

STATE OF SOUTH CAROLINA OFFICE OF THE COMPTROLLER GENERAL		
GAAP CLOSING PROCEDURES MANUAL		
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PURPOSE AND OBJECTIVES

In everyday language, litigation and lawsuits mean nearly the same thing. This closing package concentrates on:

- o Litigation matters that at June 30 will or may result in claims against the State's current or future resources. This includes lawsuits that at June 30 are:
 - Settled but not yet paid.
 - In progress.
 - Appealed or expected to be appealed.
 - Threatened.

These lawsuits may be against the State, one or more of its agencies, or one or more of its officials.

- o Settled and in progress lawsuits of the State against others at June 30 that probably will result in a gain to the State.
- o Major changes in lawsuit status that occur in the six months after June 30 (from July 1 through December 31).

The State prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires the State to record a liability for litigation that meets certain criteria. In other cases, GAAP requires summary disclosures in the notes to the State's financial statements relating to potential losses and gains.

This closing package will gather information from State agencies to:

- o Identify all litigation that may affect the State's financial statements and notes.
- o Allow the Comptroller General's Office to record liabilities for settled but not yet paid lawsuits.

The information regarding litigation that your agency provides is confidential. Only the following people will see it:

- o Comptroller General's Office staff who prepare the State's Comprehensive Annual Financial Report (CAFR).
- o Attorneys representing the agency or the State.

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- o Auditors of the State's financial statements.

AGENCY ACTION REQUIRED

- o For all actual and threatened litigation cases that were pending for your agency at June 30, all that have arisen since June 30, any others that were reported last year on a Litigation Contingency Report Form, and for payments made to private attorneys during the current fiscal year:
 - Complete a Litigation Overview Form (GAAP Form 3.13.1). Copy this Form as necessary to include all situations.
 - Complete the Payments to Private Attorneys Form (GAAP Form 3.13.2), Settled Litigation Report Forms (GAAP Form 3.13.3) and Litigation Contingency Report Forms (GAAP Form 3.13.4) as instructed on the Litigation Overview Form (GAAP Form 3.13.1). NOTE: Most lawsuits/contingent situations should be reported **both** on the Litigation Overview Form **and on one** of the other forms.
 - Return the completed Forms to the Comptroller General's Office **no later than August 1**. If you can return them earlier, please do so.
- o Use the following procedure to report a major development relating to a lawsuit during the six months after June 30 (July 1 through December 31):
 - Complete a Settled Litigation Report Form (GAAP Form 3.13.3) or a Litigation Contingency Report Form (GAAP Form 3.13.4) as appropriate.
 - Return the completed Form to the Comptroller General's Office *as soon as possible*.

Major developments include settlements of major cases, major changes in previously reported cases, and the appearance of new cases.

KEY TERMS

Breach of Contract. A breach of contract involves breaking a legally binding contract. A contract may be either oral or written but must include the following elements: competent parties, consideration, and offer and acceptance.

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Current Liability. Current liabilities at June 30 are liabilities an agency expects to pay within the next fiscal year.

Criminal. Criminal cases involve violations of laws or statutes other than those concerning breaches of contract and torts.

Gain Contingency. Gain contingencies are situations involving uncertainty as to possible gain that will be resolved when certain events occur or fail to occur.

Liability. A liability is an obligation resulting from past transactions that will (or is likely to) result in future payments and/or reductions in future revenues.

Litigation. Litigation includes disputes or legal contests carried out and resolved through the judicial process. In everyday language, litigation and lawsuits mean nearly the same thing. This closing package concentrates on:

- o Litigation matters that at June 30 will or may result in claims against the State's current or future resources. This includes lawsuits that at June 30 are:
 - Settled but not yet paid.
 - In progress.
 - Appealed or expected to be appealed.
 - Threatened.
- o Settled and in progress lawsuits of the State against others at June 30 that probably will result in a gain to the State.
- o Major changes in lawsuit status that occur in the six months after June 30 (July 1 through December 31).

Long-Term Liability. Long-term liabilities at June 30 are liabilities at June 30 that do not meet the definition of current liabilities. (That is, long-term liabilities are liabilities that your agency does not expect to pay during the next fiscal year but instead expects to pay beyond that time.)

