

**SOUTH CAROLINA  
HOUSE OF REPRESENTATIVES  
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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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 25, 2008

Members of the South Carolina House Of Representatives  
South Carolina General Assembly  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the Clerk of the South Carolina House of Representatives (the House), solely to assist you in evaluating the performance of the House for the fiscal year ended June 30, 2007, in the areas addressed. The House'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 and earmarked funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$260 – general fund and \$1,500 – earmarked fund) and  $\pm 10$  percent.

- We made inquiries of management pertaining to the agency's policies for accountability and security over documents issued and flags sold 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. Our finding as a result of these procedures is presented in Receipts 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 House, 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 (\$68,900 – general fund and \$1,300 – earmarked fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Payment of Invoices 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 recorded 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 (\$68,900 – general fund and \$1,300 – earmarked fund) and  $\pm 10$  percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions by fund source and 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. We found no exceptions as a result of the procedures.

4. **Journal Entries and Appropriation Transfers**

- We inspected 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, the purpose of the transactions was documented and explained, the transaction were properly approved and 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 House 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 House for the year ended June 30, 2007, and inspected selected reconciliations of balances in the House'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 House'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 House's accounting records and/or in STARS.

We judgmentally selected the fiscal year-end reconciliation and randomly selected one month's reconciliation for testing. 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 House 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 finding as a result of these procedures is presented in Compensated Absences Closing Package in the Accountant's Comments Section of this report.

9. **Status of Prior Findings**

- We inquired about the status of the finding reported in the Accountant's Comments section of the State Auditor's Report on the House resulting from our engagement for the fiscal year ended June 30, 2006, to determine if the House had taken corrective action.

We found no exception 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 areas, 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 Clerk of the House and Members of the House of Representatives 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 and Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violation of State Laws, Rules and Regulations occurred.

The conditions described in this section have been identified as violations of State Laws, Rules or Regulations.



## **COMPENSATED ABSENCES CLOSING PACKAGE**

During our review of the fiscal year 2007 compensated absences closing package, we noted the hourly rate reported on the House's Eligible Payout Report for one out of fifteen employees tested did not agree to the hourly rate documented on the Comptroller General's Payroll Advice form. The error was due to a clerical mistake. This error resulted in a \$96 overstatement in the agency's annual leave liability.

The Comptroller General's GAAP Closing Procedures Manual (GAAP Manual) Section 3.17 includes instructions regarding the proper preparation of the closing package.

We recommend that House personnel implement procedures to ensure all closing packages contain accurate and complete information in accordance with GAAP Manual instructions. These procedures should include an effective, independent review before submitting forms to the Comptroller General.

## **PAYMENT OF INVOICES**

During our Test of Disbursements, we noted that one out of 25 vouchers tested was not submitted to the Comptroller General's Office for payment within 30 workdays of receipt of the goods and/or services. The original invoice was misplaced by the Clerk's office and was therefore not forwarded to House Bookkeeping in a timely manner, causing a delay in payment.

Section 11-35-45 of the South Carolina Code of Laws, as amended, requires payment of goods and services within 30 workdays of the receipt of goods and/or services.

We recommend the agency strengthen its procedures to ensure that invoices are forwarded directly to House Bookkeeping upon receipt.

## **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.

## **RECEIPTS**

During our Test of Receipts, we noted that one of 25 revenue vouchers tested contained a receipt transaction that was not supported by a receipt document. The agency's procedures require that a receipt be prepared for cash transactions and that it be attached to the revenue voucher as supporting documentation. According to House personnel, the employee who received the cash was unaware of the policy.

We recommend the House strengthen its procedures over the issuance of receipts and ensure all employees handling cash receipts are aware of agency procedures.

## **SECTION C - STATUS OF PRIOR FINDINGS**

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 House for the fiscal year ended June 30, 2006, and dated September 11, 2007. We determined that the House has taken adequate corrective action on the finding.

## **MANAGEMENT'S RESPONSE**



CHARLES F. REID  
CLERK OF THE HOUSE

# The House of Representatives

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September 30, 2008

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

Dear Mr. Gilbert;

I am in receipt of the preliminary draft copy of agreed-upon procedures of the accounting records of the South Carolina House of Representatives for the fiscal year ending June 30, 2007 and do authorize the release of this report.

Actions have been taken to correct the noted findings.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles F. Reid".

Charles F. Reid  
Clerk of the House

CFR/smb

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