

September 16, 1998

The Honorable Richard A. Eckstrom, State Treasurer  
State of South Carolina  
Columbia, South Carolina

This report on the review of the schedules of expenditures – budget and actual of the South Carolina State Treasurer’s Office and the application of certain agreed-upon procedures to the accounting records for the fiscal year ended June 30, 1998, was issued by Deloitte & Touche, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Edgar A. Vaughn, Jr., CPA  
State Auditor

EAV/trb

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***South Carolina State  
Treasurer's Office***

*Independent Accountants' Report  
on Applying Agreed-Upon Procedures  
for the Year Ended June 30, 1998*

# SOUTH CAROLINA STATE TREASURER'S OFFICE

## TABLE OF CONTENTS

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	<b>Page</b>
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES	1-3
SCHEDULES OF EXPENDITURES FOR THE YEAR ENDED JUNE 30, 1998:	
Schedule 1 - Budget and Actual - Budgetary General Fund	4
Schedule 2 - Budget and Actual - Other Budgeted Funds	5
Schedule 3 - Budget and Actual - Total Budgeted Funds	6
NOTES TO SCHEDULES	7-8

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

Mr. Edgar A. Vaughn  
South Carolina Office of the State Auditor  
State of South Carolina

We have performed the procedures described below, which were agreed to by management of the South Carolina Office of the State Auditor and the South Carolina State Treasurer's Office ("Treasurer's Office"), solely to assist you in evaluating the performance of the Treasurer's Office in the areas addressed for the year ended June 30, 1998. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the 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:

### ***Non-Payroll Disbursements***

1. We nonstatistically selected 25 non-payroll disbursements from the Treasurer's Office disbursements registers for the year ended June 30, 1998 and performed the following:
  - a. Traced each to appropriate voucher package, noting proper authorization and agreement to attached invoice.
  - b. Agreed voucher package total to posting in cash disbursements journal.
  - c. Proved clerical accuracy of voucher package.

The total of the selected items was 47 percent of the aggregate amount of all recorded non-payroll disbursements for the 1998 fiscal year. We found no exceptions as a result of the above procedures.

### ***Payroll Disbursements***

2. We nonstatistically selected 25 employee payroll disbursements from the Treasurer's Office payroll registers for the year ended June 30, 1998 and performed the following:
  - a. Reviewed employee's personnel file for employment application, I-9 Forms, and performance review documents to verify employment.

- b. Agreed employee's gross pay per the personnel file to the Employee Profile from the Division of Human Resource Management.
- c. Agreed employee's gross salary changes during fiscal year 1998 to authorizations in the personnel file.
- d. Reviewed documentation in the personnel file for proper authorization of employee's voluntary deductions and Federal and State withholdings.

The total of the selected items was 1.6 percent of the aggregate amount of all recorded payroll disbursements for the 1998 fiscal year. We found no exceptions as a result of the above procedures.

- 3. We nonstatistically selected 2 payroll registers during the year ended June 30, 1998 and traced to payroll voucher, noting authorization by the Deputy State Treasurer. We agreed the gross payroll per the payroll register to the general ledger and to the South Carolina Office of the Comptroller General's Appropriation Transaction Detail. We found no exceptions as a result of the procedures.
- 4. We selected all personnel additions during the year ended June 30, 1998 and reviewed each individual's personnel file to verify employment. We agreed the pay rate in the personnel file to the Employee Profile from the Division of Human Resource Management. We found no exceptions as a result of the procedures.
- 5. We selected all employee terminations during the year ended June 30, 1998 and reviewed each employee's personnel file to verify termination. We noted from the applicable payroll register subsequent to employee's termination that employee was no longer on the payroll. We found no exceptions as a result of the procedures.

#### ***General Ledger***

- 6. We nonstatistically selected 5 journal entries made during the year ended June 30, 1998 and performed the following:
  - a. Verified that debits equaled credits.
  - b. Traced postings to the general ledger.
  - c. Agreed journal entry amount to supporting documentation.
  - d. Examined journal entry for approval.

We found no exceptions as a result of the procedures.

- 7. We obtained the schedule of interagency appropriation transfers for the year ended June 30, 1998 and performed the following:
  - a. Reviewed for approval.
  - b. Traced the transfers to general ledger.

We found no exceptions as a result of the procedures.

8. We nonstatistically selected one month of vouchers written during the month of February 1998 and verified for numerical sequence and found no exceptions.
9. We nonstatistically selected the cash disbursements book for the month of October 1997 and traced to the general ledger and found no exceptions.