Loss Contingency. Loss contingencies are situations involving uncertainty as to possible loss that will be resolved when certain events occur or fail to occur.

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Probable. A future event is probable if the event is likely to occur.

Reasonably Possible. A future event is reasonably possible if the chance of its occurrence is greater than remote but less than probable.

Remote. A future event is remote if the event has only a slight chance of occurring.

Subsequent Event. Subsequent events are events or transactions that both:

- o Occur after June 30 but before the State issues its financial statements.
- o Have a material effect on the statements and/or the auditor's report.

Governments must disclose subsequent events in their financial statements.

Subsequent Period. The subsequent period is the time after June 30 but before the State issues its financial statements. The State plans to issue its financial statements by December 31. For practical purposes, therefore, the subsequent period is between July 1 and December 31. Governments must disclose on their financial statements any material events that occur during the subsequent period.

Tort. Torts are wrongful acts, injuries or damages—not involving breach of contract—for which a civil action can be brought.

ACCOUNTING PRINCIPLES AND POLICIES

Accounting Standards

Settled lawsuits that require the State to make future payments or suffer other future losses are liabilities. GAAP requires the State to show liabilities existing at June 30 on its financial statements.

Lawsuits that at June 30 are in progress, appealed, expected to be appealed, and threatened are contingent losses/gains. The following references define Generally Accepted Accounting Principles (GAAP) for contingencies:

- o Governmental Accounting Standards Board (GASB) Codification Sections 1500.114. Sections C50.101 through 118 apply to torts.
- o Financial Accounting Standards Board (FASB) Statement 5, "Accounting For Contingencies" as revised and interpreted.

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Major liabilities and contingencies that arise after June 30 but before the State issues its financial statements are subsequent events. GAAP relating to subsequent events includes:

- o Governmental Accounting Standards Board (GASB) Codification Section 2300.106 and C50.148.
- o Various Statements on Auditing Standards (SAS's) and related interpretations (issued by the American Institute of Certified Public Accountants).

Standards for professional relationships between auditors and attorneys appear in:

- o Statements on Auditing Standards (Section AU 337) issued by the American Institute of Certified Public Accountants.
- o American Bar Association Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information (approved by the American Bar Association's Board of Governors in December 1975).

State Policies

Based on the above GAAP, the State will:

- o Record a liability at June 30 for settled lawsuits that will result in future payments or losses to the State.
- o Record a liability for lawsuits that at June 30 are in progress, appealed, expected to be appealed, and threatened if, in the attorney's opinion:
 - A loss to the State is probable.
 - It is practical to estimate the loss amount.
- o Disclose data on lawsuits that at June 30 are in progress, appealed, expected to be appealed, and threatened that do not meet the conditions above, yet a loss to the State is reasonably possible.
- o Disclose data on settled and in progress lawsuits at June 30 where a gain to the State is probable.
- o Disclose major changes in litigation that occur during the subsequent period.

The State will not:

- o Disclose or record liabilities for lawsuits where the chance of loss to the State is remote.
- o Record revenue in gain situations before the State actually receives the gain.

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The State will record the following liabilities:

- o Current liabilities related to litigation in the appropriate GAAP fund. (The State's policy is to report as current liabilities at June 30 those liabilities an agency expects to pay during the next fiscal year.)
- o Long-term liabilities at June 30 (i.e., those that the agency expects to pay beyond the next fiscal year).

WORKING PAPERS

All working papers may be subject to audit. The agency should keep copies of the completed Forms. In addition, the agency should keep any documents that support data reported on those Forms. Such documents may include:

- o Copies of legal papers.
- o Correspondence with attorneys.
- o Internal agency memos.

Appropriate documentation and the level of detail will vary according to circumstances.

GENERAL INSTRUCTIONS--LITIGATION OVERVIEW FORM (GAAP FORM 3.13.1)

- o Determine what situations your agency must report on the Litigation Overview Form (GAAP Form 3.13.1). Your agency must individually list the following situations on the Form:
 - Actual or threatened litigation cases or situations that were pending at June 30.
 - Actual or threatened litigation cases or situations that have arisen since June 30.
 - Situations that were reported last year on a Litigation Contingency Report Form.
 - Situations that were settled during the current fiscal year.

