

**SOUTH CAROLINA CODIFICATION OF LAWS  
AND LEGISLATIVE COUNCIL**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2006**

## CONTENTS

	<u>PAGE</u>
I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1
II. ACCOUNTANT'S COMMENTS	
SECTION A - VIOLATION OF STATE LAWS, RULES OR REGULATIONS	5
CALCULATION OF FIRST PAY	6
SECTION B - OTHER WEAKNESS	7
POSTING OF DEPOSITS	8
MANAGEMENT'S RESPONSE	9

# *State of South Carolina*



## *Office of the State Auditor*

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

March 27, 2007

Members of the General Assembly  
and  
Members of the Legislative Council  
South Carolina Codification of Laws and Legislative Council  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Codification of Laws and Legislative Council (the Council), solely to assist you in evaluating the performance of the Council for the fiscal year ended June 30, 2006, in the areas addressed. The Council'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 deposits to determine if these deposits 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 deposits to determine if these deposits 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 an agreed upon materiality level of \$5,200 and  $\pm 10$  percent.

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

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 Council, 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 and earmarked funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$22,100 – general fund and \$5,900 – earmarked fund) and  $\pm 10$  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 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 and earmarked funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$22,100 – general fund and \$5,900 – earmarked 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 Calculation of First Pay in the Accountant's Comments section of this report.

4. **Journal Entries and Appropriation Transfers**

- We inspected all recorded journal entries 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 agency's policies and procedures and State regulations.

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 Council 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 Council for the year ended June 30, 2006, and inspected selected reconciliations of balances in the Council'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 Council'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 Council's accounting records and/or in STARS.

We judgmentally selected the fiscal year-end reconciliations and randomly selected one month's reconciliations for testing. We found no exceptions as a result of the procedures.

7. **Appropriation Act**

- We inspected agency documents, observed processes, and 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, 2006, prepared by the Council 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 Members of the General Assembly and of the management of the South Carolina Codification of Laws and Legislative Council 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 - VIOLATION 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 condition described in this section has been identified as a violation of State Laws, Rules or Regulations.



## **CALCULATION OF FIRST PAY**

The Council miscalculated the first pay for five out of ten employees tested in our test of new hires. The employees selected were permanent, part-time employees who work only during the legislative session. According to documentation in the employees' personnel files, the employees were added to the payroll and personnel system on January 3, 2006; however, Council personnel paid the employees for the January 2 holiday resulting in a total overpayment of \$824. Council personnel stated that since the employees were paid on a per-session basis, it did not matter when the employees were first put on the payroll.

Section 8-11-30 of the 1976 South Carolina Code of Laws, as amended, states, in part, "It is unlawful for a person to receive a salary from the State or any of its departments which is not due and for anyone employed by the State to pay salaries or monies that are not due."

We recommend that the Council implement controls to strengthen its policies and procedures regarding pay calculations to ensure that errors of this nature do not occur in the future. We also recommend the Council make every effort to obtain reimbursement from the individuals who were overpaid.

## **SECTION B - OTHER WEAKNESS**

The condition described in this section has been identified while performing the agreed-upon procedures but it is not considered a violation of State Laws, Rules or Regulations.

## **POSTING OF DEPOSITS**

We tested 25 transactions in the test of cash receipts and 14 transactions in the revenue cut-off test. We noted that 11 of the 25 transactions from the test of cash receipts and 11 of the 14 transactions from the revenue cut-off test were not posted to the accounting records in a timely manner.

A system of effective internal controls requires maintenance of a general ledger and accounting system which includes all accounts and transactions and provides complete, accurate, and timely information for budgetary and financial decision making. Because cash is an asset most vulnerable to loss internal control procedures should require the agency to initiate accounting control over cash receipts immediately upon collection and timely post the transactions to the accounting records.

We recommend the Council develop and implement controls to ensure that receipt transactions are posted timely to the accounting records.

## **MANAGEMENT'S RESPONSE**

### **Response to Section A. (Item 3.)**

We indicated to the auditors that it was our belief that since all our permanent part-time (PPT) sessional employees who return to work the first week in January each year now receive a sum certain for the session that it didn't really matter when they went on the payroll, be it January 1, 2, or 3. We chose January 2 since it was the first day of a pay period. The auditors, however, are insistent that these employees cannot be returned on the payroll on a holiday. Therefore, for future years, no sessional employees will be returned to the payroll on a holiday.

Lastly, each of these employees has agreed to work one extra day at the end of this year's session to rectify this problem.

4/18/07

## **Response to Section B.**

The auditors recommend our cash receipt ledger should be posted on a more timely basis to reflect the status of the accounts even if the underlying checks that were deposited had not cleared. Previous auditors had suggested the ledger should be posted “chronologically” to reflect deposits and payables in the order in which they had cleared.

We will attempt as best we can to implement this recommendation, and in doing so, will define “timely”, which is undefined in the auditor’s recommendation, to be a period not exceeding fifteen calendar days due to items needing to be cleared before posting and also there being only one staff person available to perform all accounting, payroll, personnel, procurement, leave, and other related functions for this small agency.

4/18/07

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