect

Material adjustments were necessary as of June 30, 2012 to correct the errors.

Criteria

Section 1.6, An Overview of the Year-End Reporting Process of the Comptroller General's GAAP Reporting Package Procedures Manual, states, "The Comptroller General's Office will use SCEIS functionality to compile the statewide financial statements. Specifically, they will evaluate the completeness of SCEIS and identify and post entries necessary for GAAP compliance in SCEIS." This policy acts as a control over financial reporting for the State's financial statements.

Recommendation

We recommend that additional procedures and controls be developed and implemented to ensure that the State's financial accounting data is reported accurately in the CAFR in accordance with Section 1.6 of the procedures manual referenced above.

Response

See managements' response on page 12.

2012-02 FINANCIAL REPORTING – CORRECTION OF ERRORS FROM A PRIOR PERIOD – COMPTROLLER GENERAL'S OFFICE

Condition

Internal controls over financial reporting were inadequate to prevent or detect in a timely manner, misstatements of the prior period effecting statewide reported financial accounting data, resulting in the need for material prior period adjustments.

Context

The Comptroller General's Office is responsible for the reporting of State financial accounting data in the CAFR. Upon receipt of State agencies' financial accounting data, the Comptroller General's Office is responsible for compiling the State's CAFR using the State agencies' data, and recording statewide accounting adjustments to that data to properly reflect the State's overall financial position at year end. Upon preparation of the fiscal year 2012 CAFR, errors were noted in the recording of statewide accounting adjustments, resulting in the following findings:

- The Comptroller General's Office receives cash and cash equivalent balances from the State Treasurer's Office, and records an adjustment to record all cash and cash equivalents at fair market value. This fair market value adjustment was not recorded using the correct values on a report from the State Treasurer's Office, resulting in a material misstatement of cash and cash equivalents and the related earnings on those accounts in the prior year. The error was identified by the Comptroller General's Office during fiscal year 2012, and as a result, a prior period adjustment was made to beginning net assets and fund balance in the fiscal year 2012 CAFR.

- The Comptroller General's Office is responsible for eliminating certain internal transactions between State agencies when preparing the CAFR. An elimination of an infrastructure asset from the Department of Transportation was made by the Comptroller General's Office which resulted in an understatement of capital assets and net assets at June 30, 2012. Additionally, this adjustment had been made in the prior year, and as a result, a prior period adjustment was made to beginning net assets in the fiscal year 2012 CAFR.

Cause

The Comptroller General's Office staff did not accurately compile and report financial accounting data as reported by the State agencies. There was a lack of adequate and timely review by the Comptroller General's Office supervisory staff, as the errors were not detected during review or on a timely basis.

Effect

Material adjustments were necessary as of June 30, 2011 and June 30, 2012 to correct the errors.

Criteria

Section 1.6, An Overview of the Year-End Reporting Process of the Comptroller General's GAAP Reporting Package Procedures Manual, states, "The Comptroller General's Office will use SCEIS functionality to compile the statewide financial statements. Specifically, they will evaluate the completeness of SCEIS and identify and post entries necessary for GAAP compliance in SCEIS." This policy acts as a control over financial reporting for the State's financial statements.

Recommendation

We recommend that additional procedures and controls be developed and implemented to ensure that the State's financial accounting data is reported accurately in the CAFR in accordance with Section 1.6 of the procedures manual referenced above.

Response

See managements' response on page 13.

2012-03 FINANCIAL REPORTING – REPORTING OF GRANT RECEIVABLES AND DEFERRED GRANT REVENUE – DEPARTMENT OF PUBLIC SAFETY

Condition

The Department of Public Safety's (DPS) procedures and controls were inadequate to ensure proper reporting of grants receivable and deferred revenue balances on the agency's grant/contribution revenue reporting package. As a result the State recorded a material adjustment.

Context

Grant receivables and deferred revenue should be calculated at the individual grant award level, as determined by the original award document from the grantor, in order to accurately capture the grant receivable and deferred grant revenue balances as of the fiscal year end. DPS reported their grant receivable and deferred revenue balances on their grant/contribution reporting package by separately reporting balances of discretionary subgrants to state and non-state agencies. Receipts and expenditures of subgrants that fell under the same original grant award should have been consolidated for purposes of calculating one receivable or deferred revenue balance of the original grant award. As a result, grant receivable and deferred grant revenue balances were overstated.

