

**SOUTH CAROLINA  
OFFICE OF THE ADJUTANT GENERAL**

**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

October 2, 2008

Major General Stanhope S. Spears  
Adjutant General  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Office of the Adjutant General (the Office), solely to assist you in evaluating the performance of the Office for the fiscal year ended June 30, 2007, in the areas addressed. The Office'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, earmarked and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$400 – general fund, \$65,800 – earmarked fund, and \$161,800 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in 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 Office, 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 federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$48,000 – general fund, \$56,800 – earmarked fund, and \$159,900 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Transaction Coding 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 payroll expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$48,000 – general fund, \$56,800 – earmarked fund, and \$159,900 – federal 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  $\pm$  five 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 Payroll in the Accountant's Comments section of this report.

4. **Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected selected recorded journal entries, and all operating 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 journal entries selected were chosen randomly. 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 Office 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 Office for the year ended June 30, 2007, and inspected selected reconciliations of balances in the Office'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 Office'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 Office's accounting records and/or in STARS.

The reconciliations selected were chosen randomly. 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.

Our finding as a result of these procedures is presented in Indirect Costs 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, 2007, prepared by the Office 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 GAAP Closing Packages in the Accountant's Comments section of this report.

9. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2007, prepared by the Office and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

10. **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 Office resulting from our engagement for the fiscal year ended June 30, 2007, to determine if the Office had taken corrective action.

Our findings as a result of these procedures are presented in Deposits and GAAP 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 management of the South Carolina Office of the Adjutant General 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 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.



## **DEPOSITS**

During our receipt testing, we determined that five of the fifty receipts tested were not deposited in a timely manner. The majority of these receipts originated from various armories which held the receipts between two and three weeks prior to forwarding the receipts to the Central Office. Once received the Central Office promptly deposited the funds. The Office could not explain the delays by the armories. Also, during our cut-off test of revenues, we noted one of the 25 receipts tested was recorded in the wrong fiscal year. The Office recorded this receipt in fiscal month 01, fiscal year 2008 rather than as fiscal month 13, fiscal year 2007 revenue.

South Carolina Code of Laws section 11-13-120 requires that all State departments, boards, bureaus, commissions or other State agencies charged with the collection of any taxes, licenses, fees, interest, or any income to the State shall, with ordinary business promptness, deposit the same when collected with or to the credit of the State Treasurer, either at his office in the State Capitol or in such bank or banking institution within the State as shall be designated by the State Treasurer. In addition, Section 72.1. of the fiscal year 2007 Appropriations Act requires that all general State revenues derived from taxation, licenses, fees, or from any other source whatsoever, be remitted to the State Treasurer at least once each week, when practical. Further, the State Treasurer's letter of fiscal year end requirements states that after July 6th, all deposits validated by the bank as of June 29, 2007 or prior must be recorded as fiscal month 13 transactions. If a bank deposit has been validated after Friday, June 29, 2007, the agency must contact the State Treasurer's Office if they need that Green Treasurer's Deposit processed in fiscal month 13, fiscal year 2007.

We recommend that the Office establish procedures to ensure that receipts are deposited in a timely manner in accordance with State law. The Office should also ensure that accounting personnel adhere to the State Treasurer's year-end cut-off procedures.

## **TRANSACTION CODING**

During our analytical review of expenditures, we determined that an interdepartmental transfer (IDT 77), used to transfer cash from state appropriations (subfund 1001) to capital projects (subfund 3600), was not properly prepared. The Office used expenditure object code 0230 (General Repair) to transfer cash from subfund 1001 and revenue object code 7221 (Miscellaneous Transfer – Other Funds) to transfer cash to subfund 3600. Pursuant to STARS Manual section 2.1.3.76, the Office should have used expenditure object codes 07xx (Building Renovations) and revenue object code 8895 (General Fund Appropriation Revenue Transfer). The Office also used the wrong transaction codes (400 and 450) to process the transfer. The STARS Manual specifies that revenue object code 7221 should only be used with transaction codes 310, 315, 360, and 365.

We recommend that the Office ensure that staff who process operating transfers are knowledgeable of appropriate STARS object and transaction codes.