List all settled (S and N) situations, but list contingent (C) situations only if the potential gain or loss is \$500,000 or more. *Exception:* Report all cases within a group of related cases if the total potential gain or loss for the entire group of cases is

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\$500,000 or more. Show by bracketing or identify in some other manner the cases that form a group of related cases.

In addition, your agency must complete the Form if it made any payments to private attorneys during the fiscal year.

- o Copy the Form as necessary to include each situation that meets any of the above criteria.
- o Complete the Form and return it to the Comptroller General's Office **no later than August 1**. If you can return it earlier, please do so.
- o The person who completes and signs the Form should keep a copy. The Comptroller General's Office will telephone this person if there are any questions.
- o Exhibit 3.13 (A) shows a sample of a completed Litigation Overview Form (GAAP Form 3.13.1). Detailed instructions follow the Exhibit.

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STATE OF SOUTH CAROLINA LITIGATION OVERVIEW FORM

EXHIBIT
3.13 (A)

At June 30, 2002 (1)

Agency: (2)	<u>A99</u>		<u>Sample Agency</u>			
	Code		Name			
Prepared: (3)	<u>7/15/02</u>	By:	<u>J. P. Junior</u>	Title:	<u>Accountant I</u>	Phone: <u>734-1234</u>
	Date		Employee Name			
Approved: (3)	<u>7/18/02</u>	By:	<u>I. M. Senior</u>	Title:	<u>Dir. of Accounting</u>	Phone: <u>734-2345</u>
	Date		Employee Name			

(4) Did your agency make any payments to private attorneys during this fiscal year? Yes ☒ No ☐
If yes, complete the Payments to Private Attorneys Form (GAAP Form 3.13.2).

On the lines below, list all actual and threatened litigation cases that were pending for your agency at June 30th, all that have arisen since June 30th, and any others that you reported last year on a Litigation Contingency Report Form subject to the dollar limitations specified below. Copy this form as necessary to include all situations.

Place a mark in the appropriate box (only one box per situation) indicating each situation's current status.

- N - The situation was settled* this year and will *not* require the State to make future payments.
- S - The situation was settled* this year and *will* require the State to make future payments.
- C1 - The situation has been decided, but appeal is reasonably possible. Potential gain or loss is \$500,000 or more.
- C2 - The case is currently under appeal. Potential gain or loss is \$500,000 or more.
- C3 - The case has been filed with a court but has not yet been decided. Potential gain or loss is \$500,000 or more.
- C4 - The situation constitutes threatened litigation, but nothing has yet been filed with a court. Potential loss is \$500,000 or more.

**Settled* cases include those that were dropped and those that were decided for which the probability of appeal is believed to be remote. (6)

(6)

(5) <u>Case Name or Situation</u>	<u>N</u>	<u>S</u>	<u>C1</u>	<u>C2</u>	<u>C3</u>	<u>C4</u>
<i>City of Podunk v. State of SC</i>		X				
<i>Joe Bleau v. Budget and Control Board</i>	X					
<i>Bluster v. State of South Carolina</i>	X					
<i>Horrid Construction Co. v. State of SC</i>					X	

For each situation with **N** marked, do not complete any additional forms.

For each situation with **S** marked, complete one **Settled Litigation Report Form** (GAAP Form 3.13.3).

For each situation with C1, C2, C3, or C4 marked, complete one **Litigation Contingency Report Form** (GAAP Form 3.13.4). Apply the \$500,000 limit as described in General Instructions section.

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COMPLETING THE LITIGATION OVERVIEW FORM (GAAP FORM 3.13.1)

REF

EXPLANATION

-
- (1) Enter the fiscal year for which this Form applies.
 - (2) Enter the agency name and three-character STARS agency code.
 - (3) Complete all information regarding preparation of this Form. The Finance Director or Executive Director should approve the Form before sending it to the Comptroller General's Office. The agency should retain a copy of the completed Form.
 - (4) Check the appropriate box for the question concerning payments to private attorneys. If you answer Yes, you must complete a Payments to Private Attorneys Form (GAAP Form 3.13.2).
 - (5) Enter the case name or otherwise identify the situation if no case has yet been filed.
 - (6) Decide which description best applies to each particular case, and mark ONLY ONE BOX per case. Then review the sentences at the bottom of the Form to determine what other forms you must complete.