Cause

There was a lack of adequate review by DPS supervisory staff.

Effect

A material adjustment was necessary as of June 30, 2012 to correct the errors.

Criteria

Internal control procedures affect an agency's ability to process financial transactions that are authorized and accurate. Section 1.7 of the Comptroller General's Reporting Package Procedures Manual states, "Each agency executive director and finance director are responsible for submitting to the Comptroller General's Office reporting packages that are accurate and prepared in accordance with instructions, complete, and timely." This requirement acts as a control over financial reporting for the State's financial statements.

Recommendation

We recommend that additional procedures and controls be developed and implemented by the DPS to ensure that the grant receivables and deferred grant revenue provided in reporting packages are reported accurately in accordance with Section 1.7 of the procedure's manual referenced above.

Response

See managements' response on page 15.

SIGNIFICANT DEFICIENCIES

2012-04 FINANCIAL REPORTING – GRANT RECEIVABLES AND DEFERRED GRANT REVENUE - COMPTROLLER GENERAL'S OFFICE

Condition

Internal controls over financial reporting were inadequate to prevent or detect misstatements of grant receivables and deferred grant revenue at June 30, 2012, resulting in the need for an adjustment.

Context

The Comptroller General's Office provides guidance and instructions to assist State agencies with the preparation of financial accounting data that is used by the Comptroller General's Office for compilation and inclusion in the CAFR. During the accumulation of information reported to the Comptroller General's Office by State agencies, data entry errors occurred in the process of summarizing grant receivables and deferred grant revenue balances. The data entry errors were not detected by the Comptroller General's Office supervisory staff during the review process. As a result, the Comptroller General's Office did not record grant receivables and deferred grant revenue accurately.

Cause

The Comptroller General's Office staff did not accurately compile and record grant receivables and deferred grant revenue data as reported by the State agencies. There was a lack of adequate review by the Comptroller General's Office supervisory staff, as the data entry errors were not detected during review.

Effect

An adjustment was necessary as of June 30, 2012 to correct the errors.

Criteria

Section 1.6, An Overview of the Year-End Reporting Process of the Comptroller General's GAAP Reporting Package Procedures Manual, states, "The Comptroller General's Office will use SCEIS functionality to compile the statewide financial statements. Specifically, they will evaluate the completeness of SCEIS and identify and post entries necessary for GAAP compliance in SCEIS." This policy acts as a control over financial reporting for the State's financial statements.

Recommendation

We recommend that additional procedures and controls be developed and implemented to ensure that the grant receivables and deferred grant revenue provided in reporting packages by State agencies are reported accurately in accordance with Section 1.6 of the procedure's manual referenced above and the data compiled by the Comptroller General's Office staff is adequately reviewed by appropriate personnel.

Response

See managements' response on page 14.

2012-05 FINANCIAL REPORTING – RECONCILIATION OF CASH AND CASH EQUIVALENTS – STATE TREASURER’S OFFICE

Condition

Internal controls over financial reporting were inadequate to prevent or detect misstatements of cash and cash equivalents on the cash and investment reporting package submitted by the State Treasurer’s Office (STO) at June 30, 2012, resulting in the need for an adjustment.

Context

The STO did not properly reconcile the cash and investment balances reported in the year end reporting package to the bank activity at June 30, 2012. The year end reporting package submitted by the STO did not contain all cash and investments held by the State, because the STO did not properly reconcile their accounts. STO management has established internal control processes to review year end reconciliations and reporting packages, prior to submitting to the Comptroller General’s Office. The review process failed to detect the error reported in the year end reporting package.

Cause

There was a lack of adequate review by STO supervisory staff.

Effect

An adjustment was necessary as of June 30, 2012 to correct the errors.

Criteria

Internal control procedures affect an agency’s ability to process financial transactions that are authorized and accurate. Section 1.7 of the Comptroller General’s Reporting Package Procedures Manual states, “Each agency executive director and finance director are responsible for submitting to the Comptroller General’s Office reporting packages that are accurate and prepared in accordance with instructions, complete, and timely.” This requirement acts as a control over financial reporting for the State’s financial statements.

