

**THE SENATE OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2007

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State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 30, 2008

Members of The Senate of South Carolina
South Carolina General Assembly
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the Clerk of the Senate of The Senate of South Carolina (The Senate), solely to assist you in evaluating the performance of The Senate for the fiscal year ended June 30, 2007, in the areas addressed. The Senate'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 (\$60 - general fund and \$260 - earmarked fund) and ± 10 percent.

- We observed and evaluated the accountability and security over documents issued and flags sold for money.

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 Senate, 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 (\$61,400 □ general fund and \$380 □ earmarked 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 internal controls over these transactions were adequate.
- 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 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 (\$61,400 □ general fund and \$380 □ earmarked fund) and ± 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 ± 5 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 Supporting Documentation for Initial Pay in the Accountant's Comments section of this report.

4. **Journal Entries and Appropriation Transfers**

- We inspected selected recorded journal entries and all 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 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 journal entry transactions 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 Senate 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 Senate for the year ended June 30, 2007, and inspected selected reconciliations of balances in the Comptroller General'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 Senate'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 Senate'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 Senate 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 Clerk of The Senate and Members of The Senate 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

OTHER WEAKNESS

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 condition described in this section has been identified while performing the agreed-upon procedures but is not considered a violation of State Laws, Rules or Regulations.

SUPPORTING DOCUMENTATION FOR INITIAL PAY

The agency could not provide documentation to support the initial pay for one of 25 employees tested in our test of additions. The employee was paid an hourly rate for 37.5 hours worked. However the agency could not provide documentation to support the hours worked.

An effective system of internal controls includes control procedures to ensure the agency prepares and maintains proper and adequate documentation in its employee files to support all personnel transactions.

We recommend that the agency develop and implement procedures to ensure that information pertaining to employees' pay is maintained accurately.

MANAGEMENT'S RESPONSE

STATE OF SOUTH CAROLINA

JEFFREY S. GOSSETT
CLERK OF THE SENATE
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THE SENATE
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December 10, 2008

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

Dear Mr. Gilbert:

I have reviewed the preliminary draft copy of the report resulting from your performance of agreed-upon procedures to the accounting records of The Senate of South Carolina for the fiscal year ended June 30, 2007. Attached you will find the response to the finding of that draft Audit report.

The other weakness regarding adequate documentation on an employee payment is acknowledged. While the payment was authorized and the proper signature on the actual payroll voucher containing the payment was appropriate, it is normally our procedure to have other documentation in the file in addition to this. This was an unusual situation that occurred during a medical absence of a member of the Office of Senate Finance and is not likely to be repeated. The staff is aware of the documentation procedure and will take steps to ensure that adequate documentation for payments is in each employee file.

This letter services as authorization to release the FY07 report for the SC Senate, and I would ask that our attached response be published with the report in reply to the finding. Thank you for your assistance, and please do not hesitate to contact Beth Dworjanyan at 803.212.6552 or myself at 803.212.6200 should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Gossett", is written over a faint, larger version of the same signature.

Jeffrey S. Gossett

Clerk of the Senate

Section B-Other Weakness-Agency Response

Supporting Documentation for Initial Pay

The Office of Senate Finance was instructed by the Clerk of the Senate to pay an initial payment to an employee at an hourly rate of \$14.41 for 37.50 hours worked. The calculations were documented in the file and the payment was submitted on the payroll voucher for the Senate. The Clerk of the Senate authorized the payment verbally and with his signature on the payroll voucher that contained the payment. The employee's file did not contain any other form of documentation of authorization from the Clerk for that payment. The Benefits/Payroll Specialist at the time was on medical leave and another member of the Office of Senate Finance staff made the payroll change in her place. Other forms are normally kept for other such payments, and the staff is aware and has taken steps to ensure all documentation forms are on file to maintain good internal control.

4 copies of this document were published at an estimated printing cost of \$1.40 each, and a total printing cost of \$5.60. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.