

**SOUTH CAROLINA  
DEPARTMENT OF PUBLIC SAFETY**

**COLUMBIA, SOUTH CAROLINA**

**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

**JUNE 30, 2006**

# *State of South Carolina*



## *Office of the State Auditor*

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA  
DEPUTY STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

November 20, 2006

The Honorable Mark Sanford, Governor  
and  
Mr. James K. Schweitzer, Director  
South Carolina Department of Public Safety  
Columbia, South Carolina

This report on the application of agreed-upon procedures to the accounting records and internal controls of the South Carolina Department of Public Safety for the fiscal year ended June 30, 2006, was issued by Rogers & Laban, P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/cwc

**SOUTH CAROLINA DEPARTMENT OF PUBLIC SAFETY  
COLUMBIA, SOUTH CAROLINA**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Richard H. Gilbert, Jr., CPA,  
Deputy State Auditor  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Office of the State Auditor and the management of the South Carolina Department of Public Safety (the Department), solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2006, in the areas addressed. The Department is responsible for its financial records, internal controls and compliance with State laws and regulations. The agreed-upon procedures engagement was conducted in accordance with attestations standards established by the American Institute of Certified Public Accountants. The sufficiency of the 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 and internal controls over the selected receipt transactions were adequate to detect errors and/or irregularities.
- 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 Department'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 with those of the prior year and we used estimations and other procedures to evaluate the reasonableness of collected and recorded amounts by revenue account.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented 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; were bona fide disbursements of the Department; 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; and if internal



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- We compared amounts recorded in the general ledger and subsidiary ledgers to those on various STARS reports to determine if recorded expenditures were in agreement.
- We compared current year expenditures with those of the prior year to determine the reasonableness of amounts paid and recorded by expenditure account.

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 internal controls over the tested payroll transactions were adequate to detect errors and/or irregularities.
- We inspected selected payroll vouchers to determine that 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 to detect errors and/or irregularities.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those on various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement.
- We compared 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 comparing the percentage distribution of recorded fringe benefit expenditures by fund source to the percentage 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 were chosen randomly. Our findings as a result of these procedures are presented in the Accountant's Comments section of this report.

### **4. Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected selected recorded journal entries, operating transfers, and 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 to detect errors and/or irregularities.

The individual 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 Department 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 accounting controls over the selected transactions were adequate to detect errors and/or irregularities.

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 Department for the year ended June 30, 2006, and inspected selected reconciliations of balances in the Department's accounting records to those in the State's accounting system (STARS) as reflected on the Department's reports to determine if they were accurate and complete. 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 Department's general ledger, agreed the applicable amounts to the STARS reports, determined that reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Department's accounting records and/or in STARS.

The reconciliations selected were chosen randomly. We found no exceptions as a result of the procedures.

## 7. Compliance

- We confirmed through inspection of payroll and non-payroll disbursement vouchers, cash receipts and other documents, inquiry of agency personnel and/or observation of agency personnel performing their assigned duties the Department'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 2006.

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, 2003, prepared by the Department 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; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records.

Our findings as a result of these procedures are presented in the Accountant's Comments section of this report.

## 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 Department and submitted to the State Auditor. We inspected it to determine that 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.

## 10. Status of Prior Findings

- We inquired about the status of the deficiencies described in the findings reported in the Accountant's Comments section resulting from our engagement for the fiscal year ended June 30, 2005 to determine if adequate corrective action had been taken.

Certain findings had not been corrected as detailed in the Status of Prior Findings section of this report.

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 areas, accounts, or items. Accordingly, we do not express such opinions. Had we performed additional procedures or had we conducted an audit or review of the Department's 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 for the information and use of the Governor, the South Carolina Office of the State Auditor and the South Carolina Department of Public Safety and management of the Department and is not intended to be and should not be used by anyone other than these specified parties.

*Rogers & Lalan, PA*

October 30, 2006

**SOUTH CAROLINA DEPARTMENT OF PUBLIC SAFETY  
COLUMBIA, SOUTH CAROLINA**

**ACCOUNTANT'S COMMENTS  
JUNE 30, 2006**

**RECEIPTS NOT TIMELY DEPOSITED**

Our testing of twenty five receipts disclosed that the Department did not timely deposit the receipts in one instance. The funds were received by the Department on November 23, 2005 and were not deposited until December 7, 2005. The funds were not transferred to the revenue accounting section of the Department until December 1, 2005. The same finding was cited in the prior year's report.

State law requires the Department to deposit all receipts at least once each week.

We recommend that the Department ensure that all funds are remitted to the State Treasurer in a timely manner,

**DESCREANCIES IN EMPLOYMENT STARTING DATES**

Our testing of new hires during the year disclosed discrepancies in the starting dates for three of the five employees tested. In all three instances, the employees were added to the payroll two days prior to the start date shown in their employment letter. The Department did not include the time that they spent in an orientation program for which they are paid in the employment letter.

Good controls require that the employee not be added to the payroll prior to their official start date. The employment letters appear to be in error in these instances.

We recommend that the Department ensure that the starting date contained in the employment letters reflect the actual date the employee is to commence employment and be paid for.