Recommendation

We recommend that additional procedures and controls be developed and implemented by the STO to ensure that the cash and cash equivalents provided in the reporting package is reported accurately in accordance with Section 1.7 of the procedure’s manual referenced above.

Response

See managements’ response on page 16.

2012-06 FINANCIAL REPORTING – SOUTH CAROLINA ENTERPRISE INFORMATION SYSTEM – BUDGET AND CONTROL BOARD – DIVISION OF STATE INFORMATION TECHNOLOGY

Condition

The Budget and Control Board – Division of State Information Technology (DSIT), which manages SCEIS, does not properly monitor and evaluate permissions and segregations of duties within the software. Additionally, SCEIS does not have a tool integrated to assist in the evaluation of segregation of duties and sensitive access within SCEIS.

Context

The security structure within SCEIS is a complex system and is very difficult to review and manage through manual procedures. During our review of system access, we noted that user access rights were not reevaluated and redefined as user duties changed and some users' access rights contained conflicting duties within the system.

Cause

There was a lack of established controls to review segregation of user duties and access rights.

Effect

Lack of review over user rights and duty segregation could lead to users posting transactions without approval, or that should not be allowed under the user's permissions, affecting financial reporting.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework states that control activities are a component of internal control. Control activities are policies and procedures established to ensure that management directives are carried out, and consist of two elements, a policy that establishes what should be done and the procedure that implements the policy. COSO Framework states that control activities must be in place for there to be adequate internal control procedures over financial reporting. Internal control procedures affect the State's ability to ensure financial transactions are authorized and accurate.

Recommendation

We recommend that DSIT evaluate available tools including, *GRC* and *Approva*, to assist in monitoring of SCEIS system access, and develop policies and procedures to consistently monitor user access and segregation of duties in SCEIS.

Response

See managements' response on page 17.

SUMMARY OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on the findings in the prior report on compliance and internal control over financial reporting at the basic financial statement level, dated December 8, 2011 to determine if the conditions still existed. Based on our audit procedures, we determined that the State has not taken adequate corrective action on the identified deficiency 2011-09. Therefore, we have repeated the comment at finding 2012-06. Comments 2011-01 through 2011-08 have not been repeated in this report.

MANAGEMENTS' RESPONSES



State of South Carolina
Office of Comptroller General

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RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL

WILLIAM E. GUNN
CHIEF OF STAFF

MEMORANDUM

TO: Richard H. Gilbert, Interim State Auditor
FROM: William E. Gunn, Chief of Staff *William E. Gunn*
SUBJECT: Management's Response to Audit Findings
DATE: August 21, 2013

2012-01 FINANCIAL REPORTING – PREPARATION OF STATEWIDE ACCOUNTING RECORDS AND COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

We disagree with the premise of this finding, specifically that the Comptroller General's Office (CGO) staff failed to accurately compile financial accounting data from the South Carolina Enterprise Information System (SCEIS) in preparing the Comprehensive Annual Financial Report (CAFR) and that CGO supervisory staff did not adequately review the compilation and reporting process.

The causes of the finding, as they are stated, are incomplete and therefore misleading. The finding states that "the Comptroller General's Office staff did not have adequate experience with respect to using the SCEIS accounting system for CAFR preparation to prevent and detect errors" and "the Comptroller General's Office staff did not take the time necessary to develop processes and procedures to capture all financial accounting data correctly..." The finding, as stated, is misleading because it fails to recognize that it was the State's SCEIS project team -- rather than the CGO staff -- that was responsible for creating SCEIS's automated CAFR compilation capability. The intended objective of the automated capability was to capture financial accounting data from SCEIS, translate and compile that data, and summarize it in a reliable and systematic manner to prepare the CAFR.

