

**SOUTH CAROLINA LEGISLATIVE
INFORMATION SYSTEMS**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 1999

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 3, 1999

Members of the South Carolina General Assembly
and
Members of the Council
South Carolina Legislative Information Systems
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Legislative Information Systems, solely to assist you in evaluating the performance of the Systems for the fiscal year ended June 30, 1999, 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 all 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. All receipts were properly recorded as reimbursements of expenditures. 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 Systems, 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 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 finding as a result of these procedures is presented in Use of Dialup Facility Funds in the Accountant's Comment 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 various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement. We performed other procedures such as comparing current year payroll expenditures to those of the prior year; comparing the percentage change in personal service expenditures to the percentage change in employer contributions; and estimating fringe benefit expenditures and comparing those estimates to recorded amounts to determine if 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 all interagency 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. We found no exceptions as a result of the procedures.
5. We tested selected entries and monthly totals in the subsidiary records of the Systems 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 Systems for the year ended June 30, 1999, and tested the final fiscal year 1999 reconciliations of balances in the Systems' accounting records to those in STARS as reflected on the Comptroller General's reports to determine if they were accurate and complete. For the final reconciliations, we recalculated the amounts, agreed the applicable amounts to the Systems' 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 Systems' accounting records and/or in STARS. We found no exceptions as a result of the procedures.
7. We tested the Systems' compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 1999. We found no exceptions as a result of the procedures.

Members of the South Carolina General Assembly
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8. We obtained copies of all closing packages as of and for the year ended June 30, 1999, prepared by the Systems 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.

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 Systems' financial statements or any part thereof, 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 South Carolina General Assembly and of the governing body and management of the South Carolina Legislative Information Systems 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 COMMENT

MATERIAL WEAKNESS AND/OR VIOLATION 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 condition described in this section has been identified as a material weakness or violation of State Laws, Rules, or Regulations.

USE OF DIALUP FACILITY FUNDS

In fiscal year 1999, the Agency purchased the following items with funds generated by the Dialup Facility which did not benefit the Dialup Facility:

| | |
|-----------------------|-----------------|
| 1) Heavy Duty Stapler | \$ 7,135 |
| 2) Computer Scanner | 5,722 |
| 3) VHS Recorder | <u>7,143</u> |
| Total | <u>\$20,000</u> |

Proviso 54.37. of the fiscal year 1999 Appropriation Act states that the Agency is authorized to charge fees for the use of its Dialup Facility and to retain, use and carry forward these funds to be used only for equipment and maintenance of the Facility.

The cash balance at June 30, 1999, in the Dialup Facility fund was \$1,904. Because the Agency terminated the Dialup Facility in fiscal year 1999, we recommend that the Agency remit \$21,904 to the State General Fund.

MANAGEMENT'S RESPONSE



State of South Carolina
Legislative Information Systems
112 Solomon Blatt Building, 1105 Pendleton Street
Columbia, South Carolina 29201



Charles T. McKinney
Director

Telephone (803) 734-2923
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November 24, 1999

THOMAS L WAGNER JR
STATE AUDITOR
STATE OF SOUTH CAROLINA
1401 MAIN ST STE 1200
COLUMBIA SC

Dear Mr. Wagner:

I am writing in reply to your letter of November 22, 1999 to find some solution to the situation outlined in your letter.

The Dialup Facility was designed as a method for defraying a portion of the cost of providing access to legislative materials to the general public but more specifically, to those who would subscribe to the service. In practice, those desiring to subscribe to the service paid their fees during December, January and even sometimes later. This made the operation of the facility difficult because there were things that needed addressing well in advance of the receipt of those funds earmarked as "Dialup Funds." I addressed those needs by using normal operating funds to defray those advance costs; when the Dialup Funds became available, I would then use a portion of those particular funds to pay for other agency needs which had been shortchanged. A proviso was added to permit those funds acquired by the Dialup operation to be carried forward into the next fiscal year but this was never realistic in meeting the cost of operation.

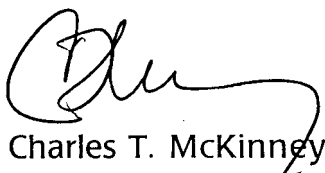
The Dialup Facility was not a formal program and it had no discrete beginning or end. It evolved as a normal byproduct of our system and it ended when the legislative material became available on the Internet. It was not a program where components could be readily identified, but rather an amalgam of

hardware, software, data transmission and personal services as well as myriad other bits and pieces. When the Dialup Facility devolved, I exercised a judgment call and used the funds to meet agency needs consistent with the operation of Legislative Information Systems. In a nutshell, there were expenditures needed and I chose to use the funds remaining to defray those expenditures.

Our agency is a very small agency and we have limited personnel, and a long history of austere funding. In order to remain functional, we use everything available to us to make our programs work. It would be a simple matter to repay those funds in question if such funds were available. Unfortunately, no such funds exist. In fact, existing funds are insufficient to provide for Employer Contributions in our agency.

I would appreciate your consideration of our situation and ask for your recommendations.

Sincerely

A handwritten signature in black ink, appearing to read 'C. McKinney', with a long horizontal flourish extending to the right.

Charles T. McKinney