**EMPLOYEE CHARGES NOT SUPPORTED BY EMPLOYEE FILES**

Our testing of 25 payroll transactions disclosed 4 instances where the documentation in the employee files documenting which account the payroll costs for the employees were to be charged by funding source in the general ledger did not agree with the actual distribution of the payroll charges. This finding was also cited in the prior year's report on applying agreed-upon procedures.

State Human Resources regulations require the Department to maintain records supporting the distribution of employee charges between funding sources.

We recommend that the Department ensure that employee profiles are maintained that support the allocation of charges in the general ledger.

**CLOSING PACKAGES DEFICIENCIES**

**Accounts Payable:**

The Department included two vouchers totaling approximately \$31,400 in the accounts payable closing package. for goods or services received after June 30, 2006.

Generally accepted accounting principles require that the goods or services be received prior to recording accounts payable for them. Section 1.7 directs the reviewer of the closing package to complete a reviewer's checklist; and directs the reviewer to trace all amounts to the appropriate closing package supporting documentation and to the accounting records.



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**ACCOUNTANT'S COMMENTS  
JUNE 30, 2006**

We recommend that the Department ensure that all closing packages are prepared in accordance with the instructions. In addition, more care should be taken in the preparation and review process to ensure that all amounts reported are correct and only include the appropriate items.

**Operating Leases:**

Our review of the operating lease closing package disclosed that the lease renewal period for one lease contained a typographical error so that year one of the renewal period covered a twenty-four month period instead of a twelve month period causing the future minimum lease payments to be overstated by \$26,772.

Good internal controls require a careful review of all documents before they are executed to ensure that there are no errors in the terms or conditions.

We recommend that the Department implement procedures to ensure that all documents are correct before they are executed.

**Litigation:**

Our review of the litigation closing package disclosed that the Department did not submit the package by the July 31<sup>st</sup> deadline established by the Comptroller General. The package was prepared on August 2, 2006 and reviewed on August 3, 2006. It was received by the Comptroller General's office on August 3, 2006. In addition, the Department could not locate a reviewer checklist.

The GAAP Closing Procedures Manual contains the deadlines for the submission of the various closing packages and Section 3.13 of the GAAP Closing Procedures Manual requires the completion of the reviewer checklist before it is submitted to the Comptroller General's Office.

We recommend that the Department complete and submit all closing packages by the deadlines established by the Comptroller General and ensure that the reviewer's checklist is completed as required.

**Inventory:**

Our review of the detail listing supporting the inventory closing package disclosed that the inventory was understated by approximately \$419,000 due to an error in the formula on the excel spreadsheet.

Good accounting controls provide for the verification of all amounts that are used in the preparation of financial statements.

We recommend that the Department ensure that all amounts are mathematically correct on documents supporting the closing packages.

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**ACCOUNTANT'S COMMENTS  
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**Compensated Absences:**

Our review of the compensated absence closing package disclosed that the number of full-time equivalent personnel was incorrect. The Department reported the number of individuals with balances as of June 30, 2006 and the report did not take into account personnel that worked less than full-time.

Section 3.17 of the GAAP Closing Procedures Manual requires the Department to report the number of full-time equivalents to two decimal places as of June 30<sup>th</sup>.

We recommend that the Department ensure that the amounts entered for full-time equivalents in future years is correct.

**SOUTH CAROLINA DEPARTMENT OF PUBLIC SAFETY  
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**STATUS OF PRIOR FINDINGS  
JUNE 30, 2006**

During the current engagement, we reviewed the status of the corrective action taken on each of the findings reported in the Accountant's Comments section of the our report for the fiscal year ended June 30, 2005, dated November 14, 2005. We determined that the Department has taken adequate corrective action on each of the findings except for the following:

- Receipts Not Timely Deposited
- Employee Charges Not Supported by Employee Profiles
- Closing Packages Deficiencies – Accounts Payable

# **MANGAGEMENT'S RESPONSE**

## **APPENDIX A**

Response to Management Letter Points  
FY 2006 Agreed Upon Procedures  
November 15, 2006

Receipts not Deposited Timely

- We concur with the finding. The Department will meet with the areas within the agency and explain the need to make cash deposits in a timelier manner.

Discrepancies in Employment Starting Dates

- We concur with the finding. The Department will meet with the areas that improperly dated the employment applications and correct the problem.

Employee Changes not Supported by Employee Profiles

- We concur that documentation was missing from certain personnel files in the Payroll department. Two of the individuals with missing documentation were State Transport Police employees, a third person was a Bureau of Public Safety officer and the fourth person was a Highway Patrol Telecommunication officer. An internal review was able to locate the supporting documentation at the originating source. A review of the documents disclosed that all of the individuals were paid correctly. The Payroll department has made changes to its filing processes with a change in personnel in the last six months. It is the Payroll department's belief that this problem will not occur in FY07.

Closing Packages Deficiencies

- We concur with the findings on the Accounts Payable, Operating Leases, Litigation, Inventory and Compensated Absences. The following are steps Financial Services will follow for the coming year:

Accounts Payable:

- The Department will more closely review Accounts Payable Closing Package for reporting the correct amounts in the correct year.

Operating Leases:

- The Department will more closely review the operating lease contracts.

Litigation:

- The Department agrees with both comments. In the future, greater attention will be paid to the procedures manual deadlines.

Inventory:

- The Department will more closely review worksheets that calculate the ending inventory value.

Compensated Absences:

- The Department will change its reporting system to correctly report the FTE calculation in next year's report.