When CGO staff was provided this automated compilation capability to use, it encountered significant problems with it. For context, as SCEIS personnel were working on this particular project phase to develop the CAFR compilation capability, the overall project's budget was cut unexpectedly by several million dollars for that year. As a result, this phase of the SCEIS project was unable to continue engaging independent consultants who until then had been advising and assisting, and SCEIS personnel were forced to complete the project without outside expertise. It eventually became evident that the work of the project team had been insufficient to meet the intended objective of developing a reliable automated CAFR compilation capability, although the team worked diligently to make the most of its very unfortunate budget circumstances.

In like manner, CGO staffing had been impacted by budget reductions and by the loss of experienced personnel. For example, between 2004 (when the SCEIS project effectively began) and the present (the

SCEIS implementation is in the process of wrapping up), the number of filled FTEs in the CGO has dropped from 68 to 30.

When the SCEIS team completed the CAFR compilation capability last year, CGO staff tried to test or validate that capability by using it to prepare portions of a “parallel” Fiscal Year (FY) 2011 CAFR to compare to the FY 2011 CAFR which had been prepared from the State’s aging legacy systems (i.e., the systems that were being replaced by SCEIS). At that point CGO staff encountered significant unexpected differences between the two.

During the first half of calendar year 2012, the CGO staff worked to evaluate problems with SCEIS’s CAFR compilation process. It was hoping to have a reliable SCEIS process available for compiling the FY 2012 CAFR. The CGO staff’s extensive work in this area was eventually overtaken by the pressing need to close the State’s books as of June 30, 2012 and prepare for the year-end audit.

In spite of these significant efforts to improve SCEIS’s automated CAFR compilation process, the CGO staff encountered problems with it while trying to produce the FY 2012 CAFR. Unfortunately, the additional problems significantly delayed the completion of the FY 2012 CAFR and required significant additional effort to resolve.

We are confident that the day-to-day financial accounting data processed by SCEIS is reliable. The difficulty we encountered at year-end occurred in trying to use SCEIS’s incomplete CAFR compilation capability to extract, sort, summarize, and report this data to produce the CAFR. Because the CAFR is a complex financial document containing nearly 300 pages of cross-tying financial statements, note disclosures, schedules, tables, and other financial information, the task of compiling and producing it is extensive even without the problems detailed above.

2012-02 FINANCIAL REPORTING – CORRECTION OF ERRORS FROM A PRIOR PERIOD

The Comptroller General’s Office has experienced significantly depleted levels of staffing due to turnover and budget cuts. Throughout the SCEIS implementation period from 2004 to the present, the CG Office staff declined from 68 to 30 permanent filled positions. The Office received limited additional funding from the General Assembly in the FY2013-14 Appropriations Act for staffing assistance, and accordingly has already made progress in building its accounting and reporting staff resources and capabilities. With more adequate staffing, the Office will work to improve internal controls over financial reporting in fiscal year 2013 and beyond.

The 2012 CAFR was the first CAFR prepared using the State’s SAP-based ERP software. In subsequent years, with improved and expanded staffing, we expect significant improvements in the process of preparing and reviewing the State’s CAFR.

The particular elimination in question related to an internal transaction involving a high level of complexity due to the bankruptcy-related restructuring of a licensing agreement between the South Carolina Department of Transportation and Connector 2000, which was further complicated by the implementation of the new Governmental Accounting Standards Board (GASB) Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. Interpretation of legal documents, detailed accounting analysis, and professional judgment are necessary in these circumstances, and the resulting application into the financial statements and note disclosures often is not clearly defined.

2012-04 FINANCIAL REPORTING – GRANT RECEIVABLES AND DEFERRED GRANT REVENUE

The Comptroller General's Office has experienced significantly depleted levels of staffing due to turnover and budget cuts. Throughout the SCEIS implementation period from 2004 to the present, the CG Office staff declined from 68 to 30 permanent filled positions. The Office received limited additional funding from the General Assembly in the FY2013-14 Appropriations Act for staffing assistance, and accordingly has already made progress in building its accounting and reporting staff resources and capabilities. With more adequate staffing, the Office will work to improve internal controls over financial reporting in fiscal year 2013 and beyond.



