

**SOUTH CAROLINA  
LEGISLATIVE AUDIT COUNCIL  
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**

November 7, 2016

Members of the General Assembly  
and  
Members of the Council  
South Carolina Legislative Audit Council  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Legislative Audit Council (the Council), solely to assist you in evaluating the performance of the Council for the fiscal year ended June 30, 2015, in the areas addressed. The Council'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 all 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 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 earmarked fund to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality level (\$3,500 – earmarked fund) and  $\pm 10$  percent.

We found no exceptions as a result of the procedures.

2. **Non-Payroll Disbursements and Expenditures**

- We inspected eighteen 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 Council 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 five 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 (\$14,100 – general fund and \$3,500 – 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 Council'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 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 (\$14,100 – general fund and \$3,500 – earmarked 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 transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

4. **Journal Entries and Interagency Appropriation Transfers**

- We inspected all recorded journal entries and all interagency 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 Council's policies and procedures and State regulations.

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 Council'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 Council 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 Reporting Packages in the Accountant's Comments section of this report.

7. **Status of Prior Findings**

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

We found no exceptions as a result of the procedures.

Members of the General Assembly  
and  
Members of the Council  
South Carolina Legislative Audit Council  
November 7, 2016

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 Council has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Up On Procedures:

- Clerical errors of less than \$100 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten 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 ten percent or more of the accounting transactions tested were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.
- Submission of the Schedule of Federal Financial Assistance less than three business days 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 General Assembly and of the governing body and management of the Legislative Audit Council 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.

## **REPORTING PACKAGES**

### **Condition:**

We noted the following during our review of the Council's year-end reporting packages:

1. The following reporting packages were submitted after the due date established by the Comptroller General's Office: Master Reporting Package, Cash and Investments Reporting Package, Other Payroll Liabilities Reporting Package, Operating Leases Reporting Package and the Fund Balance Reporting Package.
2. During our review of the Operating Leases Reporting Package, we noted the Council incorrectly classified the annual rental payment of \$2,030 for a copier as a Contingent Rental Payment instead of an Other Adjustment on Part I of Form 3.09.1 (Operating Leases Summary Form – Lessee). Also, the Council recorded the payment in G/L account 5040050000 (Rental – Contingent Rental Payments) instead of in G/L account 5040020000 (Rent – Copying Equipment).

### **Cause:**

1. Council personnel stated that the submission dates were overlooked due to a heavy workload.
2. Council personnel stated this exception was due to human error.

### **Effect:**

1. The Council was not in compliance with the Comptroller General's Reporting Policies and Procedures.
2. The total for Other Adjustments was understated by \$2,030 and the total for Contingent Rental Payments was overstated by \$2,030. In addition, GL account 5040050000 (Rental – Contingent Rental Payments) was overstated and GL account 5040020000 (Rent – Copying Equipment) was understated by \$2,030.

### **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 Council strengthen its procedures to ensure that reporting packages are completed in accordance with the Comptroller General's Reporting Policies and Procedures Manual. We further recommend the Council ensure the person performing the independent review of accounting transactions verify that the preparer used the proper account code.

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

As recommended, the Council will complete future reporting packages by the due date established by the Comptroller General's Office. The Council will also review the accounting codes provided by the Comptroller General's Reporting Policies and Procedures Manual.

## **SECTION B - STATUS OF PRIOR FINDINGS**

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Council for the fiscal year ended June 30, 2013, and dated February 23, 2015. We applied no procedures to the Council's accounting records and internal controls for the year ended June 30, 2014. We determined the Council has taken adequate corrective action on each of the findings.

2 copies of this document were published at an estimated printing cost of \$1.32 each, and a total printing cost of \$2.64. Section 1-11-425 of the South Carolina Code of Laws, as amended, requires this information on printing costs be added to the document.