SOUTH CAROLINA STATE
BOARD OF FINANCIAL INSTITUTIONS

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2007
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 14, 2008

The Honorable Mark Sanford, Governor
and
Members of the Board
South Carolina State Board of Financial Institutions
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina State Board of Financial Institutions (the Board), solely to assist you in evaluating the performance of the Board for the fiscal year ended June 30, 2007, in the areas addressed. The Board’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 all recorded receipts from fiscal months 12 and 13, fiscal year 2007, and fiscal month 01, fiscal year 2008 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 levels ($22,400 – earmarked fund) and ± 10 percent.
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- We made inquiries of agency personnel pertaining to the agency’s policies for
accountability and security over permits, licenses, and other documents
issued for money. We observed agency personnel performing their duties to
determine if they understood and followed the described policies.

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 Board, 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
earmarked fund to ensure that expenditures were classified properly in the
agency’s accounting records. The scope was based on agreed upon
materiality levels ($23,800 – 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, 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 all employees who terminated
employment to determine if the employees were removed from the payroll in
accordance with the agency’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.
- 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
earmarked fund to ensure that expenditures were classified properly in the
agency’s accounting records. The scope was based on agreed upon
materiality levels ($23,800 – 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 ± 5 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
• We inspected selected recorded journal entries 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 Board 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 Board for the year ended June 30, 2007, and inspected selected reconciliations of balances in the Board’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 Board’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 Board’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 Board 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.

   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 State Board of Financial Institutions 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
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