South Carolina Department of Public Safety

August 15, 2013

Richard H. Gilbert, Jr., CPA
Interim State Auditor
State Auditor's Office
1401 Main Street, Suite 1200
Columbia, SC 29201

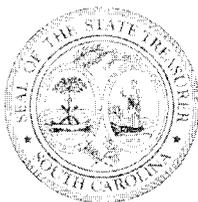
Please see our responses to your findings below:

2012-03 FINANCIAL REPORTING – REPORTING OF GRANT RECEIVABLES AND DEFERRED GRANT REVENUE – DEPARTMENT OF PUBLIC SAFETY

We concur with the recommendation. We met with staff at the Comptroller General's office to clarify instructions for FY 2013. As a result of our discussion, management has a better understanding of how the information needs to be presented. This improved understanding has strengthened internal controls by allowing management to communicate clear instructions to staff, and perform more accurate reviews.

Sincerely,

Stephen B. Fulmer, CPA
SCDPS Director of Financial Information and Reporting



THE HONORABLE CURTIS M. LOFTIS, JR.

State Treasurer

August 22, 2013

Mr. Richard H. Gilbert, Jr., Deputy State Auditor
South Carolina Office of the State Auditor
1401 Main Street
Columbia, South Carolina 29201

Dear Mr. Gilbert:

Please see below regarding management's response to the 2012-05 financial reporting – reconciliation of cash and cash equivalents–State Treasurer's Office.

Response Management

The State Treasurer's Office agrees that there was a misclassification on the closing package provided to the Comptroller General Office relating to a bond that had been "called" on the last business day of the fiscal year of 2012 after the daily transaction cut off time. Cash as well as bond and all other investment activity are reconciled daily in the State Treasurer's Office. In regards to the filing of the closing package with the Comptroller General's Office, the State Treasurer's Office has reviewed its internal controls in this area and is enhancing their internal controls surrounding the review of the closing package.

Please feel free to contact me should you have any questions regarding this matter.

Sincerely,

A handwritten signature in cursive script that reads "Dinah M. Raven".

Dinah M. Raven

Deputy Treasurer

State Treasurer's Office

NIKKI HALEY, CHAIRMAN
GOVERNOR

CURTIS M. LOFTIS, JR.
STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



SC BUDGET AND CONTROL BOARD

Office of the Executive Director
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HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE
COMMITTEE

W. BRIAN WHITE
CHAIRMAN, HOUSE WAYS AND MEANS
COMMITTEE

August 8, 2013

Mr. Richard H. Gilbert, Jr.
Interim State Auditor
South Carolina Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

Dear Rich:

We have reviewed Finding 2012-06 in the State of South Carolina's Independent Auditors' Report on Internal Control Over Financial Reporting for the year ended June 30, 2012, and are including our response to your recommendation below.

RECOMMENDATION: We recommend that DSIT evaluate available tools including, *GRC* and *Approva*, to assist in the monitoring of SCEIS system access, and develop policies and procedures to consistently monitor user access and segregation of duties in SCEIS.

RESPONSE: The SCEIS team is responsible for the maintenance and operations of the SCEIS applications. In its role, the SCEIS team cannot independently develop and implement controls and procedures to ensure that agencies are properly assigning roles in the system. The SCEIS team does, however, provide procedures and tools to aid agencies in auditing the access assigned to their system users. The responsibility to ensure system users have proper segregation of duties remains with each State agency.

The SCEIS team drafted, with assistance from the Comptroller General's Office, State Human Resources Division and the Material's Management Office a "Segregation of Duties Policy" to aid agencies in ensuring that the appropriate segregation of roles and responsibilities is adhered to in the system. The policy and supporting procedures were developed as an aid for the agencies to follow when requesting security roles for staff that perform transactional tasks in SCEIS. This policy aims to guide agencies so that conflicting roles are not assigned to the same individual and duties are appropriately segregated. The policy is planned for release in FY14.

The response regarding the GRC and Approva tools remains unchanged as funding was not available for this purchase and implementation. The most recent price quote for the GRC module is \$505,890 one-time license cost and \$111,296 annual on-going support cost. These costs do not include any training or implementation costs.

Thank you for the opportunity to respond. If you have any questions or need additional information please do not hesitate to contact us.

Sincerely,

Marcia Adams

12 copies of this document were published at an estimated printing cost of \$1.72 each, and a total printing cost of \$20.64. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.