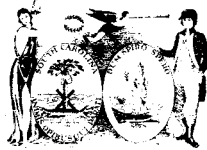


**SOUTH CAROLINA COMPTROLLER GENERAL
COLUMBIA, SOUTH CAROLINA
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
JUNE 30, 2003**

State of South Carolina



Office of the State Auditor

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STATE AUDITOR

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May 19, 2004

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

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the South Carolina Office of the Comptroller General for the fiscal year ended June 30, 2003, was issued by Rogers & Laban, PA, 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,

A handwritten signature in black ink, appearing to read 'Tom Wagner'.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

**SOUTH CAROLINA COMPTROLLER GENERAL
COLUMBIA, SOUTH CAROLINA**

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JUNE 30, 2003**

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CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Richard Eckstrom, Comptroller General
and
Mr. Thomas L. Wagner, Jr., CPA,
State Auditor
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 Office of the State Auditor and management of the South Carolina Office of the Comptroller General (the CG's office), solely to assist you in evaluating the performance of the CG's office for the fiscal year ended June 30, 2003, in the areas addressed. The CG's office is responsible for its financial records, internal controls and compliance with State laws and regulations. The agreed-upon procedures engagement was conducted in accordance with attestations standards established by the American Institute of Certified Public Accountants. The sufficiency of the 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:

Cash Receipts and Revenues

- We inspected selected recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the selected receipt transactions were adequate to detect errors and/or irregularities.
- 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 from sources other than State General Fund appropriations with those of the prior year and we used estimations and other procedures to evaluate the reasonableness of collected and recorded amounts by revenue account.

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; were bona fide disbursements of the CG's office; 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; and if internal controls over the selected disbursement transactions were adequate to detect errors and/or irregularities.
- 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 on various STARS reports to determine if recorded expenditures were in agreement.
- We compared current year expenditures with those of the prior year to determine the reasonableness of amounts paid and recorded by expenditure account.

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

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 internal controls over the tested payroll transactions were adequate to detect errors and/or irregularities.
- We inspect selected payroll vouchers to determine that the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS.
- We inspected payroll transactions for selected new employees and those who terminated employment to determine if internal controls over these transactions were adequate to detect errors and/or irregularities.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those on various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement.
- We compared current year payroll expenditures to those of the prior year; comparing the percentage change in personal service expenditures to the percentage change in employer contributions; and comparing the percentage distribution of recorded fringe benefit expenditures by fund source to the percentage distribution of recorded payroll expenditures by fund source to determine if recorded payroll and fringe benefit expenditures were reasonable by expenditure account.

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

4. Journal Entries, Operating Transfers and Appropriation Transfers

- We inspected selected 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, were adequately documented and explained, were properly approved, and were mathematically correct; and the internal controls over these transactions were adequate to detect errors and/or irregularities.

The individual transactions selected were chosen randomly. 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 CG's office 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 the internal accounting controls over the selected transactions were adequate to detect errors and/or irregularities.

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 CG's office for the year ended June 30, 2003, and inspected selected reconciliations of balances in the CG's office's accounting records to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if they were accurate and complete. 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 CG's office's general ledger, agreed the applicable amounts to the STARS reports, determined that reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the CG's office's accounting records and/or in STARS.

The reconciliations selected were chosen randomly. We found no exceptions as a result of the procedures.

7. Compliance

- We confirmed through inspection of payroll and non-payroll disbursement vouchers, cash receipts and other documents, inquiry of agency personnel and/or observation of agency personnel performing their assigned duties the CG's office's compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 2003.

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, 2003, prepared by the CG's office 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; if the amounts were reasonable; and if they 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, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Accordingly, we do not express such opinions. Had we performed additional procedures or had we conducted an audit or review of the CG's office's 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 for the information and use of the Governor, South Carolina Office of the State Auditor and the State Comptroller General and management of the CG's office and is not intended to be and should not be used by anyone other than these specified parties.

Rogers + Lolan, PA

April 30, 2004

**SOUTH CAROLINA COMPTROLLER GENERAL
COLUMBIA, SOUTH CAROLINA**

**ACCOUNTANT'S COMMENT
JUNE 30, 2003**

PAYROLL DISBURSEMENTS

During our testing of new hires, we noted that a part-time employee was not paid for hours worked during the employee's first pay period due to a mathematical error on the employee's timesheet. Five hours that were worked by the part-time employee on 9/12/02 were recorded on the employee's timesheet but not included in the hours actually paid to the employee for that pay period.

Since hours worked by part-time employees often fluctuate between pay periods, we recommend that a more careful review be performed on the payrolls of all part-time employee to ensure that payments are based on the correct number of hours worked.

Because the CG's office is required to pay part-time employees for all hours actually worked, we further recommend that it correct this error by paying the employee for the five hours that were worked but not paid.

MANAGEMENT'S RESPONSE

ATTACHMENT A



State of South Carolina
Office of Comptroller General

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RICHARD ECKSTROM
COMPTROLLER GENERAL

NATHAN KAMINSKI, JR.
CHIEF OF STAFF

May 20, 2004

ATTACHMENT A

Mr. Barry Laban, CPA
Rogers & Laban, PA
Post Office Box 124
Columbia, South Carolina 29202

Dear Mr. Laban:

Thank you for the professionalism of your staff during your firm's recently completed agreed-upon procedures engagement of our agency for the year ended June 30, 2003. Thank you also for the thoroughness and timeliness of your work and for the helpful advice you provided us during our exit conference.

Resulting from one exception you identified during your testing of our payroll procedures, we have implemented an additional control procedure in this area. Due to the inherent sensitivity of payroll data, one senior member of agency management has performed the administrative duties for handling timesheets for part-time employees and totaling their daily hours worked during a pay period. Effective immediately, that person will continue to perform these tasks; however, the records produced through this process will be reviewed prior to disbursing paychecks by a second member of agency management who will initial the totaled timesheets to document the review.

We are currently assessing the feasibility of your recommendation that we pay the part-time employee (a temporary intern) for the five hours the employee was underpaid during 2002. That person has been gone from our employment for more than a year and we understand that the person is no longer in the area. We will attempt, however, to locate that former employee to pay for the five unpaid hours.

Sincerely,

A handwritten signature in black ink that reads "Richard Eckstrom".

Richard Eckstrom