

**SOUTH CAROLINA
RESIDENTIAL BUILDERS COMMISSION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 1993

CONTENTS

	<u>SCHEDULE</u>	<u>PAGE</u>
I. INDEPENDENT AUDITOR'S REPORT ON AGREED-UPON PROCEDURES		1
II. FINANCIAL INFORMATION		
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BUDGETARY GENERAL FUND - FOR THE YEAR ENDED JUNE 30, 1993	1	3
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - OTHER BUDGETED FUNDS - FOR THE YEAR ENDED JUNE 30, 1993	2	4
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - TOTAL BUDGETED FUNDS - FOR THE YEAR ENDED JUNE 30, 1993	3	5
NOTES TO SCHEDULES		6
III. AUDITOR'S COMMENTS		
SECTION A - OTHER WEAKNESS NOT CONSIDERED MATERIAL		8
RECONCILIATIONS		9
SECTION B - STATUS OF PRIOR FINDINGS		10
MANAGEMENT'S RESPONSE		11

INDEPENDENT AUDITOR'S REPORT ON AGREED-UPON PROCEDURES

March 3, 1994

**The Honorable Carroll A. Campbell, Jr., Governor
State of South Carolina
Columbia, South Carolina**

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the South Carolina Residential Builders Commission for the fiscal year ended June 30, 1993. These procedures were performed solely to assist you in evaluating the performance of the Commission in the areas addressed, and our report is not to be used for any other purpose.

1. We reviewed available information related to the system of internal accounting controls over receipts and disbursements to gain an understanding of such controls.
2. We tested a sample of recorded receipts to determine if these receipts were properly described and classified in the accounting records, collection and retention or remittance were supported by law, and accounting procedures and internal accounting controls over the tested receipt transactions were adequate to provide proper control over these transactions.
3. We tested a sample of recorded disbursements to determine if these disbursements were properly described and classified in the accounting records, represented bona fide disbursements of the Commission, and were paid in conformity with State laws and regulations and if accounting procedures and internal accounting controls over the tested disbursement transactions were adequate to provide proper control over these transactions.
4. We tested a sample of recorded payroll disbursements to determine if the tested payroll and fringe benefits were properly described, classified, and distributed in the accounting records, persons on the payroll were bona fide employees, payroll deductions were properly authorized by the employees and were in accordance with existing legal requirements, and accounting procedures and internal accounting controls over the tested payroll transactions were adequate to provide proper control over these transactions.


5. We agreed the amounts on the accompanying schedules of expenditures - budget and actual to the accounting records of the Commission.
6. We reviewed copies of all closing packages submitted to the State Comptroller General to determine if they were prepared in accordance with the Office of the Comptroller General GAAP Closing Procedures Manual, if the amounts were reasonable, and if they agreed with the supporting workpapers and accounting records.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the adequacy of the Commission's accounting procedures and internal accounting controls over cash receipts and disbursements, the accuracy of the Commission's accounting for revenues and expenditures, the propriety of expenditures, the accuracy of the GAAP closing packages, or the Commission's compliance with prescribed laws and regulations.

Our finding regarding deficiencies noted and our recommendation for correcting such deficiencies are presented in the Auditor's Comments section of this report.

In connection with the procedures referred to above, except as set forth in the Auditor's Comments section of this report, no matters came to our attention that caused us to believe that the Commission's accounting records might require adjustment. Had we performed additional procedures or had we conducted an audit of the Commission's financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report relates only to the objectives and procedures specified above and does not extend to any financial statements of the Commission, taken as a whole.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance, is a matter of public record.



Edgar A. Vaughn, Jr., CPA
State Auditor

SOUTH CAROLINA RESIDENTIAL BUILDERS COMMISSION
Schedule of Expenditures -
Budget and Actual - Budgetary General Fund
For the Year Ended June 30, 1993

	<u>Legal Basis Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
Personal Services	\$522,906	\$513,241	\$ 9,665
Employer Contributions	131,354	126,334	5,020
Contractual Services	53,161	50,077	3,084
Supplies and Materials	65,238	60,713	4,525
Fixed Charges and Contributions	57,101	57,101	-
Travel	74,039	72,478	1,561
Equipment	16,746	16,596	150
Transportation	<u>48</u>	<u>15</u>	<u>33</u>
Total Expenditures	<u>\$920,593</u>	<u>\$896,555</u>	<u>\$ 24,038</u>
Lapsed to the State General Fund	<u>\$ -</u>	<u>\$ 24,038</u>	<u>\$(24,038)</u>

The accompanying notes are an integral part of this schedule.

