

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

STATE AUDITOR'S REPORT

JUNE 30, 2013

CONTENTS

	<u>PAGE</u>
I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1
II. ACCOUNTANT'S COMMENTS	
SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS	5
COMPENSATED ABSENCES REPORTING PACKAGE	6
OPERATING LEASES REPORTING PACKAGE	6
SECTION B - STATUS OF PRIOR FINDINGS	7
MANAGEMENT'S RESPONSE	8

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 23, 2015

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, 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 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 inspected selected recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.
- 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 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 levels (\$3,900 – earmarked fund) and \pm 10 percent.

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 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 (\$14,600 – general fund, \$3,900 – earmarked fund) and ± 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 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 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 (\$14,600 – general fund and \$3,900 – earmarked fund) and ± 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 ± 10 percent to ensure that payroll expenditures were classified properly in the agency's accounting records.
- 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.

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

4. **Journal Entries and Appropriation Transfers**

- We inspected selected recorded journal entries 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.

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 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.

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 Council'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.

The reconciliations selected were chosen randomly. 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 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.

8. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2013, prepared by the Legislative Audit 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 findings as a result of these procedures are presented in Compensated Absences Reporting Package and Operating Leases Reporting Package 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 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 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.



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.

COMPENSATED ABSENCES REPORTING PACKAGE

During our review of the Compensated Absences Summary Form, 3.17.1, we noted that the Council answered “No” to one of the questions in Part I, which prompts the preparer to compute the total annual leave, holiday comp leave, and overtime comp time. The amount provided on the schedule by the agency had two errors for one employee: the hourly rate was incorrect and 6.0 hours of compensatory time was excluded. These errors were due to agency oversight. The Council overlooked the comp time and used the incorrect hours to calculate the hourly rate. The reporting package was understated \$1,094.

We recommend the Council follow the Comptroller General's Reporting Policies and Procedures Manual as well as other instructions provided to assist agencies with preparing the packages.

OPERATING LEASES REPORTING PACKAGE

During our review of the Operating Leases Summary Form, 3.09.1, we noted that the Council provided the Vendor Name/Number and Agency Lease ID Number for Part II. LEASES WITH CONTINGENT RENTS, but did not include other required information; (i.e. effective dates and payments). This information should be included on the summary form so the Comptroller General's Office has complete and accurate information pertaining to operating leases. The Council left these items blank on the reporting package due to oversight.

We recommend the Council follow the Comptroller General's Reporting Policies and Procedures Manual as well as other instructions provided to assist agencies with preparing the packages. Also, we recommend the reviewer of the reporting packages go through and make sure that all pertinent information is included, and that nothing has been left out of the reporting packages.

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 Legislative Audit Council for the fiscal year ended June 30, 2011, and dated October 23, 2012. We applied no procedures to the Council's accounting records and internal controls for the year ended June 30, 2012. We determined the Council has taken adequate corrective action on each of the findings.

MANAGEMENT'S RESPONSE



SOUTH CAROLINA GENERAL ASSEMBLY

Legislative Audit Council

Independence, Reliability, Integrity



K. Earle Powell
Director

PUBLIC MEMBERS

Mallory Factor
Chairman
Philip F. Laughridge, CPA
Vice Chairman
Thomas F. Hartnett
Jane P. Miller
Charles L. A. Terreni, Esq.

March 17, 2015

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201

Dear Mr. Gilbert:

We have reviewed the preliminary draft of the agreed-upon procedures report for the fiscal year ended June 30, 2013, that was provided to us on March 11, 2015. As recommended, we will complete all areas of future closing packages.

LEGISLATIVE MEMBERS

Senate

JUDICIARY COMMITTEE
Larry A. Martin, Chairman
Tom Young, Jr., Designee

We authorize the release of the final report. As always, we appreciate your diligent efforts on behalf of the State of South Carolina.

Sincerely,

K. Earle Powell
Director

FINANCE COMMITTEE
Hugh K. Leatherman, Sr., Chairman
Michael L. Fair, Designee

House of Representatives

/sl

JUDICIARY COMMITTEE
Gregory Delleney, Jr., Chairman
Walton J. McLeod, Designee

WAYS AND MEANS COMMITTEE
W. Brian White, Chairman

4 copies of this document were published at an estimated printing cost of \$1.40 each, and a total printing cost of \$5.60. Section 1-11-425 of the South Carolina Code of Laws, as amended, requires this information on printing costs be added to the document.