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INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 9, 1998

The Honorable James H. Hodges, Governor
and
Members of the Commission on Consumer Affairs
South Carolina Department of Consumer Affairs
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Department of Consumer Affairs, solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 1998, in the areas addressed. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the 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. We tested selected recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the tested receipt transactions were adequate. We also tested 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 from sources other than State General Fund appropriations to those of the prior year and, using estimations and other procedures, tested the reasonableness of collected and recorded amounts by revenue account. We also tested the accountability and security over permits, licenses, and other documents issued for money. The individual transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
2. We tested selected recorded non-payroll disbursements to determine if these 
disbursements were properly described and classified in the accounting records, 
were bona fide disbursements of the Department, and were paid in conformity 
with State laws and regulations and if internal controls over the tested 
disbursement transactions were adequate. We also tested 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 various STARS reports to determine if recorded 
expenditures were in agreement. We compared current year expenditures to 
those of the prior year to determine the reasonableness of amounts paid and 
recorded by expenditure account. The individual transactions selected for testing 
were chosen randomly. We found no exceptions as a result of the procedures.

3. We tested selected recorded payroll disbursements to determine if the tested 
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 internal controls 
over the tested payroll transactions were adequate. We tested 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 also 
tested payroll transactions for selected new employees and those who 
terminated employment to determine if internal controls over these transactions 
were adequate. We compared amounts recorded in the general ledger and 
subsidiary ledgers to various STARS reports to determine if recorded payroll and 
fringe benefit expenditures were in agreement. We performed other procedures 
such as comparing current year payroll expenditures to those of the prior year; 
comparing the percentage change in personal service expenditures to the 
percentage change in employer contributions; and computing the percentage 
distribution of fringe benefit expenditures by fund source and comparing the 
computed distribution to the actual distribution of recorded payroll expenditures 
by fund source to determine if recorded payroll and fringe benefit expenditures 
were reasonable by expenditure account. The individual transactions selected 
for testing were chosen randomly. We found no exceptions as a result of the 
procedures.

4. We tested 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, were adequately documented and explained, were properly 
approved, and were mathematically correct; and the internal controls over these 
transactions were adequate. The individual transactions selected for testing 
were chosen randomly. We found no exceptions as a result of the procedures.
5. We tested selected entries and monthly totals in the subsidiary records of the Department 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 the internal controls over the tested transactions were adequate. The transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.

6. We obtained all monthly reconciliations prepared by the Department for the year ended June 30, 1998, and tested selected reconciliations of balances in the Department’s accounting records to those in STARS as reflected on the Comptroller General’s reports to determine if they were accurate and complete. For the selected reconciliations, we recalculated the amounts, agreed the applicable amounts to the Department’s general ledger, agreed the applicable amounts to the STARS reports, determined that reconciling differences were adequately explained and properly resolved, and determined that necessary adjusting entries were made in the Department’s accounting records and/or in STARS. The reconciliations selected for testing were chosen randomly. We found no exceptions as a result of the procedures.

7. We tested the Department’s compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 1998. We found no exceptions as a result of the procedures.

8. We reviewed the status of the deficiencies described in the findings reported in the Accountant’s Comments section of the State Auditor’s Report on the Department resulting from our engagement for the fiscal year ended June 30, 1997, to determine if adequate corrective action has been taken. We found no exceptions as a result of the procedures.

9. We obtained copies of all closing packages as of and for the year ended June 30, 1998, prepared by the Department and submitted to the State Comptroller General. We reviewed them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements; if the amounts were reasonable; and if they 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, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Further, we were not engaged to express an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express such opinions. Had we performed additional procedures or had we conducted an audit or review of the Department’s financial statements or any part thereof, other matters might have come to our attention that would have been reported to you.
The Honorable James H. Hodges, Governor
and
Members of the Commission on Consumer Affairs
South Carolina Department of Consumer Affairs
November 9, 1998

This report is intended solely for the information and use of the Governor and of the
governing body and management of the South Carolina Department of Consumer Affairs and
is not intended to be and should not be used by anyone other than these specified parties.

Thomas L. Wagner, Jr., CPA
State Auditor
During the current engagement, we reviewed the status of corrective action taken on both of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Department for the fiscal year ended June 30, 1997, and dated August 5, 1998. In response to our inquiries, we were told that the Department has developed and implemented procedures to correct the weaknesses reported in the prior year. However, because the procedures were implemented after June 30, 1998, we did not perform tests to determine if the new procedures are operating effectively.