## **PAYROLL**

We determined that the Office incorrectly calculated the final pay for two of the twenty-five terminated employees tested and the first pay for one of the twenty-five new hires tested. The Office staff incorrectly calculated the amount paid because the partial pay calculations was based upon hours worked during the pay period instead of percentage of time worked in the pay period. The three employees were underpaid a total of \$125. We also noted that another employee in our sample was paid for one pay period after terminating. This resulted in an overpayment of \$1,291. The Office discovered this error in the subsequent pay period and has attempted to recover the overpayment from the former employee.

Generally accepted accounting principles (GAAP) require that transactions be given consistent accounting treatment. Because the number of work days or hours available in each pay period varies, using an annual rate to calculate partial pay produces inconsistent results among pay periods. Accordingly, the Comptroller General's Office has recommended using a proportionate time approach for calculating partial pay. The South Carolina Code of Laws, section 41-10-50 states that, "when an employer separates an employee from the payroll for any reason, the employer shall pay all wages due to the employee within forty-eight hours of time of separation or the next regular payday which may not exceed thirty days." Additionally, section 8-11-30 states that, "It shall be unlawful for anyone to receive any salary from the state or any of its departments which is not due..."

We recommend the Office calculate partial pay using percentage of time worked. The Office should also establish control procedures to ensure that terminated employees are promptly removed from the payroll.

### **INDIRECT COSTS**

The South Carolina Code of Laws section 2-65-70 states: "All agencies receiving federal grants or contracts shall recover the maximum allowable indirect costs on those projects, subject to applicable federal laws and regulations. All indirect cost recoveries must be credited to the general fund of the State, with the exception of recoveries from research and student aid grants and contracts. Further, after January 1, 1999, federal grants and contracts whose annual award is two hundred thousand dollars or less are exempted also from this cost recovery requirement ... Each agency receiving grants or contracts to which indirect costs may be charged must have an approved indirect cost rate or cost allocation plan."

The Office reported federal grant revenue of \$43,901,331 during fiscal year 2007 but did not recover indirect costs as required by State law. We were told that the Office did not prepare and submit a fiscal year 2007 indirect cost proposal to the Budget and Control Board. Consequently, the Office did not have an approved indirect cost rate for recovering indirect costs for fiscal year 2007.

We recommend the Office develop an indirect cost rate proposal and submit it to the Budget and Control Board for approval in order to recover the maximum allowable indirect costs as required by State law.

## **GAAP CLOSING PACKAGES**

### **Introduction**

The Office of the Comptroller General (CG) obtains certain generally accepted accounting principles (GAAP) data for the State's financial statements from agency prepared closing packages. We determined that the Office submitted to the CG certain fiscal year 2007 closing packages that were incorrectly prepared and/or misstated. To accurately report the Office's and the State's assets, liabilities, and current year operations, the GAAP closing packages must be complete and accurate. Furthermore, Reference 1.7 of the Comptroller General's GAAP Closing Procedures Manual (GAAP Manual) states that "The accuracy of closing package data is extremely important. Large errors jeopardize the accuracy of the State's financial statements. The existence of even "small" errors tends to cast doubt on the State internal control structure's ability to detect and correct errors. All errors are avoidable. We all must work together to implement procedures that keep closing package errors to an

absolute minimum. An adequate internal control system includes safeguards to ensure that your agency detects and corrects its own closing package errors. Whenever the Comptroller General's Office or auditors detect errors, it means that your agency's system of internal control could be stronger.” Reference 1.7 further states that a supervisory employee should perform a review that includes tracing all amounts from the appropriate agency accounting records or other original sources to the working papers and finally to the closing package itself. The following describes the errors noted on certain fiscal year 2007 closing packages:

### **Accounts Payable**

The accounts payable closing package included vouchers with a total voucher amount of less than \$5,000 each. This resulted in accounts payable being overstated \$93,265. Also, a mathematical error resulted in a \$9 understatement of accounts payable for GAAP fund 4005.

The GAAP Manual, section 3.12 states: “Determine which items to report on Accounts Payable Summary Forms (GAAP Forms 3.12.1 through 3.12.3) by ... Reviewing voucher packets for vouchers paid in STARS FM01 and FM02 of the new fiscal year and invoices your agency plans to pay in the new fiscal year. Exclude from this review vouchers with a total voucher amount of less than \$5,000.”

### **Operating Lease**

The Office understated future minimum lease payments by \$3,917 for one lease on the operating lease closing package. The error occurred because the Office computed future minimum lease payments for fiscal year 2010 based upon a lease period of ten months. We reviewed the lease agreement and determined that the remaining lease term was eleven months.

