

**SOUTH CAROLINA
HUMAN AFFAIRS COMMISSION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2000

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State of South Carolina



Office of the State Auditor

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STATE AUDITOR

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 13, 2001

The Honorable Jim Hodges, Governor
and
Members of the Commission
South Carolina Human Affairs Commission
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Human Affairs Commission (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2000, in the areas addressed. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the 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. We tested selected recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the tested receipt transactions were adequate. We also tested 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 from sources other than State General Fund appropriations to those of the prior year and we used estimations and other procedures to determine the reasonableness of collected and recorded amounts by revenue account. The individual transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.

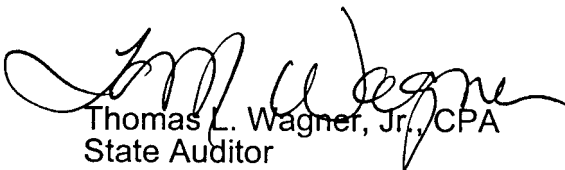
2. We tested selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records, were bona fide disbursements of the Commission, and were paid in conformity with State laws and regulations and if internal controls over the tested disbursement transactions were adequate. We also tested 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 to those of the prior year to determine the reasonableness of amounts paid and recorded by expenditure account. The individual transactions selected for testing were chosen randomly. Our findings as a result of these procedures are presented in Disbursements in the Accountant's Comments section of this report.
3. We tested selected recorded payroll disbursements to determine if the tested 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 internal controls over the tested payroll transactions were adequate. We tested 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 also tested 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 performed other procedures such as comparing current year recorded payroll expenditures to those of the prior year; comparing the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computing the percentage distribution of recorded fringe benefit expenditures by fund source and comparing the computed distribution to the actual distribution of recorded payroll expenditures by fund source to determine if recorded payroll and fringe benefit expenditures were reasonable by expenditure account. The individual transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
4. We tested selected recorded journal entries, all operating transfers between subfunds, and all appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct; and the internal controls over these transactions were adequate. The journal entries selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
5. We tested selected entries and monthly totals in the subsidiary records of the Commission 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 the internal controls over the tested transactions were adequate. The transactions selected for testing were chosen randomly. We found no exceptions as a result of the procedures.

6. We obtained all monthly reconciliations prepared by the Commission for the year ended June 30, 2000, and reviewed all reconciliations of balances in the Commission's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if they were accurate and complete. For the reconciliations, we 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 the Commission's accounting records and/or in STARS. Our findings as a result of these procedures are presented in Reconciliations in the Accountant's Comments section of this report.
7. We tested the Commission's compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 2000. Our findings as a result of these procedures are presented in Disbursements and Reconciliations in the Accountant's Comments section of this report.
8. We reviewed the status of the deficiency described in the finding reported in the Accountant's Comments section of the State Auditor's Report on the South Carolina Human Affairs Commission resulting from our engagement for the fiscal year ended June 30, 1999, to determine if adequate corrective action has been taken. We found no exceptions as a result of the procedures.
9. We obtained copies of all closing packages as of and for the year ended June 30, 2000, prepared by the Commission and submitted to the State Comptroller General. We reviewed them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. We found no exceptions as a result of the procedures.
10. We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2000, prepared by the Commission and submitted to the State Auditor. We reviewed it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts were reasonable; and if they 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, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Further, we were not engaged to express an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express such opinions. Had we performed additional procedures or had we conducted an audit or review of the Commission's financial statements or any part thereof, other matters might have come to our attention that would have been reported to you.

The Honorable Jim Hodges, Governor
and
Members of the Commission
South Carolina Human Affairs Commission
June 13, 2001

This report is intended solely for the information and use of the Governor and of the governing body and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.



Thomas L. Wagner, Jr., CPA
State Auditor

ACCOUNTANT'S COMMENTS

SECTION A - MATERIAL WEAKNESSES AND/OR VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

The procedures agreed to by the agency require that we plan and perform the engagement to obtain reasonable assurance about whether noncompliance with the requirements of State Laws, Rules, or Regulations occurred and whether internal accounting controls over certain transactions were adequate. Management of the entity is responsible for establishing and maintaining internal controls. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Therefore, the presence of a material weakness or violation will preclude management from asserting that the entity has effective internal controls.

The conditions described in this section have been identified as material weaknesses or violations of State Laws, Rules, or Regulations.

DISBURSEMENTS

During our testing of disbursements, we noted several problems in the Commission's disbursements procedures. For two of the 25 disbursement vouchers tested, the amounts paid differed from those on the invoices. One disbursement voucher overpaid the invoice by \$200 and the second overpaid the invoice by \$20. In the first instance the Commission could not provide supporting documentation for the additional \$200 but insisted it was a valid expenditure. The second overpayment was a clerical oversight on the part of the Commission. The Commission's procedures require clerical checks of all vouchers and that the clerical check be documented on the voucher package. Both of these vouchers had the clerical check documented on the vouchers. Sound business practices require entities to have effective internal controls to help ensure that employees carry out management's directives; the agency complies with all applicable State laws and regulations; and employees detect errors in the normal course of performing their assigned duties.

