

**SOUTH CAROLINA  
LEGISLATIVE AUDIT COUNCIL  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2016**



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 14, 2017

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

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Legislative Audit Council (the Council), solely to assist you in evaluating the systems, processes and behaviors of the Council for the fiscal year ended June 30, 2016. 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 in Attachment 1 for the purpose of which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors of the Council. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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 \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 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 inspected 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.

Members of the General Assembly  
and  
Members of the Council  
South Carolina Legislative Audit Council  
November 14, 2017

This report is intended solely for the information and use of the governing body and management of the South Carolina Legislative Audit Council and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



George L. Kennedy, III, CPA  
State Auditor

**South Carolina Office of the State Auditor  
Agreed Upon Procedures Related to Legislative Audit Council (A20)**

**Cash Receipts/Revenues**

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations over \$25,000 and 10%.
2. Select five cash receipt transactions and inspect supporting documentation to:
  - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
  - Determine that revenues/receipts were deposited in a timely manner.
  - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Select three cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

**Finding**

The Council miscoded four receipt transactions totaling \$677,613. The transactions were coded to G/L Account 4530030000 (Miscellaneous Revenue) but should have been coded to G/L Account 4890070000 (Other Reimbursements – State Agencies).

**Management's Response**

This exception was due to human error. The Council will take the appropriate measures to ensure the proper G/L Accounts are used when recording receipt transactions.

**Cash Disbursements/Non-Payroll Expenditures**

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$50,000 in the General Fund, \$5,000 in the Earmarked Funds and 10%.
5. Randomly select twenty-one non-payroll disbursements and inspect supporting documentation to determine:
  - Transaction is properly completed as required by Council procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Council procedures and good business practice are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Council, properly coded to the general ledger.
  - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
  - Clerical accuracy / verify proper sales/use tax.
6. Randomly select five non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

## Findings

The Council miscoded \$52,000 of bonus pay. The bonus pay was coded to G/L Account 597002000 (Unclassified – Legislative – Miscellaneous – LAC) but should have been coded to G/L Account 5010990000 (Bonus Pay).

The Council miscoded an invoice totaling \$413 for contingent rental charges. The transaction was coded to G/L Account 504002000 (Rent – Copying Equipment Rental) but should have been coded to G/L Account 5040050000 (Rent – Contingent Rental Payments). See similar finding in **Reporting Packages**.

## Management's Response

The Council will review the accounting codes provided by the Comptroller General's Reporting Policies and Procedures Manual and use them appropriately.

## Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$50,000 in the General Fund, \$5,000 in the Earmarked Funds and 10%.
8. Randomly select five salaried employees and inspect supporting documentation during the fiscal year to:
  - Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Council.
  - Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.
9. Randomly select five bonus pay disbursements authorized by the 2015-2016 Supplemental Appropriations to determine:
  - Employee is a permanent state employee in a full-time equivalent position who has been in continuous state service for at least six months prior to July 1, 2015.
  - Employee does not make more than \$100,000 annually.
  - Bonus pay was split between funds according to the ratio of the employee's base salary.
10. Randomly select four employees (100%) hired during the fiscal year to determine if they were added to the payroll in accordance with the Council's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
11. Randomly select three employees (100%) who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Council's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
12. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes of +/- 10%.
13. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of changes of +/- 10%.

## **Finding**

The Council paid an employee for 374.84 hours of unused annual leave upon his separation from the agency. State regulations require an employee be paid for no more than 337.5 hours. Therefore, the Council overpaid the employee \$871.

## **Management's Response**

This exception was due to human error. Measures are in place to assure that when an employee separates from the Council, no more than 337.5 hours of annual leave will be paid.

## **Journal Entries and Transfers**

14. Select one (100%) journal entry to:

- Trace postings to the general ledger, confirming amounts agree with supporting documentation.
- Confirm transaction is properly approved.
- Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of these procedures.

## **Appropriation Act**

15. Inspect the Appropriation Act work program provided to and completed by management, noting areas of noncompliance, if any.

16. Confirm compliance with Council-specific state provisos by inquiring with management and observing supporting documentation.

We found no exceptions as a result of these procedures.

## **Reporting Packages**

17. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.

18. In addition to the above procedure, we will perform the following:

- Operating Leases Reporting Package
  - Determine if amounts agree to the SCEIS general ledger, the SCEIS Year-end Reporting – Operating Lease Expense with Vendor report and/or Department prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Five haphazardly selected contingent rental payments; (2) One haphazardly selected payment for each vendor included in the remaining rental payment classifications (Payments for Supplies and Other Billing Charges and Other Adjustments); (3) The effective dates, current expense and future minimum lease payments of all property leases.
- Other Payroll Liabilities Reporting Package
  - Determine if reported amounts agree to the SCEIS Compensated Absences report and/or Council prepared records.

## Reporting Packages (Continued)

- Fund Balance Reporting Package
  - Determine if responses and any related supplemental information are reasonable/accurate based on inspection of the SCEIS general ledger, invoices, and/or Council prepared reports/spreadsheets.

## Findings

The Master Reporting Package, Cash and Investments Reporting Package, Litigation Reporting Package, Other Payroll Reporting Package and the Operating Leases Reporting Package were not submitted to the Office of the Comptroller General by the due date established by the CG's Reporting Policies and Procedures Manual. The packages were submitted between five and thirteen business days late.

The Council improperly classified a copier payment on the Operating Leases Summary Form – Lessor. As a result, the amount reported for Contingent Rental Payments was overstated by \$3,520 and the amount reported for Other Adjustments was understated by \$3,520. Additionally, the Council coded \$2,691 of contingent rental payments as fixed rental payments in the SCEIS general ledger. See similar finding in **Cash Disbursements/Non-Payroll Expenditures**.

## Management's Response

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.

## Minutes

19. We will inspect the Council's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.

## Status of Prior Findings

20. Through inquiry and inspection, determine if the Council has taken appropriate corrective action on the findings reported in the Accountant's Comments section of the engagement for the prior fiscal year.

We found similar exceptions regarding the Operating Leases Reporting Package and the timely submission of reporting packages. See findings in **Reporting Packages**.