

State of South Carolina
Office of the Secretary of State
The Honorable Mark Hammond

1205 PENDLETON STREET, SUITE 525
COLUMBIA, SC 29201

Information
(803) 734-2170
www.scsos.com

Boards/Commissions
(803) 734-2512

Notaries
(803) 734-2119

P.O. BOX 11350
COLUMBIA, SC 29211

Business Filings
(803) 734-2158

Corporations
(Fax) (803) 734-1614

UCC
(Fax) (803) 734-1610



August 19, 2008

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

Re: Report on agreed-upon procedures for the Secretary of State's Office for FY 2007

Dear Mr. Gilbert:

Please accept this official release authorization for your report on applying agreed-upon procedures to the accounting records of the South Carolina Office of the Secretary of State for the fiscal year ended June 30, 2007.

We appreciate your recommendations and will continue to ensure that the office complies with all state laws and regulations. In addition, we appreciate the professionalism of your staff and look forward to working with them in the future.

We respectfully request that the following responses to the accountant's comments be included in your report.

Sincerely,


Mark Hammond
Secretary of State

Secretary of State's Response to Accountant's Comments

Section A

Object Code

It is the policy of the Secretary of State's office to utilize correct object codes for all transactions. In regards to the use of object code 3804 (Refund-Prior Year Revenue) the description also states that "It should be used on disbursements refunding revenue when it is **impractical** to use original revenue object." We did not conclude that the use of the original object code was impractical as tracking program income is crucial. However, we accept the interpretation used by the accountant and will begin using object code 3804 for all such refunds.

Payroll Calculations

We thank the auditors for discovering the error and we will correct it immediately. The error was the result of an addition error where both the employee and the reviewer made the same miscalculation. We have instituted a procedure where calculations on completed time sheets will be reviewed by two individuals before being processed in the hopes that this and other errors will be prevented in the future.

Employer Contributions

We appreciate the recommendation to establish office procedures to ensure that employer contributions are distributed proportionately among its funds. In the current fiscal year we have implemented new budgeting procedures to reduce the need to transfer salaries and benefits between funds. However, with budget shortfalls it may become necessary to transfer the payment of salaries and benefits between funds. In these instances every precaution will be taken to ensure no further violations.

Section B

Transaction Sequence

While we appreciate the recommendation made regarding the numbering of transactions we contend that we had procedures in place to detect the error timely and make corrections. The office was aware of the error and pointed it out to the auditors. Correction of the error entailed making a notation to the event which was completed at the time. Again, while we appreciate the recommendation on transaction sequence; however, with the implementation of the new statewide accounting system we have no control over the numbering of transactions.

Secretary of State's Response to Accountant's Comments

Section C

Status of Prior Findings

We appreciate the recognition of our efforts to correct the previous findings. In reference to the previous failed correction of the payroll finding, we have taken steps to correct the error completely.