

**SOUTH CAROLINA LEGISLATIVE  
INFORMATION SYSTEMS**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2000**

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# State of South Carolina



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

March 30, 2001

Members of the South Carolina General Assembly  
and  
Members of the Council  
South Carolina Legislative Information Systems  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Legislative Information Systems (the Systems), solely to assist you in evaluating the performance of the Systems for the fiscal year ended June 30, 2000, 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 all recorded receipts to determine if these receipts were properly described and classified in the accounting records and were recorded in the proper fiscal year and to determine if internal controls over the tested receipt transactions were adequate. All receipts were recorded as reimbursements of expenditures. 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 the recorded receipts were in agreement. 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 Systems, 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 those in 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 all 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 those in various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement. We performed other procedures such as comparing current year recorded payroll expenditures to those of the prior year and comparing the percentage change in recorded personal service expenditures to the percentage change in employer contributions 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 all recorded journal entries and interagency 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. We found no exceptions as a result of the procedures.
5. We tested selected entries and monthly totals in the subsidiary records of the Systems 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 Systems for the year ended June 30, 2000, and tested the final fiscal year 2000 reconciliations of balances in the Systems' 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 Systems' 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 Systems' accounting records and/or in STARS. We judgmentally selected the year-end reconciliations for testing. We found no exceptions as a result of the procedures.
7. We tested the Systems' compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 2000. We found no exceptions as a result of the procedures.

8. We reviewed the status of the deficiency described in the finding reported in the Accountant's Comments section of the State Auditor's Report on the Systems resulting from our engagement for the fiscal year ended June 30, 1999, 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, 2000, prepared by the Systems and submitted to the State Comptroller General. In addition, we obtained copies of all closing packages as of and for the prior year ended June 30, 1999, which were not completed and for which the submission deadline occurred after our field work for the 1999 engagement was completed. 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. 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, 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 Systems' financial statements or any part thereof, 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 South Carolina General Assembly and of the governing body and management of the South Carolina Legislative Information Systems 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

**ACCOUNTANT'S COMMENTS**

## **SECTION A - MATERIAL WEAKNESS AND/OR VIOLATION OF STATE LAWS, RULES OR REGULATIONS**

The procedures agreed to by the agency require that we plan and perform the engagement to obtain reasonable assurance about whether noncompliance with the requirements of State Laws, Rules, or Regulations occurred and whether internal accounting controls over certain transactions were adequate. Management of the entity is responsible for establishing and maintaining internal controls. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Therefore, the presence of a material weakness or violation will preclude management from asserting that the entity has effective internal controls.

The conditions described in this section have been reported in a comment which is identified as a material weakness or violation of State Laws, Rules, or Regulations.

## **CLOSING PACKAGES**

The State Comptroller General obtains certain generally accepted accounting principles (GAAP) information from agency-prepared closing packages to use in preparing the State's financial statements. The GAAP Closing Procedures Manual (GAAP Manual) provides guidance for the preparation of closing packages, assigns responsibility for their accuracy, provides checklists for effective reviews of all packages, and requires maintenance of supporting workpapers. As described in Section 1.8 of the GAAP Manual, an "effective review" of each closing package requires the knowledgeable supervisor who is performing the review to "trace all amounts from the appropriate agency accounting records or other original sources to the working papers and finally to the closing package itself." Furthermore, Section 2 of the GAAP Manual requires the Agency to "complete the Closing Package Control Checklist . . . and return it to the Comptroller General's Office no later than July 15." It goes on to explain, "You will also need a copy of the completed Checklist to determine which closing packages to complete later. Sections 3.8, 3.10, and 3.19 of the GAAP Manual describe the applicable GAAP and provide instructions for preparing the general fixed assets and operating leases closing packages.

### **Fixed Assets**

In fiscal year 2000, we reviewed certain fiscal year 1999 closing packages because they were neither due nor completed by the end of our field work for the fiscal year 1999 engagement. During this review we noted that the 1999 fixed assets additions and retirements amounts on the closing packages differed from the totals on the supporting documentation. In addition the total fiscal year 2000 fixed assets retirements on the forms differed from the total on the supporting documentation retained by the Agency. The GAAP Manual states that errors and discrepancies detected in the review process should be corrected before the closing



packages are submitted. There was evidence of supervisory reviews for these closing packages but the reviews did not detect the errors previously described.

We recommend that the Agency assign responsibilities for the preparation and review of closing packages to employees who are knowledgeable about the applicable GAAP, familiar with the applicable transactions and Agency records, familiar with the guidance and instructions in the GAAP Manual, and adequately trained for these assignments in order to properly complete and review the closing packages.

### Operating Leases

In fiscal year 2000, the Agency did not complete an operating leases closing package nor did it complete the two required Lease Registers. Section 3.19 of the GAAP Manual states the agency “is responsible for completing Lease Register forms for all leases in accordance with the State Treasurer’s Lease Reporting Package. It also requires the agency to “complete a Lease Register at the beginning of the lease term, before making the first lease payment.” The Agency had two copier leases effective in fiscal year 2000 and, therefore, should have completed an operating leases closing package. In addition, question two of the Closing Package Control Checklist asks if the agency has “any copier leases in effect for the fiscal year ended June 30?” The Agency incorrectly answered this question “no.” The Closing Package Control Checklist was signed by both the preparer and reviewer.

We recommend that the Agency establish procedures to ensure that the Closing Package Control Checklist and all other required closing packages are properly completed and reviewed.

## **SECTION B - STATUS OF PRIOR FINDING**

During the current engagement, we reviewed the status of corrective action taken on the finding reported in the Accountant's Comments section of the State Auditor's Report on the South Carolina Legislative Information Systems for the fiscal year ended June 30, 1999, and dated September 3, 1999. We determined that the Agency has taken adequate corrective action regarding the restricted monies expended from and the unspent balance in the Dialup Facility fund.

## **MANAGEMENT'S RESPONSE – ACCOUNTANT'S COMMENT**

Our transmittal letter accompanying the preliminary draft of this report for the agency's review gave the agency the opportunity to provide a written response or comments regarding the deficiencies described in Section A of the Accountant's Comments section of this report which it wished to have included in the final report. Management of the South Carolina Legislative Information Systems did not respond to the findings described in the Accountant's Comments section of this report by the date specified in our April 23, 2001, transmittal letter.

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