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GENERAL INSTRUCTIONS--PAYMENTS TO PRIVATE ATTORNEYS FORM (GAAP
FORM 3.13.2)

- o Complete this Form if your agency made any payments to private attorneys during the current fiscal year. The Comptroller General's Office will provide you with a computer listing of such payments your agency made through the end of STARS fiscal month 12. Review your records to determine if your agency made additional payments during fiscal month 13.
- o Return the completed Form to the Comptroller General's Office **no later than August 1**. If you can return it earlier, please do so.
- o Attach separate sheets to the Form if necessary, but retain your working papers for auditor review. Do not send copies of your working papers to the Comptroller General's Office.
- o Exhibit 3.13 (B) shows a sample completed Payments to Private Attorneys Form (GAAP Form 3.13.2). Detailed instructions for completing the Form follow the exhibit.

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STATE OF SOUTH CAROLINA
PAYMENTS TO PRIVATE ATTORNEYS FORM
At June 30, 2002 (1)

EXHIBIT
3.13 (B)

Agency:	(2)	<u>A99</u>		<u>Sample Agency</u>			
		Code		Name			
Prepared:	(3)	<u>7/15/02</u>	By:	<u>J. P. Junior</u>	Title:	<u>Accountant I</u>	Phone: <u>734-1234</u>
		Date		Employee Name			
Approved:	(3)	<u>7/18/02</u>	By:	<u>I. M. Senior</u>	Title:	<u>Dir. of Accounting</u>	Phone: <u>734-2345</u>
		Date		Employee Name			

In completing my agency's other litigation closing package forms, I have considered payments made to private attorneys. The payments were for:

- (4) _____ Litigation that is reported elsewhere in this year's Litigation Closing Package forms.
- (5) X Legal matters not reported elsewhere in this year's Litigation Closing Package forms.
 An explanation of how the attorneys were used follows:
- (6) These charges were for services related to preparation of the agency's Personnel Policies and Procedures Manual. No litigation was involved.

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COMPLETING THE PAYMENTS TO PRIVATE ATTORNEYS FORM (GAAP FORM 3.13.2)

REF

EXPLANATION

-
- (1) Enter the fiscal year for which this Form applies.
 - (2) Enter the agency name and three-character STARS agency code.
 - (3) Complete all information regarding preparation of this Form. The Finance Director or Executive Director should approve the Form before sending it to the Comptroller General's Office. The agency should retain a copy of the completed Form.
 - (4) Place an "x" here if some or all of the payments to private attorneys related to litigation reported elsewhere within this closing package.
 - (5) Place an "x" here if some or all of the payments to private attorneys related to cases *not* reported elsewhere within this closing package.
 - (6) If you placed an "x" in (5) above, thoroughly explain the situation in the space provided or on one or more separate attached sheets.

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GENERAL INSTRUCTIONS—SETTLED LITIGATION REPORT FORM (GAAP FORM 3.13.3)

- o Complete a Settled Litigation Report Form (GAAP Form 3.13.3) for each lawsuit you marked in the *S* box on the Litigation Overview Form (GAAP Form 3.13.1). This includes all settled lawsuits at June 30 that will require the State to make future payments.
- o Complete the Form regardless of the amount of future payments (i.e., even for cases involving less than \$500,000).
- o Return the completed Forms (including the attachments specified in the detailed instructions) to the Comptroller General's Office **no later than August 1**. If you can return them earlier, please do so.
- o To report the settlement of a major lawsuit (i.e., one or more related cases involving a total potential loss of \$500,000 or more) between July 1 and December 31:
 - Complete a Settled Litigation Report Form (GAAP Form 3.13.3).
 - Return the completed Form to the Comptroller General's Office **as soon as possible**.
- o Round all dollar amounts on the Form to the nearest whole dollar.
- o Use separate Settled Litigation Report Forms (GAAP Form 3.13.3) for separate lawsuits. Also use multiple Forms if multiple funds are responsible for payment in a case. Make as many copies of the Form as necessary.
- o The person who completes and signs the Form should keep a copy. The Comptroller General's Office will telephone this person if there are any questions.
- o Exhibit 3.13 (C) shows a sample completed Settled Litigation Report Form (GAAP Form 3.13.3). Detailed instructions for completing the Form follow the Exhibit.