Four of the 27 invoices tested were not paid in a timely manner. Section 11-35-45 of the 1976 South Carolina Code of Laws requires vouchers for payments for goods and services to be delivered to the State Comptroller General for processing within 30 workdays of the later of receipt of the goods or services or receipt of a proper invoice.

Finally, we noted the Commission paid the State Ethics Commission \$340 for a late filing fine incurred by the agency's lobbyist. When the annual lobbyist disclosure form is submitted after the deadline, the State Ethics Commission assesses a \$10/day charge for non-compliance. The lobbyist for the Commission is a contract employee and responsible for filing and payment of his own lobbyist fees and fines. Payment of personal liabilities for those on the Commission's payroll or for a contract employee has the effect of increasing that person's compensation in excess of the authorized or contract amount. Provisos 72.2 and 73.1 of Part IB of the fiscal year 1999–2000 Appropriation Act state that budgeted funds are for the

ordinary operating expenses of the agencies for the current year. Furthermore, Proviso 72.29 states that salaries paid to employees are in full for all services rendered and no perquisites of office or employment are allowable.

We recommend that the Commission strengthen its accounts payable procedures to ensure there are adequate clerical checks in preparing vouchers and an independent supervisory review of vouchers and supporting documentation prior to approval for payment. In addition, the agency should evaluate its voucher payment process and improve the timeliness of the process. We also recommend that the Commission implement procedures to ensure it only pays obligations incurred by the agency for its operations and for which it is responsible.

RECONCILIATIONS

We reviewed the Commission's monthly reconciliations of balances in its internal accounting system to those in the State's accounting system (STARS). Seven of the monthly reconciliations were not prepared timely (i.e., within one month of month-end). We also noted instances in which reconciling items were not corrected when initially detected in the reconciliation process. They remained reconciling items on subsequent months' reconciliations. State of South Carolina Policies and Procedures Manual of the Comptroller General is the user's manual for the Statewide Accounting and Reporting System (STARS). Section 2.1.7.20 C. thereof states, "To ensure adequate error detection and to satisfy audit requirements, such reconciliations must be: • Performed at least monthly on a timely basis (i.e., shortly after month-end) . . . • Reviewed and approved in writing by an appropriate agency official other than the preparer . . . Errors discovered through the reconciliation process must be promptly corrected in the agency's accounting records and/or in STARS as appropriate."

We recommend that the Commission implement procedures to ensure it timely performs monthly reconciliations and timely corrects all identified errors in accordance with State regulations. For example, the independent supervisor employee who is responsible for reviewing certain reconciliations should monitor whether those reconciliations are timely prepared and timely submitted for review and approval.

SECTION B - STATUS OF PRIOR FINDING

During the current engagement, we reviewed the status of corrective action taken on the finding reported in the Accountant's Comments section of the State Auditor's Report on the South Carolina Human Affairs Commission for the fiscal year ended June 30, 1999, and dated August 14, 2000. In response to our inquiries, we were told that the Commission implemented a policy that the agency will not provide employees with cellular phones thereby eliminating the potential for their misuse and eliminating the need to develop and implement procedures regarding their usage.

MANAGEMENT'S RESPONSE



HUMAN AFFAIRS COMMISSION

Jesse Washington, Jr.
Commissioner

2611 Forest Drive, Suite 200, Post Office Box 4490
Columbia, South Carolina 29240
(803) 737-7800 FAX (803) 253-4191

Telephone Device for the Deaf
(TDD) (803) 253-4125
To file complaints dial (803) 737-7800
or 1-800-521-0725 (In-State-Only)

September 26, 2001

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

Dear Mr. Wagner:

We are in receipt of the preliminary draft of the audit report pertaining to fiscal year 1999-2000. The following responses are made to the Independent Accountant's Report on Applying Agreed-Upon Procedures.

Item #2. This payment was the result of delayed administrative fees charged by our travel agent and billed to our universal credit card. The \$20.00 was credited to the following fiscal year. We will be more diligent in our internal audit procedures in detecting and eliminating errors.

Our agency paid \$200.00 to the South Carolina State Fair based on a pre-approved purchase requisition and an itemized schedule of staff participation at the Fair. We used those two items in lieu of an invoice, since at that time the Fair did not invoice agencies for tickets. In addition, the Office of the Comptroller General did not require agencies to copy and submit fair tickets, since the voucher and check preceded our obtaining the tickets.

Our remedy to this situation is two fold. First, subsequent to fiscal year 1999-2000, the South Carolina State Fair implemented a billing system. Therefore, agencies may be invoiced for tickets. Second, employees of the Human Affairs Commission will not sponsor a booth at the Fair in the foreseeable future.