SOUTH CAROLINA RESIDENTIAL BUILDERS COMMISSION
Schedule of Expenditures -
Budget and Actual - Other Budgeted Funds
For the Year Ended June 30, 1993

	<u>Legal Basis Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
Personal Services	\$ -	\$ -	\$ -
Employer Contributions	-	-	-
Contractual Services	-	-	-
Supplies and Materials	-	-	-
Fixed Charges and Contributions	-	-	-
Travel	-	-	-
Equipment	65,000	65,000	-
Transportation	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$65,000</u>	<u>\$65,000</u>	<u>\$ -</u>
 Lapsed to the State General Fund	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

The accompanying notes are an integral part of this schedule.

SOUTH CAROLINA RESIDENTIAL BUILDERS COMMISSION
Schedule of Expenditures -
Budget and Actual - Total Budgeted Funds
For the Year Ended June 30, 1993

	<u>Legal Basis Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
Personal Services	\$522,906	\$513,241	\$ 9,665
Employer Contributions	131,354	126,334	5,020
Contractual Services	53,161	50,077	3,084
Supplies and Materials	65,238	60,713	4,525
Fixed Charges and Contributions	57,101	57,101	-
Travel	74,039	72,478	1,561
Equipment	81,746	81,596	150
Transportation	<u>48</u>	<u>15</u>	<u>33</u>
Total Expenditures	<u>\$985,593</u>	<u>\$961,555</u>	<u>\$ 24,038</u>
Lapsed to the State General Fund	<u>\$ -</u>	<u>\$ 24,038</u>	<u>\$(24,038)</u>

The accompanying notes are an integral part of this schedule.

SOUTH CAROLINA RESIDENTIAL BUILDERS COMMISSION

Notes to Schedules

June 30, 1993

NOTE 1 - BUDGET POLICY

The South Carolina Residential Builders Commission is granted an annual appropriation for operating purposes by the General Assembly. The appropriation as enacted becomes the legal operating budget for the Commission. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary component unit authorizes expenditures from all budgeted resources. A revenues budget is not adopted for individual component units. The General Assembly enacts the budget through passage of specific line-item (object of expenditure) appropriations by program within component unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the component entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

Agencies may request transfers of appropriations among object classes and/or among programs within the same budgetary fund. Modifications to the State General Fund budget must be approved by the State Budget and Control Board. As operating conditions change, agencies may request revisions of expenditure budgets in other than State General Fund appropriation accounts. Such changes require the State Budget and Control Board's review, the Governor's approval, and the Joint Appropriation Review Committee's concurrence.

During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for fiscal year 1993 to 1993 appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State law does not precisely define the budgetary basis of accounting. The current Appropriation Act states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. The State's annual budget is prepared primarily on the modified accrual basis of accounting with several exceptions, principally the cash disbursements basis for payroll expenditures.

The schedules of expenditures - budget and actual present actual expenditures on the budgetary basis of accounting compared to the legally adopted and modified budget on an object of expenditure basis. The level of legal control for each agency is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures."

SOUTH CAROLINA RESIDENTIAL BUILDERS COMMISSION

Notes to Schedules

June 30, 1993

NOTE 2 - STATE APPROPRIATIONS

The 1992-93 original appropriation is the Commission's base budget amount presented in the General Funds column of Section 113 of Part I of the Appropriation Act. The following is a reconciliation of the original appropriation enacted by the General Assembly to amounts available for the Commission's budgetary general fund expenditures as reported on Schedule 1 for the year ended June 30, 1993.

