June 6, 2012

Members of the State Budget and Control Board
State of South Carolina
Columbia, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records of the South Carolina Office of the State Auditor for the fiscal year ended June 30, 2011, was issued by Brown CPA, LLC, 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,

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

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Independent Accountant’s Report on Applying Agreed-Upon Procedures

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Office of State Auditor solely to assist you in evaluating the performance of the South Carolina Office of State Auditor for the fiscal year ended June 30, 2011, in the areas addressed. The South Carolina Office of State Auditor’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 South Carolina Office of State Auditor’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 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 general and earmarked funds to ensure that revenue was classified properly in the South Carolina Office of State Auditor’s accounting records. The scope was based on agreed upon materiality levels $7,400 – general fund and $12,000 – earmarked fund 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 South Carolina Office of State Auditor’s policies and procedures and State regulations, were bona fide disbursements of the South Carolina Office of State Auditor, 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 South Carolina Office of State Auditor’s accounting records. The scope was based on agreed upon materiality levels $30,000 – general fund and $12,000 – earmarked fund and ± 10 percent.
   The individual transactions selected were chosen systematically. 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 South Carolina Office of State Auditor’s policies and procedures and State regulations.
   - 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 South Carolina Office of State Auditor’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 recorded payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the South Carolina Office of State Auditor’s accounting records. The scope was based on agreed upon materiality levels $30,000 – general fund and $12,000 – 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 ± 15 percent to ensure that payroll expenditures were classified properly in the South Carolina Office of State Auditor’s accounting records.
   The individual transactions selected were chosen systematically. We found no exceptions as a result of the procedures.

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, 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 South Carolina Office of State Auditor’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 South Carolina Office of State Auditor 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 South Carolina Office of State Auditor’s policies and procedures and State regulations.
   - The transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

6. **Appropriation Act**
   - We inspected documents, observed processes, and/or made inquiries of South Carolina Office of State Auditor personnel to determine the South Carolina Office of State Auditor’s compliance with Appropriation Act general and South Carolina Office of State Auditor specific provisos.
   - We found no exceptions as a result of the procedures.

7. **Closing Packages**
   - We obtained copies of all closing packages as of and for the year ended June 30, 2011 prepared by the South Carolina Office of State Auditor 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 and if the amounts reported in the closing packages agreed with the supporting workpapers and accounting records.
   - We found no exceptions as a result of the procedures.

8. **Status of Prior Findings**
   - There were no findings reported in the last Independent Accountant’s Reported for the fiscal year ended June 30, 2010.

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, the South Carolina Office of the State Auditor, and management of the South Carolina Office of State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*BROWN CPA, LLC.*

Irmo, South Carolina
May 31, 2012