
South Carolina State Commission for Minority Affairs

Columbia, South Carolina

Independent Accountant's Report on Applying Agreed-Upon Procedures
for the year ended June 30, 2006

State of South Carolina



Office of the State Auditor

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September 26, 2007

The Honorable Mark Sanford, Governor
and
Members of the Commission
South Carolina State Commission for Minority Affairs
Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the South Carolina State Commission for Minority Affairs for the fiscal year ended June 30, 2006, was issued by Brown CPA, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

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BROWN CPA, LLC

Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Office of State Auditor and management of South Carolina State Commission for Minority Affairs (the "Commission"), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2006, 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 Commission'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 fund to ensure that revenue was classified properly in the Commission's accounting records. The scope was based on agreed upon materiality level \$5,600 – earmarked fund and ± 10 percent.

The individual transactions were chosen subjectively. Our finding as a result of these procedures is presented 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 Commission's policies and procedures and State regulations, were bona fide disbursements of the South Carolina State Commission for Minority Affairs, 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 fund to ensure that expenditures were classified properly in the Commission's accounting records. The scope was based on agreed upon materiality levels \$12,000 – general fund and \$6,000 – earmarked fund and ± 10 percent.

The individual transactions selected were chosen subjectively. 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 Commission'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 Commission'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 Commission's accounting records. The scope was based on agreed upon materiality levels 12,000 – general fund and \$6,000 – earmarked 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 ± 15 percent to ensure that payroll expenditures were classified properly in the Commission's accounting records. The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

4. Journal Entries, Operating Transfers and Appropriation Transfers

- We inspected 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, 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 Commission's policies and procedures and State regulations.

The individual transactions selected were chosen subjectively. 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 South Carolina State Commission for Minority Affairs 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 Commission'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 Commission for the year ended June 30, 2006, and inspected selected reconciliations of balances in the Commission'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 Commission'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 Commission's accounting records and/or in STARS.

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

7. Appropriation Act

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

Our finding as a result of these procedures is presented in the Accountant's Comments section of this report.

8. Closing Packages

- We obtained copies of all closing packages as of and for the year ended June 30, 2006 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.

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 Governor, the South Carolina Office of the State Auditor, and the South Carolina State Commission for Minority Affairs and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

BROWN CPA, L.L.C.

Irmo, South Carolina
September 24, 2007

ACCOUNTANT'S COMMENTS

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 South Carolina State Commission for Minority Affairs (the "Commission") require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

SECTION A – VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

The condition described in this section has been identified as a violation of State Laws, Rules or Regulations.

Cash Receipts and Revenue / Appropriation Act – Untimely Deposit of Receipts

The Commission did not timely deposit receipts. Proviso 72.1 of the 2006 State Appropriations Act specifies that all revenues must be remitted to the State Treasurer at least once each week. During our testing of cash receipts we revealed that a deposit made on March 30, 2006 contained six separate receipts from various state agencies and a private citizen received between December 2005 and February 2006.

We recommend that the Commission develop and implement control procedures to strengthen internal controls over cash receipts and revenues to ensure that receipts are deposited timely and in accordance with the Commission's policies and State Law.

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.

Reconciliations

The Commission did not timely prepare the monthly fiscal year 2006 reconciliations. The Comptroller General's Policies and Procedures Manual (STARS Manual) requires agencies to perform reconciliations shortly after month-end in order to promptly correct errors discovered during the reconciliation process. It also requires agencies to maintain all supporting documentation for audit purposes.

We recommend the Commission develop and implement procedures to ensure that reconciliations are performed timely.

Attachment A

Executive Director's Response

Section A – Violation of State Laws, Rules and Regulations

Failure to make deposits within seven days – Agency acknowledges that during FY 2006, the fiscal agent position became vacant. During this interim period, the agency hired another state employee in a dual employment capacity, who conducted the fiscal work of the agency during evening and weekend hours. During this interim period, some deposits were made later than customary or later than state law allows. This problem has since been corrected, given the fact that a full-time fiscal agent has been employed.

Section B – Other Weakness

Failure to prepare timely reconciliations – Again, agency acknowledges that during FY 2006, the fiscal agent position became vacant. During this interim period, the agency hired another state employee in a dual employment capacity, who conducted the fiscal work of the agency during evening and weekend hours. During this interim period, reconciliations were completed as time afforded but later than state law allows. This problem has since been corrected, given the fact that a full-time fiscal agent has been employed and reconciliations are completed within 30 days and signed by Executive Director.