

**SOUTH CAROLINA CODIFICATION OF LAWS
AND LEGISLATIVE COUNCIL**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2013

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State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 23, 2014

Members of the General Assembly
and
Members of the Legislative Council
South Carolina Codification of Laws and Legislative 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 Codification of Laws and Legislative Council (the Council), solely to assist you in evaluating the performance of the Council for the fiscal year ended June 30, 2013, 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 selected 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 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 at the subfund and object code 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 (\$4,000) and ± 10 percent.

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 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 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 in various STARS reports to determine if recorded expenditures were in agreement.
- We compared current year expenditures at the subfund and major object code 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 (\$27,200 – general fund and \$3,800 – earmarked fund) and ± 10 percent.

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

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 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 selected payroll vouchers to determine if 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 the employees were added and/or removed from the payroll in accordance with the agency'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 amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement.
- We compared current year payroll expenditures at the subfund and major object code 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 (\$27,200 – general fund and \$3,800 – earmarked fund) and ± 10 percent.

- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions. We investigated changes of ± 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, Operating Transfers and Appropriation Transfers**

- We inspected all 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, 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 agency's policies and procedures and State regulations.

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 Council 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 selected entries were processed in accordance with the agency's policies and procedures and State regulations.

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 Council for the year ended June 30, 2013, and inspected selected reconciliations of balances in the Comptroller General's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if accounts reconciled. 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 Council's general ledger, agreed the applicable amounts to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Council's accounting records and/or in STARS.

We selected the fiscal year-end reconciliation and randomly selected one month's reconciliation for testing. We found no exceptions as a result of the procedures.

7. **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 and agency specific provisos.

We found no exceptions as a result of the procedures.

8. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2013, 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.

9. **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 South Carolina Codification of Laws and Legislative Council resulting from our engagement for the fiscal year ended June 30, 2011, 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, 2012.

We found no exceptions as a result of the procedures.

We were not engaged to and did not conduct an audit, 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 Governor and of the governing body and management of South Carolina Codification of Laws and Legislative Council and is not intended to be and should not be used by anyone other than these specified parties.



Richard H. Gilbert, Jr., CPA
Deputy State Auditor

ACCOUNTANT'S COMMENTS

SECTION A - VIOLATIONS 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 conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

SALES TAX

During our test of disbursements, we identified exceptions with the Council's treatment of sales tax. The Council charges \$100 for each subscription for state registers. The \$100 includes sales tax; meaning registers are \$94.34 and sales tax is \$5.66. When the Council prepares their sales tax return they calculate using a selling price of \$100. The calculation should use the price without sales tax of \$94.34.

During the fiscal year the Council issued refunds, on a pro-rata basis for the registers. Their calculation was based on \$100. It should have been based on the price of the register without sales tax. Sales tax was non-refundable due to the subscription being partially used.

The Council also remits local option sales tax when delivery of printed state registers are sold to someone in counties with a local option sales tax. If the Council does not have a connection with those counties the Council is not required to collect and remit the local option sales tax.

We recommend the Council calculate sales tax using a base sale price without sales tax. We also recommend the Council carefully consider sales tax when calculating refunds and whether local option sales tax are due.

REPORTING PACKAGES

During our review of the Council's reporting packages, we discovered errors in the Accounts Receivable Reporting Package and the Subsequent Events Reporting Package. The Council used the amounts outstanding as of the beginning of August 2013, rather than June 30, 2013 in completing its Accounts Receivable Reporting Package. The Council also did not report amounts received in July 2013 as a current receivable.

The Subsequent Events Reporting Package was due November 8, 2013. The Council did not submit the reporting package until November 19, 2013.

The Comptroller General's Office provides agencies with detailed instructions for each reporting package that should be closely followed to prevent errors and ensure accurate reporting for the CAFR. The Comptroller General's Office also provides additional information to help agencies in their preparation of reporting packages in the Year-End Reporting Policies and Procedures Manual.

We recommend the Council follow the policies and procedures established by the Comptroller General's Office and thoroughly review each reporting package to ensure that it is accurately completed using the provided instructions. We also recommend that the Council review the due dates of each reporting package to ensure that they are submitted in a timely manner.

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 South Carolina Codification of Laws and Legislative Council for the fiscal year ended June 30, 2011, and dated October 15, 2012. We applied no procedures to the Council's accounting records and internal controls for the year ended June 30, 2012. We determined that the Council has taken adequate corrective action on each of the findings and other weaknesses.

MANAGEMENT'S RESPONSE

South Carolina Legislative Council



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December 1, 2014

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

Dear Mr. Gilbert:

RE: Responses to the Preliminary Draft Audit Report for FY 2013

Sales Tax

We acknowledge that our sales tax reports filed during FY 2013 over-reported total sales on State Register subscriptions by a small amount. This resulted from the fact that we charged a flat fee of \$100.00 for the subscription of which \$94.34 was the actual sales price and \$5.66 was the sales tax. However, when we filed the sales tax returns, we reported the sales price as being \$100.00. This resulted in a small over-payment of taxes due on those sales. We have corrected this oversight.

We also acknowledge that when we made refunds to a number of the subscribers that year, the refund was prorated and the prorated amount was based on the total amount collected (sales price + sales tax) from the subscriber. The prorated refund should have been based on the sales price only as sales taxes were not refundable in that particular situation. This was a one-time event and is not expected to occur again in the future.

As for the local option sales tax issue, it is my understanding, based on our discussions with the Department of Revenue, that we are handling this correctly. We are required to collect the local option sales tax on Code Supplement sales and remit it to the Department of Revenue only if our agency has a nexus with the county where the Code Supplements are delivered. In our case, the only county that we have a nexus with is Richland County. We do not collect and remit local option sales taxes on sales in any other county.

Mr. Richard H. Gilbert, Jr., CPA
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December 1, 2014

Reporting Packages

We acknowledge that the 2013 Accounts Receivable Reporting Package reported amounts outstanding through July 2013 instead of through June 2013. We will ensure that this is reported correctly in the future.

We also acknowledge that the Subsequent Events Reporting Package was due on November 8, 2013, and was not submitted until November 19, 2013. This was the first time we were required to submit this package and this requirement was inadvertently overlooked. It will be submitted on time in the future.

Thank you for giving us the opportunity to submit this response.

Sincerely,



James H. Harrison
Code Commissioner and Director

JHH/sp

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