The GAAP Manual, section 3.19 states: “The minimum lease payment is the minimum payment that the lessee must pay to the lessor during the fiscal year as specified in the lease agreement, excluding contingent rental payments.”

### **Operating Lease – Lessor**

The Office reported twelve leases on its operating lease - lessor closing package. We noted the following discrepancies:

- 1) Three of the leases should not have been reported on the closing package because they are cancelable. This error resulted in an overstatement of future minimum lease payments of \$65,626.
- 2) The Office could not provide us with the lease agreements and other supporting documentation for four of the leases. We were therefore unable to determine whether the reporting of the leases or the amounts reported are accurate.
- 3) One of the leases should not have been reported in the closing package because the Budget and Control Board is the lessor rather than the Adjutant General’s Office. This error resulted in an overstatement of future minimum lease payments of \$30,000.

The GAAP Manual, section 3.20 states “For each current lease on property reported in Part A, determine if the lease is *noncancelable* (see Key Terms in Section 3.19) and whether it was in effect at the end of the fiscal year for which this Form is prepared. If so, determine the future minimum rental payments to be received and report these amounts in Part B.” This section further states “Do not attach copies of lease agreements or other working papers to the Form that you send to the Comptroller General’s Office. Instead, retain these working papers at your agency.”

## **Cash and Investments**

The Office was unable to provide us with documentation to support the authorized amounts for the petty cash accounts totaling \$35,000 reported on the cash and investments closing package. In addition, a bank cash account balance was overstated by \$322 because the Office reported the bank's average ledger balance instead of the ending bank balance.

The GAAP Manual, section 3.1 states: "... the agency should keep any documents that support data on that Form. For example ... Correspondence authorizing petty cash accounts." The section further states: "the book balance of a bank account is the balance on your accounting records or in your checkbook on June 30."

## **Capital Assets**

We tested the various capital assets closing packages and noted the following errors:

1. The Office was not able to provide adequate documentation to support the end of year and current year depreciation balances. The Office told us it had not conducted an annual physical inventory of capital assets for the past several years and was therefore unable to support the reported balances.
2. Capital asset additions for construction in progress (CIP) were understated by \$282,858 for contract retentions withheld during fiscal year 2007. This error went undetected because the Office did not properly complete the Capital Assets Reconciliation Form. Contract retentions of \$282,858 were shown as having been paid in fiscal year 2007 when in fact they had not been paid.
3. The Office failed to reclassify CIP of \$3,993,681 for contracts completed in fiscal year 2006.
4. Capital asset additions totaling \$10,696,400 were not properly allocated between governmental funds and enterprise funds. The Office reported the total asset additions under the governmental fund. Our review of the Comptroller General's CSA416, "Equipment and Capital Outlay Expenditures by GAAP Code" report disclosed that asset additions of \$127,496 reported under the governmental fund should have been reported under the enterprise fund.
5. Asset additions reported by the Office were \$8,955 less than reported on the CSA416 report. The closing package did not include an explanation of the difference as required by the GAAP Manual instructions.

The South Carolina Code of Laws section 10-1-140 states: “The head of each department, agency, or institution of this State is responsible for all personal property under his supervision and each fiscal year shall make an inventory of all property under his supervision, except expendables.”

The GAAP Manual includes the following instructions for the proper completion of the capital assets closing packages:

1. The agency should keep:
  - Working papers to support each number on these forms.
  - A detailed listing of all capital assets as of June 30.
2. The balance reported in Construction in Progress (CIP) represents costs incurred through June 30 for construction of capital assets that are not yet substantially complete as of June 30. Costs incurred include contract retentions withheld.
3. Enter your agency's equipment and capital outlay expenditures. The Comptroller General's Office reported these amounts to you on Report CSA614. Enter the subtotal for all Governmental funds in the first column. Enter the amounts in a separate column for each different Enterprise, Internal Service, and Trust fund.
4. Reclassifications of capital assets should occur only between CIP and other capital asset categories. Agencies should move CIP costs to other capital asset categories when construction projects are substantially complete.

### **Grant/Contribution Receivables and Deferred Revenue**

The grants/contributions receivables closing package worksheet was not prepared in accordance with exhibit 3.3 in the GAAP Manual. The amounts on the worksheet did not reconcile to the schedule of expenditures of federal awards. Accounts payable amounts reported in the accounts payable closing package for federal grants were not included as part of the closing package worksheet.

