

**SOUTH CAROLINA
COMMISSION FOR THE BLIND**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2000

CONTENTS

	<u>PAGE</u>
I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1
II. ACCOUNTANT'S COMMENTS	
MATERIAL WEAKNESSES AND/OR VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS	4
DEPOSITS AND SUPPORTING DOCUMENTATION	5
MANAGEMENT'S RESPONSE	7

State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 14, 2001

The Honorable Jim Hodges, Governor
and
Commission Members
South Carolina Commission for the Blind
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Commission for the Blind, (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. Our findings as a result of these procedures are presented in Deposits and Supporting Documentation in the Accountant's Comments section of this report.

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May 14, 2001

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. We found no exceptions as a result of the procedures.
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 comparing the percentage distribution of recorded fringe benefit expenditures by fund source 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, 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, were adequately documented and explained, were properly approved, and were mathematically correct; and the internal controls over these transactions were adequate. We judgmentally selected journal entries for testing to include routine, large, and unusual items. 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.

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May 14, 2001

6. We obtained all monthly reconciliations prepared by the Commission for the year ended June 30, 2000, and tested all reconciliations of balances at June 30, 2000 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 these 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. We judgmentally selected the year-end reconciliations for testing. We found no exceptions as a result of the procedures.
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 finding as a result of these procedures is presented in Deposits and Supporting Documentation in the Accountant's Comments section of this report.
8. 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.
9. 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.

This report is intended solely for the information and use of the Governor and of the governing body and management of the South Carolina Commission for the Blind 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

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.

DEPOSITS AND SUPPORTING DOCUMENTATION

We tested a sample of 50 receipts and noted the following deficiencies:

1. The dates of receipt of funds were not recorded on 10 receipts or in other receipt supporting documentation. As a result, we could not determine if the receipts were deposited timely in accordance with State law.
2. Sixteen of the 40 receipts with the collection date recorded on the documentation were not deposited timely in accordance with State law.
3. Of the 16 receipts not deposited timely, 4 were recorded in the wrong fiscal year.

Failure to timely deposit and properly record receipts causes the Agency's and the State's accounting records and the State's financial statements to be incorrect. The supporting documentation for the above receipts shows they were received at the Agency's various locations around the State. The Department's receipting function is decentralized but its deposit function is centralized, at headquarters in Columbia. In response to our inquiries, Agency employees explained that personnel at local offices often fail to note the date monies are received and often do not submit the receipts to the accounting department for deposit in a timely manner. This failure to submit receipts in a timely manner also caused the four receipts referred to above to be recorded in the wrong fiscal year.

Proviso 72.1. of Part IB of the fiscal year 2000 Appropriation Act requires that all revenues and other collections "be remitted to the State Treasurer at least once each week, when practical." Further, sound accounting practices and an effective internal control system require that collections be properly classified and recorded by revenue account and fiscal year and that adequate supporting documentation be prepared (e.g., date funds initially collected by the agency; date funds received by accounting to prepare deposit and record in the accounting system), retained, and properly maintained for each receipt. The Agency's current procedures

require dating of receipts at the point of initial collection and forwarding of receipts to accounting on a weekly basis. However, these procedures have not been implemented and are not enforced by Agency management.

We recommend that the Agency develop and implement control procedures to strengthen internal controls over cash receipts, especially those regarding documentation and the timing of deposits to help ensure that all receipts are timely deposited and properly documented and recorded. Documentation should include the initial collection date, the date in accounting, the source/purpose of the monies, and the applicable period. We also recommend that the Agency establish procedures to ensure all accounting personnel are adequately trained in the State's and the Agency's receipt procedures.

MANAGEMENT'S RESPONSE



South Carolina Commission for the Blind

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July 24, 2001

Thomas L. Wagner, Jr.
State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201

Dear Mr. Wagner:

I have received and reviewed the preliminary draft of the audit report resulting from your performance of agreed-upon procedures to the accounting records of the South Carolina Commission for the Blind, and I have no objections to the release of this report. I did not receive a form for authorizing release of the report; and I assume this letter will serve as authorization. If not, please forward a form to me and I will promptly sign it.

Enclosed please find a listing of the members of SCCB Board of Commissioners.

Sincerely,

A handwritten signature in black ink, appearing to read "Nell C. Carney", is written over a horizontal line.

Dr. Nell C. Carney
Commissioner

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