Original Appropriation	\$951,392
State Budget and Control Board Mid-Year Budget Reductions (Proviso 14N.2.)	(37,815)
State-Owned Property Rent Increase Mandated by Proviso 14G.12.	4,106
Appropriation Transfer from the Budget and Control Board - Division of Research and Statistical Services for:	
Equipment	150
Training	<u>2,760</u>
Legal Basis Appropriation Available for 1993 Expenditures	<u>\$920,593</u>

AUDITOR'S COMMENTS

SECTION A - OTHER WEAKNESS NOT CONSIDERED MATERIAL

The condition described in this section has been identified as a weakness subject to correction or improvement but it is not considered a material weakness under the provisions of Section 11-9-100 of the 1976 South Carolina Code of Laws, as amended.

RECONCILIATIONS

The Commission maintains a separate cash receipts journal that is independent of its accounting system (BARS). As cash receipts are received they are input on a computerized spread sheet. Cash receipts relating to specialty contractors are forwarded to one clerk and all other cash receipts are forwarded to a second clerk. Each clerk is responsible for preparing the deposit. The Commission uses the spread sheet as its source for posting cash receipts to the cash receipts journal and it uses the validated deposit slips as its source for posting cash receipts to BARS. The Commission does not reconcile the spread sheet or cash receipts journal to BARS, therefore errors made during deposit preparation or when posting deposit amounts to BARS will not be discovered. In addition, we found that monthly cash, revenue, and expenditure reconciliations were not signed and dated by the individual preparing the reconciliation, and the reconciliations were not subjected to an independent review. A similar comment was reported in the State Auditor's Report for the period ending June 30, 1992 and dated January 7, 1993.

An effective internal control structure should include control procedures to ensure that only valid transactions are processed and that errors and irregularities are detected and corrected in a timely manner. Section 2.1.7.20(c) of the Comptroller General's Policies and Procedures Manual (STARS) requires that reconciliations be signed and dated by the preparer and reviewer.

Again, we recommend that the Commission reconcile BARS to the books of original entry (cash receipts journal) to ensure that errors are detected and corrected in a timely manner. We also recommend that procedures be established and implemented to ensure that month-end reconciliations are subjected to an independent review. The month-end reconciliations should be signed and dated by both the person preparing the reconciliation and the person reviewing it.

SECTION B - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on the findings reported in the Auditor's Comments section of the State Auditor's Report on the Commission for the fiscal year ended June 30, 1992, and dated January 7, 1993. Based on this review we found that the Commission has implemented procedures to correct the findings pertaining to Fixed Asset Reporting on GAAP Closing Package and Motor Vehicle Usage. With respect to the finding BARS Account Structure, we found that the Commission is still not reconciling the manual receipts journal to either the Commission's BARS accounting system or to STARS. As a result, Section A of the Auditor's Comment section includes a comment on reconciliations.

MANAGEMENT'S RESPONSE



LLR

SOUTH CAROLINA DEPARTMENT OF LABOR, LICENSING & REGULATION

Carroll A. Campbell, Jr.
Governor
Virgil W. Duffie, Jr.
Director

RESIDENTIAL BUILDERS COMMISSION
2221 Devine Street, Suite 530
Columbia, SC 29205
(803) 734-9174
FAX: (803) 734-9290

June 9, 1994

Ms. Margaret C. Stilwell, CPA
Office Of The State Auditor
P. O. Box 11333
Columbia, S. C. 29211

Dear Ms. Stilwell:

We have your letter of June 3, 1994, in which you enclosed a preliminary draft copy of the results of the audit for the fiscal year ending June 30, 1993. We have reviewed the draft and we are authorizing the release of the report.

In response to the auditor's comments and recommendations, we are listing recommendations that we have put in place for the remainder of 1993-1994:

The line items on the manual cash receipts journal is being reconciled to BARS and the Comptroller General's Office.

Monthly revenue and expenditure reconciliations are being signed by preparer and reviewer.

Sincerely,

A handwritten signature in black ink, appearing to read "John T. Watkins", written over a horizontal line.

John T. Watkins,
Administrator

JTW/mm

25 copies of this document were published at an estimated printing cost of \$1.48 each, and a total printing cost of \$37.00. The FY 1991-92 Appropriation Act requires that this information on printing costs be added to the document.