Our review of the grant/contribution closing package reviewer checklist disclosed that the Office provided incorrect answers to questions described below from the checklist. The Office answered “Yes” to these questions; however, the correct response should be “No”.

- Are large differences between the closing package amounts reported in the current-year and those reported last year explained (as to reasons) in the working papers retained for audit purposes?



- Does the beginning balance for each grant on the grants analysis worksheet equal the prior year's ending balance for the same grant?
- Do the amounts reported for closing package purposes reconcile to the Schedule of Expenditures of Federal Awards, plus or minus accounts payable and account payable reversals?

The GAAP Manual, section 3.3 includes the following instructions:

- The final closing package amounts should reconcile to your schedule of expenditures of federal awards.
- To aid you in properly computing the amounts to report on the summary forms and to help ensure that adequate documentation is maintained for audit purposes, we require that you prepare a working paper similar to the one shown in Exhibit 3.3 (A)...If you wish to use a format different...it must, at a minimum, contain all of the information included in Exhibit 3.3 (A).
- If your agency completed an Accounts Payable Summary Form relating to grants, enter the amount of the accounts payable as it applies to each grant. These amounts will be obtained from your workpapers used in completing the Account Payable Summary Form.

### **Compensated Absences**

The Office understated the compensated absences liabilities for its governmental fund by \$128,705 and its enterprise fund by \$4,061. The errors occurred because the Office excluded leave balance hours in excess of 360 from the calculation of the liabilities.

The GAAP Manual, section 3.17 states "The accumulated unused annual leave earned by employees at June 30 is the actual annual leave balance in the agency's records for each employee."

### **Litigation**

We reviewed the litigation closing package and noted that the Office incorrectly answered "yes" to the question "Did your agency make payments to private attorneys during this fiscal year?" We determined that no such payments were made during fiscal year 2007. Based on the response, the Office submitted an unnecessary closing package to the CG.

The GAAP Manual, section 3.13 states, "...for payments made to private attorneys during the current fiscal year...complete the payments to private attorneys form (GAAP Form 3.13.2)."

### **Accounts Receivable**

We reviewed the accounts receivable closing package and noted that the Office included \$585 in the fiscal year 2007 accounts receivable balance that was for services performed in fiscal year 2008.

The GAAP Manual, section 3.4 states: "Accounts receivables generally are miscellaneous revenues that your agency earned during the fiscal year but did not receive until after June 30. As of June 30 you either:

- Have billed these non-State parties already
- Know that you will bill these parties for goods provided or services rendered."

### **Recommendations**

We recommend that the Office implement procedures to ensure that all closing packages contain accurate and complete information in accordance with the GAAP Manual requirements and instructions. The Office should design and implement procedures requiring an independent review of each closing package by an individual knowledgeable of closing package instructions to ensure the accuracy of the closing package and adequacy of documentation supporting the closing package. This independent review should be documented using the applicable reviewer's checklist. The Office should perform an inventory of its capital assets and update its accounting records and closing package balances accordingly. Also, the Office should obtain State Auditor's Office approval for changes in authorized amounts for its petty cash accounts. Finally, we recommend that the Office retain all supporting documents and working papers with the closing package copies in accordance with GAAP Manual requirements.

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

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Office for the fiscal year ended June 30, 2006, and dated October 15, 2007. We determined that the Office has not taken adequate corrective action on the Deposits finding which we have repeated in Section A. The Office has taken adequate corrective action on the interfund payables subsection of the GAAP Closing Packages finding; however, the remaining subsections of that finding have been repeated in Section A.

## **MANAGEMENT'S RESPONSE**

## **CORRECTIVE ACTION PLAN**

### **Deposits**

1. A member of the Budget and Finance staff has been assigned the responsibility of audit review and following up on errors, discrepancies, and questionable transactions.
2. Copies of Checks and Deposit Slips from armories are now forwarded to Budget & Finance when the deposit is made.
3. An onsite Audit program has been organized and a staff member currently reviews the Rental Program and Unit Maintenance Funds to ensure that proper procedures are being followed.
4. Delays in armory deposits result in a notification to the appropriate military chain of command for action and follow-up.
5. EMD established procedures are followed where deposits coordinate through a single position and are not routed through a particular program.
6. Year End reviews are now performed to ensure that deposits are made in the correct Fiscal Year.
7. Scheduled training programs are conducted to ensure proper procedures are understood and that standardized files and reports are maintained.