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**STATE OF SOUTH CAROLINA
SETTLED LITIGATION REPORT FORM**

**EXHIBIT
3.13 (C)**

Agency:	(1)	<u>A99</u>		<u>Sample Agency</u>			
		Code		Name			
Prepared:	(2)	<u>7/15/02</u>	By:	<u>J. P. Junior</u>	Title:	<u>Accountant I</u>	Phone: <u>734-1234</u>
		Date		Employee Name			
Approved:	(2)	<u>7/18/02</u>	By:	<u>I. M. Senior</u>	Title:	<u>Dir. of Accounting</u>	Phone: <u>734-2345</u>
		Date		Employee Name			

GENERAL INFORMATION

(3) Information as of: ☒ 6 / 30 / 02 ☐ __ / __ / __ (between 7/1 and 12/31)

(4) Case Name: City of Podunk v. State of SC (5) Settlement Date: 5/25/02

(6) Name, address, and phone of the State's attorney:
I.B. Legal, Assistant Attorney, Legal and Eagle, PA
P.O. Box 234, Columbia, SC 29211 (803) 254-2121

(7) Type of case: Breach of Contract ☐ Tort ☒ Criminal ☐

(8) Case description: The city of Podunk suit alleges that Sample Agency wrongfully denied their application for a State grant to refurbish Podunk Park, a city recreational facility.
The State Supreme Court ordered Sample Agency to pay the City \$750,000 during FY 03.

(9) Reviewed by: 7/20/02 I. B. Legal Assistant Attorney
Date Attorney Name Title

(10) GAAP Fund Name: Departmental General Operating – Earmarked

(11) GAAP Fund Code: 2005

<u>Description</u>	<u>Dollar Amount</u>
Current-year STARS FM 13 amount the agency has paid or plans to pay	(12) \$ 0
Amount the agency plans to pay within the next fiscal year (i.e. FM 01 – FM 12.)	(13) \$ 250,000
Amount the agency plans to pay <i>after</i> next June 30	(14) \$ 500,000
GAAP Fund Total	(15) \$ 750,000

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COMPLETING THE SETTLED LITIGATION REPORT FORM (GAAP FORM 3.13.3)

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(1)	Enter the agency name and three-character STARS agency code.
(2)	Complete all information regarding preparation of this Form. The Finance Director or Executive Director should approve the Form before sending it to the Comptroller General's Office. The agency should retain a copy of the completed Form.
GENERAL INFORMATION.	
(3)	Check one block to indicate whether the data are year-end data or subsequent period data. For the year-end data, fill in the year. If the Form describes a major lawsuit (i.e., one or more related cases with a total potential gain or loss of \$500,000 or more) that was settled between July 1 and December 31 , enter the date that the lawsuit was settled.
(4)	Enter the case name.
(5)	Enter the case settlement date.
(6)	Enter the name, business address, and telephone number of the State's attorney.
(7)	Enter the type of case. Refer to the Key Terms section for the definitions of "breach of contract," "tort," and "criminal."
(8)	Describe: <ul style="list-style-type: none"> o The nature of the lawsuit. o Other information needed to understand the case and the nature of the settlement reached. If the settlement resulted in a gain to the State, include the amount of the gain here.
(9)	The agency's attorney should sign and date this Form before sending it to the Comptroller General's Office. The attorney's signature acknowledges the existence of a liability and confirms that the general information reported in (4), (5), (7), and (8) is accurate.

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REF	EXPLANATION
NOTE: COMPLETE THE REMAINDER OF THIS FORM ONLY IF THE SETTLEMENT WILL RESULT IN A <u>LOSS</u> TO THE STATE.	
(10)	Enter the name of the GAAP fund (see Appendix A) responsible for payment.
(11)	Enter the four-digit GAAP fund code (see Appendix A).
(12)	Enter the settlement amount your agency has paid or plans to pay this fiscal year during STARS fiscal month 13.
(13)	Enter the settlement amount your agency plans to pay within the next fiscal year (i.e. FM 01 through FM 12 of the next fiscal year.)
(14)	Enter the settlement amount your agency plans to pay in years beyond the next fiscal year.
(15)	The sum of amounts (12), (13) and (14) must equal the State's unpaid obligation as of June 30.

