

**SOUTH CAROLINA STATE BOARD FOR
TECHNICAL AND COMPREHENSIVE EDUCATION**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2006

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State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 30, 2007

The Honorable Mark Sanford, Governor
and
Members of the Board
South Carolina State Board for Technical
and Comprehensive Education
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina State Board for Technical and Comprehensive Education (the Board), solely to assist you in evaluating the performance of the Board for the fiscal year ended June 30, 2006, in the areas addressed. The Board'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 and to determine if revenue collection and retention or remittance were supported by law.
- 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 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, restricted 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 (\$7,300 – general fund, \$39,800 – earmarked fund, \$173,700 – restricted fund, and \$5,500 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Object Codes 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 Board, 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, restricted 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 (\$348,700 – general fund, \$39,400 – earmarked fund, \$172,500 – restricted fund, and \$6,300 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Object Codes 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, restricted 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 (\$348,700 – general fund, \$39,400 – earmarked fund, \$172,500 – restricted fund, and \$6,300 – federal fund) and ± 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions. 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. We found no exceptions as a result of the procedures.

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 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 Board 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 Board for the year ended June 30, 2006, and inspected selected reconciliations of balances in the Board'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 Board'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 Board'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.

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, 2006, prepared by the Board 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.

9. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2006, prepared by the Board 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 and if the amounts 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.

The Honorable Mark Sanford, Governor
and
Members of the Board
South Carolina State Board for Technical
and Comprehensive Education
August 30, 2007

This report is intended solely for the information and use of the Governor and of the governing body and management of the South Carolina State Board for Technical and Comprehensive Education 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

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

OBJECT CODES

During our testing, we noted that the Board used incorrect object codes for several receipt and expenditure transactions as follows:

1. Federal grant revenues passed through the South Carolina Department of Education were charged to object code 2822 instead of object code 2805.
2. Monthly charges for data processing services were recorded to object code 0417 rather than object code 0204.
3. Expenditures for non-state employee instructors were recorded to object code 0171 instead of object code 0207.

The Comptroller General's Policies and Procedures Manual (STARS Manual) defines the above object codes as follows:

2822 – Federal Operating Grants - Restricted: To designate federal operating grant funds that are restricted by the grantor for use in a particular function.

2805 – Federal Grant Sub-Contract State Agencies: To designate all federal funds received from other State agencies on a sub-grant or sub-contract basis.

0417 – Dues and Membership Fees: To include all payments of membership and dues to professional societies and organizations which are necessary to accomplish the agency's mission.

0204 – Data Processing Services: Expenditures for data processing services including software license, related consulting, program maintenance, development or operation, exclusive of any costs covered in Rents - Data Processing Equipment (0404).

0171 – Temporary Positions: To include compensation for the personal service of temporary full-time and temporary part-time employees of the state whose positions have not been established specifically within the State Personnel Data System.

0207 – Education and Training Services, Non-State: Expenditures for fees or honorariums for conducting workshops, or seminars and for educational consultants.

We recommend that the personnel responsible for assigning object codes to transactions and those who independently review deposit and voucher packages are knowledgeable of object code definitions in the STARS Manual.

MANAGEMENT'S RESPONSE

MANAGEMENT'S RESPONSE

Management concurs with the Accountant's Comment regarding object codes and has already taken corrective action. During fiscal year 2005-06 we noted our error in coding payments to West Law as object code 0417 and began coding the payments as object code 0204. During fiscal year 2006-07 we correctly recorded grant revenue received from the South Carolina Department of Education as object code 2805. In addition, we had already determined before the auditors brought it to our attention that we should not use object code 0171 when we reimburse companies for instructor cost. We agree that these expenses should be recorded as contractual services rather than personal services and are recording these expenses correctly in fiscal year 2007-08.

We will ensure that personnel responsible for assigning object codes to transactions and those who independently review deposit and voucher packages are knowledgeable of object code definitions in the Comptroller General STARS Manual.

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