### **Transaction Coding**

1. Staff responsible for processing operating transfers now have more training and experience in processing operating transfers.
2. All transfers are reviewed for completeness and accuracy.

### **Payroll**

Procedures for processing payroll have been changed to include the recommendation of using the percentage of time worked method for calculating partial pay.

### **Indirect Cost**

The Agency now has an approved Indirect Cost Plan as required.

### **Closing Packages**

#### **Accounts Payable**

1. A procedure package has been written and is maintained on all Closing Packages, including Accounts Payable, containing all reports and documentation necessary to complete a closing package. The package includes the data required from the input documents and where they are to be entered into any spreadsheets.
2. A complete review of the spreadsheets used where totals in the spreadsheet are footed and cross footed to reports is also performed.
3. Vouchers with totals of less than \$ 5000 are now excluded from the Accounts Payable Closing Package.

**Operating Leases and Operating Leases - Lessor**

1. A procedure package has been written and is maintained on all Closing Packages, including Operating Leases and Operating Leases– Lessors, containing all reports and documentation necessary to complete a closing package. The packages include the data required from the input documents and where they are to be entered into any spreadsheets.
2. All leases are reviewed to ensure that reporting criteria is met.
3. A copy of all leases is on file and included in the supporting documentation for the closing package.

**Cash and Investments**

1. A procedure package has been written and is maintained on all Closing Packages, including Cash and Investments, containing all reports and documentation necessary to complete a closing package. The package includes the data required from the input documents and where they are to be entered into any spreadsheets.
2. A request for change in authorization approved by the State Auditor's Office is on file for petty cash accounts.

**Capital Assets**

1. A procedure package has been written and is maintained on all Closing Packages, including Capital Assets, containing all reports and documentation necessary to complete a closing package. The package includes the data required from the input documents and where they are to be entered into any spreadsheets.
2. A member of Budget & Finance has been assigned the responsibility of State Property Officer reviewing all entries in SABAR including Land and Buildings and reviewing all assets on an annual or bi-annual basis. Additionally, depreciation balances and construction in progress will be reviewed to ensure proper balances are reported.
3. The SABAR accounting software has not been maintained for Buildings and Land since 1999. SABAR will be updated with the correct transactions to add any land and facilities that have not been added and delete any land and facilities that have been disposed.
4. Assets added to SABAR will include all pertinent data to identify and locate the asset.
5. A reconciliation between asset additions and the Comptroller General's CSA416 report will be performed and maintained as part of the supporting documentation of the closing package.
6. A property has been assigned and does a rolling inventory throughout the year.

**Grant/Contribution Revenues and Deferred Revenue**

1. A procedure package has been written and is maintained on all Closing Packages, including Grant/Contribution Revenues and Deferred Revenue, containing all reports and documentation necessary to complete a closing package. The package includes the data required from the input documents and where they are to be entered into any spreadsheets. A spreadsheet similar to the one in the Comptroller

General's instructions is prepared to support the amounts reported and the amounts reported are reconciled to the Schedule of Federal Financial Assistance.

#### **Compensated Absences**

1. A procedure package has been written and is maintained on all Closing Packages, including Compensated Absences, containing all reports and documentation necessary to complete a closing package. The package includes the data required from the input documents and where they are to be entered into any spreadsheet.
2. All required leave balances will be used in calculating balances.

#### **Litigation**

A procedure package has been written and maintained on all Closing Packages, including Litigation, containing all reports and documentation necessary to complete a closing package. Included as part of this package are instructions for reviewing payments made to attorneys during the fiscal year and reconciling the amount recorded in SABAR with the amount reported in the Comptroller General's report of Payments Made to Private Attorneys.

#### **Accounts Receivable**

A procedure package has been written and maintained on all Closing Packages, including Accounts Receivable, containing all reports and documentation necessary to complete a closing package. Included as part of this package are instructions for reviewing revenue received after June 30 to ensure only those revenues earned in the prior fiscal year are reported as receivables.

As noted, a procedure package has been established for each closing package. This document includes all documentation that is necessary to complete a closing package and where the reports can be obtained or how they are to be run. Pertinent values used in these reports will be highlighted with an indication of where they are included in the report.

All backup documentation will be attached to each package with cross references to the data reported in the package.

This procedure will help eliminate errors, speed up the process, and allow for an easier independent review.

#### **Point of Contact for All Findings:**

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Chief Financial Officer

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