*Other*

10. The accompanying Schedules of Expenditures - Budget and Actual (Schedules 1, 2 and 3) represent summarization of data derived from the accounting records within the Treasurer's Office for the year ended June 30, 1998. For each schedule, we agreed the amounts by line-item appropriation within budgetary fund category thereon to the accounting records of the Treasurer's Office. We proved the mathematical accuracy of the schedules. We found no exceptions as a result of the procedures.
11. We obtained copies of all closing packages as of and for the year ended June 30, 1998 prepared by the Treasurer's Office and submitted to the South Carolina Office of the Comptroller General and found that they were prepared in accordance with the South Carolina Office of the Comptroller General's GAAP Closing Procedures Manual. We compared the data within the closing packages to the supporting schedules and accounting records prepared by the Treasurer's Office and found them to be in agreement. We found no exceptions as a result of the procedures.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items as described in procedures 1 through 11 of this report. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we conducted an audit or review of the Treasurer's Office financial statements or any part thereof, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the management of South Carolina Office of the State Auditor and the South Carolina State Treasurer's Office, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

August 28, 1998

**SOUTH CAROLINA STATE TREASURER'S OFFICE**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BUDGETARY GENERAL FUND  
YEAR ENDED JUNE 30, 1998 (UNAUDITED)**

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	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Personal services	\$ 2,429,855	\$ 2,251,584	\$ 178,271
Employer contributions	514,884	512,922	1,962
Other operating expenses	<u>720,487</u>	<u>589,809</u>	<u>130,678</u>
Total expenditures	<u>\$ 3,665,226</u>	<u>\$ 3,354,315</u>	<u>\$ 310,911</u>
Lapsed to the State General Fund	<u>\$ -</u>	<u>\$ 67,200</u>	<u>\$ (67,200)</u>

See accompanying notes to schedules.

**SOUTH CAROLINA STATE TREASURER'S OFFICE**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - OTHER BUDGETED FUNDS  
YEAR ENDED JUNE 30, 1998 (UNAUDITED)**

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	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Personal services	\$ 346,057	\$ 326,919	\$ 19,138
Employer contributions	70,582	63,601	6,981
Other operating expenses	447,861	401,317	46,544
Special item - student loans - teachers	<u>5,473,928</u>	<u>5,083,250</u>	<u>390,678</u>
Total expenditures	<u>\$ 6,338,428</u>	<u>\$ 5,875,087</u>	<u>\$ 463,341</u>
Lapsed to the State General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to schedules.

**SOUTH CAROLINA STATE TREASURER'S OFFICE**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - TOTAL BUDGETED FUNDS  
YEAR ENDED JUNE 30, 1998 (UNAUDITED)**

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	<b>Legal Basis Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
Personal services	\$ 2,775,912	\$ 2,578,503	\$ 197,409
Employer contributions	585,466	576,523	8,943
Other operating expenses	1,168,348	991,126	177,222
Special item - student loans - teachers	<u>5,473,928</u>	<u>5,083,250</u>	<u>390,678</u>
Total expenditures	<u>\$ 10,003,654</u>	<u>\$ 9,229,402</u>	<u>\$ 774,252</u>
Lapsed to the State General Fund	<u>\$ -</u>	<u>\$ 67,200</u>	<u>\$ (67,200)</u>

See accompanying notes to schedules.

# SOUTH CAROLINA STATE TREASURER'S OFFICE

## NOTES TO SCHEDULES YEAR ENDED JUNE 30, 1998 (UNAUDITED)

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### 1. BUDGETARY POLICY

The South Carolina State Treasurer's Office ("Treasurer's Office") is granted an annual appropriation for operating purposes by the General Assembly. The appropriation as enacted becomes the legal operating budget for the Treasurer's Office. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenues budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the State Budget and Control Board ("Board") under its authority or by the agency as set forth in Appropriation Act Proviso 72.9 as follows: Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the Board.

During the fiscal year-end closeout period in July 1998, agencies may continue to charge vendor, interagency, and interfund payments for fiscal year 1998 to the fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State law does not precisely define the budgetary basis of accounting. The current Appropriation Act states that the General Assembly intends to appropriate all State funds and to authorize and/or appropriate the use of all other monies to operate State government for the current fiscal year. The State's annual budget is prepared primarily on the modified accrual basis of accounting with several exceptions, principally the cash disbursements basis is used for payroll expenditures.

The Schedules of Expenditures - Budget and Actual (Schedules 1 through 3) present actual expenditures on the budgetary basis of accounting compared to the legally adopted and modified budget on a line-item expenditure basis. The level of legal control for each agency is reported in a publication of the State Comptroller General's Office titled, *A Detailed Report of Appropriations and Expenditures*, for each fiscal year.

**2. STATE APPROPRIATIONS**

The following is a reconciliation of the Appropriation Act as originally enacted by the General Assembly to amounts available for the Treasurer's Office budgetary general fund expenditures as reported on Schedule 1 for the year ended June 30, 1998. This reconciliation does not include any activity of Aid to Subdivisions or Debt Service.

Original appropriation	\$ 3,245,951
Appropriation allocation from State Budget and Control Board:	
Employee Pay Plan (Proviso 17C.13)	50,329
Rent increase	<u>12,465</u>
Revised appropriations	3,308,745
Appropriation brought forward from fiscal year 1997 (Proviso 72.44)	<u>356,481</u>
Legal basis appropriation available for 1998 expenditures	<u>\$ 3,665,226</u>

Pursuant to 1998-99 Appropriation Act Proviso 72.48, appropriations totaling \$243,711 unspent at the end of 1998 have been carried forward to fiscal year 1999.

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