

**SOUTH CAROLINA  
COMMISSION FOR THE BLIND  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2007**

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# State of South Carolina



## Office of the State Auditor

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DEPUTY STATE AUDITOR

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 9, 2008

The Honorable Mark Sanford, Governor  
and  
Commission Members  
South Carolina Commission for the Blind  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Commission for the Blind (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2007, in the areas addressed. The Commission'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 general, earmarked and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$2,300 – general fund, \$4,900 - earmarked fund, and \$46,200 – federal fund) and  $\pm$  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 Commission, 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, earmarked and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$28,800 – general fund, \$3,800 – earmarked fund, and \$40,300 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Object Codes 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, including employee payroll deductions, 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, earmarked and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$28,800 – general fund, \$3,800 – earmarked fund, and \$40,300 – federal 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  $\pm 5$  percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

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

4. **Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected selected recorded journal entries and all 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 journal entry 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 Commission 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 Commission for the year ended June 30, 2007, and inspected selected reconciliations of balances in the Commission'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 Commission'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 Commission'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 Agency's compliance with Appropriation Act general and agency specific provisos.

We found no exceptions as a result of the procedures.

8. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2007, prepared by the Commission 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.

Our findings as a result of these procedures are presented in Closing Packages in the Accountant's Comments section of this report.

9. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2007, prepared by the Commission and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

10. **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 Commission resulting from our engagement for the fiscal year ended June 30, 2007, to determine if Agency had taken corrective action.

Our findings as a result of these procedures are presented in Closing Packages in the Accountant's Comments section of this report.

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 the South Carolina Commission for the Blind 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.

## **OBJECT CODES**

During our testing of cash disbursements, we noted three exceptions pertaining to the use of expenditure object codes. The Commission used STARS expenditure object code 1371 – Pre-Retirement Death Benefit – State Employees to record the pre-retirement death benefit of an employee enrolled in the optional retirement program. The Commission should have used object code 1378 – Pre-Retirement Death Benefit – Optional Retirement Program to record the expenditure transaction. For the second exception, the Commission used STARS expenditure object code 0216 – Telephone and Telegraph instead of expenditure object code 0239 – Cellular Telephone Services to record the payment of cellular phone charges. For the third exception, the Commission used object code 0304 – Data Processing Supplies instead of object code 5004 – Data Processing Equipment (Non-Capitalizable) to record the purchase of computers.

Section 2.1.6.20 of the Comptroller General's Statewide Accounting and Reporting Manual (STARS Manual) provides definitions of expenditure object codes to help agencies properly classify expenditures.

We recommend that the Commission ensure that accounting staff receive training in the preparation of STARS documents. We also recommend the Commission implement procedures to ensure the timely detection and correction of errors.

## PAYROLL CALCULATIONS

We tested twenty-five newly hired employee payroll transactions and twenty-five payroll transactions of employees who terminated employment and noted the following:

1. New Employees – We noted two instances in which the employees' pay was calculated incorrectly.
  - a. The Commission calculated the employee's pay based on eight working days instead of the nine days the employee actually worked. The error resulted in an underpayment of \$200.
  - b. The Commission underpaid one employee \$5. The Commission was unable to explain why this error occurred.
2. Employees Terminating Employment – We found the payroll calculation for one employee was incorrect. The Commission used the wrong hourly rate to calculate the employees pay. The error resulted in an overpayment of \$118.

Section 8-11-30 of the 1976 Code of Laws states that, "It shall be unlawful for anyone to receive any salary from the State or any of its departments which is not due, and it shall be unlawful for anyone in the employment of the State to issue vouchers, checks, or otherwise pay salaries or moneys that are not due to state employees of any department of the State..."

We recommend the Commission develop and implement procedures to ensure the payments made to employees are accurate. We recommend the procedures include independent reviews of payroll calculations. Finally, we recommend the Commission attempt to recover the overpayments and compensate the employees who were underpaid.

## **CLOSING PACKAGES**

The Comptroller General's Closing Procedures Manual, Section 1.7, Summary of Agencies Responsibilities states, "Each agency's executive director and finance director are responsible for submitting to the Comptroller General's Office closing package forms and/or financial statements that are: Accurate and prepared in accordance with instructions, Complete, and Timely." We tested the Commission's closing packages to determine if the closing packages were complete, accurate, submitted timely, and prepared in accordance with instructions. Based on our procedures we noted the following:

### **Operating Leases Closing Package**

We noted that the future minimum lease payment for lease ID number 2284 was overstated by \$274 for the period ending June 30, 2009. During our review we also noted that the future minimum lease payment for lease ID number 29 was understated by \$700 for the period ending June 30, 2010.

### **Cash and Investments Closing Package**

We were unable to reconcile the change fund balance reported on the closing package with the State Auditor's Office petty cash authorizations. The reported amount was understated by approximately \$700. The error was a result of the Commission maintaining inaccurate records.

### **Loan/Notes Receivable Closing Package**

We noted that the Commission did not carryforward an adjustment made on the fiscal year 2006 closing package. We also were unable to reconcile the total loan repayment amount reported on the closing package with supporting documentation. The errors resulted in an overstatement of \$632 in the Net Loans/Notes Receivable balance reported on the closing package.

## **Recommendation**

We recommend that the Commission develop and implement procedures to ensure that the all closing packages are completed in accordance with the GAAP Closing Procedures Manual instructions. Furthermore, we recommend that the Commission make appropriate adjustments to future closing packages, if necessary, to correct the errors identified above.

## **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 Commission for the fiscal year ended June 30, 2006, and dated July 5, 2007. We determined that the Commission has taken adequate corrective action on the findings entitled Authorized Attorney Fees, Indirect Costs, and Cash Receipts. The continuing deficiencies are described in Closing Packages in Section A of the Accountant's Comments in this report.

**MANAGEMENT'S RESPONSE**



# South Carolina Commission for the Blind

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Commissioner  
James M. Kirby

August 28, 2008

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

Re: State Auditor's Report June 30, 2007

Dear Mr. Gilbert:

The Commission for the Blind appreciates the professional attitude and conduct of your staff during the audit of our agency's financial records and will ensure corrective actions are taken regarding all findings.

## 1. Object Codes

New procedures have been put into place to verify object codes before payment in hopes to reduce findings in this area in the future. All vouchers are previewed by 2 accountants paying special attention to object codes in an effort to correct any incorrect object codes.

## 2. Payroll Calculations

The HR department where payroll is calculated has implemented a procedure to seek guidance from the Finance department when calculating challenging payrolls. Attempts will be made to recover overpayments and compensate employees that were underpaid.

## 3. Closing Packages

All Personnel directly and indirectly responsible for completing closing packages will be informed of the policies and procedures for individual Closing Packages. Necessary corrections will be done to correct documentation and ensure accuracy in the future. There should be a remarkable difference shown in the Fiscal Year 2008 closing packages.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. Kirby".

James M. Kirby  
Commissioner

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