

**SOUTH CAROLINA
STATE ELECTION COMMISSION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2008

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State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 3, 2009

The Honorable Mark Sanford, Governor
and
Members of the Commission
South Carolina State Election 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 State Election Commission (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2008, in the areas addressed. The Commission's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these 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 in accordance with the agency's policies and procedures and State regulations.
- 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 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 at the subfund and object code level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$20 – general fund, \$17,000 – earmarked fund, \$5,800 – restricted fund, and \$3,600 – federal fund) and ± 10 percent.

- We made inquiries of management pertaining to the agency's policies for accountability and security over permits, licenses, and other documents issued for money. We observed agency personnel performing their duties to determine if they understood and followed the described policies.

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

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 in accordance with the agency's policies and procedures and State regulations, were bona fide disbursements of the Commission, and 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.
- We inspected 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 at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$32,700 – general fund, \$19,100 – earmarked fund, \$10,400 – restricted fund, and \$3,600 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented in Cut-off of Expenditures and Documentation of Clerical Accuracy in the Accountant's Comments section of this report.

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 processed in accordance with the agency's policies and procedures and State regulations.
- We inspected 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 inspected payroll transactions for selected new employees and those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the agency's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.

- 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 compared current year payroll expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$32,700 – general fund, \$19,100 – earmarked fund, \$10,400 – restricted fund, and \$3,600 – federal fund) and ± 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of ± 5 percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Payroll in the Accountant's Comments section of this report.

4. **Journal Entries and Appropriation Transfers**

- We inspected selected recorded journal entries 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, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the agency's policies and procedures and State regulations.

The individual transactions selected for our test of journal entries 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 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 selected entries were processed in accordance with the agency's policies and procedures and State regulations.

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 Commission for the year ended June 30, 2008, and inspected selected reconciliations of balances in the Commission's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if accounts reconciled. 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 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 fiscal year-end reconciliation and randomly selected one month's reconciliation for testing. We found no exceptions as a result of the procedures.

7. **Appropriation Act**

- We inspected agency documents, observed processes, and/or made inquiries of agency personnel to determine the Commission's compliance with Appropriation Act general and agency specific provisos.

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, 2008, prepared by the Commission 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 and if the amounts reported in the closing packages agreed with the supporting workpapers and accounting records.

Our finding as a result of these procedures is presented in Miscellaneous Revenue Closing Package in the Accountant's Comments section of this report.

9. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission resulting from our engagement for the fiscal year ended June 30, 2007, to determine if the Commission had taken corrective action.

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

The Honorable Mark Sanford, Governor
and
Members of the Commission
South Carolina State Election Commission
September 3, 2009

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 elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, 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 State Election Commission and is not intended to be and should not be used by anyone other than these specified parties.

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

ACCOUNTANT'S COMMENTS

SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

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

CUT-OFF OF EXPENDITURES

We noted three of the twenty-five expenditures tested were recorded in the wrong fiscal year. The expenditures were for aid to counties to assist in the Statewide Primary Election in fiscal year 2008. The Commission received the reimbursement requests from the counties prior to June 30, 2008, but recorded the expenditures in fiscal year 2008-09.

Proviso 73.1 of the 2008 Appropriation Act and the Comptroller General's year end procedures require that all invoices relating to fiscal year 2008 be submitted by July 16, 2008 in order to record expenditures in the proper fiscal year.

We recommend that the procedures are followed to ensure that expenditures are recorded in the proper fiscal year.

PAYROLL

Calculation of Employee Pay

We noted one instance in which an employee's pay was incorrectly calculated. The employee was compensated for 30 hours worked even though the employee only worked 29 hours. The employee was out of the office when timesheets were due. Timesheets were completed based on verbal communication with the employee. When the employee returned to work, he submitted timesheets that varied from the timesheets completed by his supervisor.

Section 8-11-30 of the 1976 Code of Laws states that, "It shall be unlawful for anyone to receive any salary from the State or any of its departments which is not due, and it shall be unlawful for anyone in the employment of the State to issue vouchers, checks, or otherwise pay salaries or moneys that are not due to state employees of any department of the State..."

We recommend the Commission implement procedures to ensure proper payment to temporary employees.

Pay Schedule

We noted four instances in which an employee's pay included work days which occurred outside the regular pay schedule. The Commission explained that this exception occurred because the employees did not timely submit their timesheets.

Section 8-11-35 (A) of the 1976 Code of Laws states that, "Except as otherwise provided by law, appropriations for compensation of state employees must be paid in twice-monthly installments to the person holding the position. To provide a regular and permanent schedule for payment of employees, the payroll period begins on June 2 of the prior fiscal year with the first pay period ending on June 16 of the prior fiscal year. The payroll period continues thereafter on a twice-monthly schedule as established by the State Budget and Control Board. This schedule must continue from one fiscal year to another without interruption, on a twice-monthly basis."

We recommend the Commission implement procedures to ensure that employees are paid in accordance with the State's pay schedule.

MISCELLANEOUS REVENUE CLOSING PACKAGE

We determined that the Commission was not required to submit the Miscellaneous Revenue Closing Package based on the criteria set forth by the Comptroller General's Closing Procedures Manual. The Commission did not collect more than \$1 million in GAAP Revenue Code 0200. Since the Commission prepared and submitted the closing package, we tested it for accuracy and noted the following exceptions:

1. The closing package was not completed within the Comptroller General's deadline. We noted approval dates on the closing package were 8/19/08 and 8/21/08. The Comptroller General deadline for submission was 8/15/09.
2. The gross accounts receivable balance included an amount which was not earned in fiscal year 2008. The Commission provided an election listing on 7/2/08, therefore, the invoice should not have been included on the closing package.
3. We noted that the amount reported as being received in July was actually received on 8/4/08 as documented on the supporting documentation.

