

**SOUTH CAROLINA
COMMISSION ON INDIGENT DEFENSE**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2009

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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

September 9, 2010

The Honorable Mark Sanford, Governor
and
Members of the Commission
South Carolina Commission on Indigent Defense
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Commission on Indigent Defense (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2009, in the areas addressed. The Commission'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 earmarked and restricted funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$41,000 – earmarked fund and \$80,500 – restricted fund) and ± 10 percent.

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 Commission, 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, earmarked and restricted funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$64,300 – general fund, \$30,800 – earmarked fund, and \$96,000 – restricted 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 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, earmarked and restricted funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$64,300 – general fund, \$30,800 – earmarked fund, and \$96,000 – restricted fund) and ± 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 ± 5 percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented in Payroll and Pay Calculations in the Accountant's Comments section of this report.

4. **Journal Entries and Appropriation Transfers**

- We inspected selected 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.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

5. **Appropriation Act**

- We inspected agency documents, observed processes, and/or made inquiries of Commission personnel to determine the Commission's compliance with Appropriation Act general and agency specific provisos.

We found no exceptions as a result of the procedures.

6. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2009, prepared by the Commission 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 findings as a result of these procedures are presented in Closing Packages in the Accountant's Comments section of this report.

7. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission resulting from our engagement for the fiscal year ended June 30, 2007, to determine if the Commission had taken corrective action. We applied no procedures to the Commission's accounting records and internal controls for the year ended June 30, 2008.

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 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 Commission on Indigent Defense and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

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

PAYROLL

Salary Payment Schedule

During our testing of newly hired employees and employees who terminated employment we noted nine exceptions in which the employees were not paid in accordance with the State's Salary Payment Schedule. Eight of the exceptions occurred because Commission personnel did not process the employees' payroll in the period in which it was earned. The employees started work on the last day of the pay period but the hours worked were not submitted for payment until the subsequent pay period. We also noted one exception in which Commission personnel did not process an employee's annual leave payout timely.

Section 8-11-35 of the 1976 Code of Laws states, "Except as otherwise provided by law, appropriations for compensation of state employees must be paid in twice-monthly installments to the person holding the position. To provide a regular and permanent schedule for payment of employees, the payroll period begins on June 2 of the prior fiscal year with the first pay period ending on June 16 of the prior fiscal year. The payroll period continues thereafter on a twice-monthly schedule as established by the State Budget and Control Board."

We recommend the Commission implement procedures to ensure employees are paid in accordance with the State's Salary Payment Schedule.

Sick Leave Payout at Termination

During our testing of employees who terminated employment we found one instance in which an employee was compensated for unused sick leave. The error resulted in an overpayment of \$75.

State Human Resource Regulations state, "Upon separation from employment, an employee forfeits all earned sick leave."

We recommend the Commission implement procedures to ensure State Human Resource Regulations are followed. Also, we recommend the Commission make an effort to recover the amount paid in error to the former employee.

CLOSING PACKAGES

Closing Package Checklist

During our review of the Closing Package Control Checklist we noted that the checklist was not submitted to the Comptroller General's Office by the due date. The Commission submitted the checklist on July 20, 2009.

The Comptroller General's GAAP Closing Procedures Manual, Section 2.0, Master Closing Package, the Commission was required to submit the Closing Package Control Checklist "no later than July 15."

Accounts Payable Closing Package

During our testing of the Accounts Payable Closing Package we noted that the Commission excluded one voucher from the closing package. The closing package did not include document number 3000219242. As a result the closing package was understated \$5,126.

The Comptroller General's GAAP Closing Procedures Manual, Section 3.12, Accounts Payable Closing Package: "An amount is an Account Payable at June 30 only if your agency: Receives the related goods or services on or before June 30 AND pays (or plans to pay) the vendor after June 30."

Compensated Absences Closing Package

During our testing of the compensated absences closing package, we noted the annual leave balances for two of the employees tested did not agree to their individual leave liability report at June 30, 2009. We noted the following:

- One employee's annual leave balance reported on the Annual Leave Liability report was 65.55 hours. The employee's individual leave liability report documented 65.66 hours.
- One employee's annual leave balance reported on the Annual Leave Liability report was 18.75 hours. The employee's individual leave liability report reported 9.375 hours.

The Comptroller's General's GAAP Closing Procedures Manual, Section 3.17, "...Based on GAAP, the State's policy is to record a liability on its financial statements for the value at June 30 of... Accumulated unused annual leave earned by employees."

Recommendation

We recommend the Commission follow the Comptroller General's Closing Procedures Manual instructions to ensure that all applicable Closing Packages are accurately completed and submitted timely.

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.

PAY CALCULATIONS

We tested all employees hired and those who terminated employment during fiscal year 2008-09. The Commission could not provide documentation to support its payroll calculation for fifteen of the employees selected. In addition, the Commission did not consistently follow prescribed methods for calculating partial payroll payments.

Effective internal controls require policies and procedures to be established and documented in writing. The Commission does not have procedures for special payroll calculations.

We recommend the Commission implement procedures to compute special payroll payments. The Commission should also maintain supporting documentation for these calculations.

SECTION C – STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission for the fiscal year ended June 30, 2007, and dated September 18, 2008. We applied no procedures to the Commission's accounting records and internal controls for the year ended June 30, 2008. We determined that the Commission has taken adequate corrective action on each of the findings except for the prior finding titled Closing Packages.

MANAGEMENT'S RESPONSE



SCCID

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T. Patton Adams, Executive Director
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November 4, 2010

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

Re: Preliminary Draft of Audit Report Fiscal Year Ending June 30, 2009

Dear Mr. Gilbert:

At the request of Mr. Adams, I am responding to your letter of November 1, 2010.

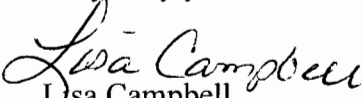
We appreciate the professional and courteous attitude of your staff and their assistance as we continue to improve our financial management policies and practices.

We will take corrective actions as recommended and continue to strive to avoid these mistakes in the future. We are confident the implementation of the SCEIS system will also provide safeguards in the future.

You are authorized to release the final version of this report.

If you have questions, or require additional information, please contact me.

Very truly yours,


Lisa Campbell

4 copies of this document were published at an estimated printing cost of \$1.52 each, and a total printing cost of \$6.08. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.