Four invoices, which were not paid in a timely manner, were the result of a lag in our internal authorizing procedure. Subsequently, we have accelerated our system to allow timely authorizations.

Mr. Thomas L. Wagner, Jr., CPA
September 26, 2001
Page Two

In the matter of the payment to the State Ethics Commission, we should not have incurred a late fee for filing the Lobbyist's Principal Disclosure form in an untimely manner. However, once we were assessed the penalty, we were then obligated to pay the fee (see enclosed letters from the State Ethics Commission).

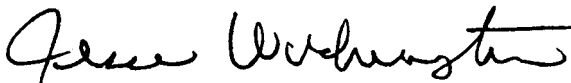
Item #6. It is understood that timely reconciliations of monthly balances is a matter requiring attention. A redistribution of work assignments and monthly supervision of this activity will serve to eliminate late reconciliations, as well as the carrying forward of unreconciled items. This problem is corrected as of the date of this letter.

Item #7. Please see responses to items #2 and #6.

It is the intention of the Human Affairs Commission to comply with any and all financial provisions of the South Carolina Code of Laws, the Appropriation Act, and all other laws, rules and regulations. The findings cited will aid us in making the necessary changes in our internal operations to allow such compliance.

We appreciate the time and effort invested by the State Auditor's Office.

Sincerely,

A handwritten signature in black ink, appearing to read "Jesse Washington". The signature is fluid and cursive, with a small mark above the "W".

Jesse Washington, Jr.
Commissioner

Enclosures

State of South Carolina State Ethics Commission

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MARY T. WILLIAMS, 6TH DISTRICT
RICHARD V. DAVIS, MEMBER AT LARGE
FLYNN T. HARRELL, MEMBER AT LARGE

5000 THURMOND MALL, SUITE 250
COLUMBIA, S.C. 29201

HERBERT R. HAYDEN, JR.
EXECUTIVE DIRECTOR

September 20, 2001

Mr. Jesse Washington
South Carolina Human Affairs Comm.
Post Office Box 4490
Columbia, South Carolina 29240

RE: Late Filing Penalty

Dear Mr. Washington:

Please be advised that the late filing penalty levied by the State Ethics Commission on November 5, 1999 was for the failure of the Lobbyist's Principal, the South Carolina Human Affairs Commission, to timely file its Lobbyist's Principal Disclosure Form. (Please see the attached letter.) The penalty was not assessed against the Commission's lobbyist, but rather the lobbyist's principal. The Commission's lobbyist registered his disclosure form in a timely manner for that filing period.

Thank you for contacting the State Ethics Commission. If we can be of further assistance in matters within the jurisdiction of the Commission, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Cathy L. Hazelwood". The signature is written in black ink and is positioned above the printed name and title.
Cathy L. Hazelwood
General Counsel

CLH/

State of South Carolina State Ethics Commission

COMMISSIONERS

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5000 THURMOND MALL, SUITE 250
COLUMBIA, S.C. 29201

HERBERT R. HAYDEN, JR.
EXECUTIVE DIRECTOR
December 13, 1999

RECEIVED
DEC 15 1999
STATE HUMAN
AFFAIRS COMMISSION

*Rec'd in
file
12/20/99*

Mr. Willis C. Hamm
SC Human Affairs Commission
Post Office Box 4490
Columbia, SC 29240

RE: LATE FILING PENALTY \$340

Certified Mail

Dear Mr. Hamm:

On November 5, 1999, you were mailed a certified letter levying a ~~penalty~~ for failing to file a Lobbyist's Principal Disclosure Statement for ~~the period of September 30, 1999~~ reporting period. As of today, we have not received the Lobbyist's Principal Disclosure Statement, the late filing penalty, nor the letter of extenuating circumstances for failing to file on time.

This letter is to inform you that the penalty has now **increased to \$340** and must be sent immediately to the State Ethics Commission along with the Lobbyist's Principal Disclosure Statement. Fines will continue to increase \$10 per day up to a \$600 maximum if the form and penalty are not received.

If you wish to appeal this decision, you must submit the penalty and the required form to this office, and do each of the following within ten days of receipt of this letter:

- Send the check or money order made payable to the State Ethics Commission for the penalty amount;
- Provide the required completed Lobbyist's Principal Disclosure Statement; and
- Provide a written statement describing any extenuating circumstances.

If you have any questions, please do not hesitate to contact this office.

RECEIVED

JAN 10 2000

SHAC

Fiscal Office

HRHjr:mgd

Sincerely,

[Signature]
Herbert R. Hayden, Jr.
Executive Director

*Per
ad of 1/20 10 AM
per Margorie at the
State Ethics Office in
conversation w/ Charles
fine will be \$340
so long as pd by
9 AM
1/21*

NOTE: No lobbyist's principal may re-register in January 2000 who has not filed the required disclosure forms for 1999 and paid any late filing penalties, if applicable.

W 356

*Chris
Annally*

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