Section 3.4 (Miscellaneous Revenues Closing Package) of the Comptroller General's GAAP Closing Procedures Manual requires the following criteria apply to the exceptions noted:

1. Return the completed forms to the Comptroller General's Office no later than August 15.
2. Accounts Receivables generally are Miscellaneous Revenues that your agency earned during the fiscal year but did not receive until after June 30.
3. For Governmental Funds, the State also must distinguish and report Net Current Receivables that are "available" at year-end for modified accrual purposes. For purposes of this package, miscellaneous revenues are considered to be available at June 30 if collected within one-month after June 30 (by July 31).

We recommend that the Commission implement procedures to ensure closing packages are completed when applicable and in accordance with the Comptroller General's GAAP Closing Procedures Manual.

SECTION B – OTHER WEAKNESS

The condition described in this section has been identified while performing the agreed-upon procedures but it is not considered a violation of State Laws, Rules or Regulations.

DOCUMENTATION OF CLERICAL ACCURACY

We noted one out of twenty-five vouchers tested did not contain documentation of clerical accuracy. The Commission's cash disbursement procedures require personnel to review the accuracy of the invoice to ensure proper payment.

We recommend Commission procedures are followed to ensure that expenditures are checked for clerical accuracy.

SECTION C - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on the findings reported in the Accountant's Comments section of the State Auditor's Report on the Commission for the fiscal year ended June 30, 2007, and dated September 16, 2008. We determined that the Commission has taken adequate corrective action on the findings regarding Travel Advance, Election Support Services, Blanket Bond Approval, Compensated Absences Closing Package, Payment of Invoices, Object Codes, Posting of Transactions, Documentation of Hourly and Rover Rates, and Timesheets. We determined other deficiencies described in our prior report still exists; consequently we have repeated similar findings under Cut-off of Expenditures and Calculation of Employee Pay in Section A of the report.

MANAGEMENT'S RESPONSE

January 4, 2010

Mr. Rich Gilbert, Jr.
Deputy State Auditor
State Auditor's Office
1401 Main Street, Suite 1200
Columbia, SC 29201

Dear Mr. Gilbert:

We have completed our review of the preliminary draft copy of the report from the audit of agreed-upon procedures of the State Election Commission for fiscal year ending June 30, 2008. Please find our response to the following findings by your office:

Documentation of Clerical Accuracy

Finding:

One of twenty-five vouchers tested did not contain documentation of clerical accuracy. The Commission's cash disbursement procedures require personnel to review the accuracy of the invoice to ensure proper payment.

Our Response:

The employee who processes the payments into the internal accounting system did not write her initials on the clerical audit stamp. However, the employee's supervisor and the agency director signed off on the payment prior to the voucher being entered into the system by the employee. Since the agency has implemented the SAP system, this process is no longer required and our policy has been updated.

Cut-off of Expenditures

Finding:

We noted three of the twenty five expenditures tested were recorded in the wrong fiscal year. The expenditures were for aid to counties to assist in the Statewide Primary Election in fiscal year 2008. The Commission received the reimbursement from the counties prior to June 30, 2008, but recorded the expenditures in fiscal year 2008-09.

Our Response:

The vouchers referenced in the audit were reimbursements to counties for expenditures incurred during the June 10, 2008 primary elections. Two of the vouchers were received by

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the SEC on June 27th and the other on June 30th. Upon review of the vouchers, we determined additional information was needed from the counties before the reimbursements could be processed. Proviso 79.6 allows primary funds to be carried forward and used in subsequent years.

Payroll - Calculation of Employee Pay

Finding:

We noted one instance in which an employee's pay was incorrectly calculated. The employee was compensated for 30 hours worked even though the employee only worked 29 hours. The employee was out of the office when timesheets were due. Timesheets were completed based on verbal communication with the employee. When the employee returned to work, he submitted timesheets that varied from the timesheets completed by his supervisor.

Our Response:

The temporary employee was not at work on the day that the payroll was due to the Comptroller General's Office. When the employee who processes the payroll requested the timesheet from the temporary employee's supervisor, the supervisor had not received the timesheet yet. The supervisor verbally reported the information. When the temporary employee returned to work the following week, she noted that she had left early on one of the days in the previous week which made the total hours worked for that week different by one hour from what was originally submitted by the supervisor. The temporary employee made up the additional hour when she returned the following week.

All temporary employees are now contracted through Tempo. No pay calculations are processed by the SEC.

Payroll - Pay Schedule

We noted four instances in which an employee's pay included work days which occurred outside the regular pay schedule.

Our Response:

The four employees did not submit timesheets in a timely manner. This will not be an issue in the future since all temporary employees are now contracted through Tempo.

Miscellaneous Revenues Closing Package

Finding:

The closing package was not completed timely. An invoice was included that should not have been. The closing package should not have been submitted as the agency did not collect more than \$1 million in GAAP Revenue Code 0200.

Our Response:

The agency acknowledges that we submitted the closing package after the due date. However, we were not required to submit the package. We will adhere to submission criteria and deadlines in the future.

We will continue to make every effort to ensure compliance with all laws, rules and regulations. We authorize the release of the report. Enclosed is a current list of State Election Commission members and their mailing and email addresses.

Sincerely,



Marci Andino

MBA/jr

Enclosure

4 copies of this document were published at an estimated printing cost of \$1.60 each, and a total printing cost of \$6.40. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.