ATTACHMENTS:

- Please attach a copy of a payment schedule for the settlement if not previously provided to the Comptroller General's Office.
- Please attach copies of STARS documents for any settlement payments made to date.

NOTE: Please remember that it is the Agency's ongoing responsibility to file a Settled Litigation Form if a case is settled during the "subsequent period"—generally July 1 through December 31.

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GENERAL INSTRUCTIONS--LITIGATION CONTINGENCY REPORT FORM (GAAP FORM 3.13.4)

- o Complete a Litigation Contingency Report Form (GAAP Form 3.13.4) for each lawsuit or situation you marked as C1, C2, C3, or C4 on the Litigation Overview Form (GAAP Form 3.13.1). This includes all lawsuits or groups of related lawsuits involving a combined total potential gain or loss of \$500,000 or more that at June 30 were in progress, appealed, were expected to be appealed, or threatened.
 - o Return the completed Forms to the Comptroller General's Office **no later than August 1**. If you can return them earlier, please do so.
 - o To report major developments between July 1 and December 31 relating to lawsuits or groups of related lawsuits involving a combined total potential gain or loss of \$500,000 or more that are in progress, appealed, expected to be appealed, or threatened:
 - Complete a Litigation Contingency Report Form (GAAP Form 3.13.4).
 - Return it to the Comptroller General's Office **as soon as possible**.
- Major developments include:
- Major changes in previously reported cases.
 - Major new cases.
- o Round all dollar amounts on the Form to the nearest whole dollar.
 - o Use a separate Litigation Contingency Report Form (GAAP Form 3.13.4) for each lawsuit or situation. Make as many copies of the Form as necessary.
 - o Exhibit 3.13 (D) shows a sample completed Litigation Contingency Report Form (GAAP Form 3.13.4). Detailed instructions for completing the Form follow the Exhibit.

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STATE OF SOUTH CAROLINA
LITIGATION CONTINGENCY REPORT FORM

EXHIBIT
3.13 (D)

Agency:	(1)	<u>A99</u>	<u>Sample Agency</u>			
		Code	Name			
Prepared:	(2)	<u>7/15/02</u>	By: <u>J. P. Junior</u>	Title: <u>Accountant I</u>	Phone: <u>734-1234</u>	
		Date	Employee Name			
Approved:	(2)	<u>7/18/02</u>	By: <u>I. M. Senior</u>	Title: <u>Dir. of Accounting</u>	Phone: <u>734-2345</u>	
		Date	Employee Name			

GENERAL INFORMATION

(3) Information as of : ☒ 6 / 30 / 02 ☐ __ / __ / __ (between 7/1 and 12/31)

(4) Case Name: Horrid Construction Co. v. State of SC
☐ Case is part of related group labeled: _____

(5) Name, address, and phone of the State's attorney:
I.B. Legal, Assistant Attorney, Legal and Eagle, PA
P.O. Box 234, Columbia, SC 29211 (803) 254-2121

(6) Case description: While constructing a State office building, some of Horrid's workers were injured. Horrid claims that its employees' injuries were a direct result of the State's negligence. The case is scheduled to be heard by the SC Supreme Court in February 2003. Horrid's claim totals \$2.5 million.

(7) Type of case: Breach of Contract ☐ Tort ☒ Criminal ☐

(8) The likelihood that the State will incur a loss from this case is (check one):
☒ probable ☐ reasonably possible ☐ remote

(9) Reviewed by: 7/20/02 I. B. Legal Assistant Attorney
Date Attorney Name Title

(10) GAAP Fund(s) responsible for payment if the State loses its case:

GAAP Fund Code	GAAP Fund Name	IRF Case Number	Percent
N/A	Insurance Reserve Fund	<u>12345</u>	<u>10 %</u>
<u>1001</u>	<u>General Fund – General</u>	<u>N/A</u>	<u>90 %</u>
Total			100%

CASE IN PROGRESS

Date Initiated: (11) 4 / 28 / 02 Amount (or range of amounts) lawsuit asks from the State: (12) \$ 2,500,000

THREATENED CASE

(13) Estimated date case may be filed: / /

(14) Estimated amount lawsuit may ask from State: \$ _____

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COMPLETING THE LITIGATION CONTINGENCY REPORT FORM (GAAP FORM 3.13.4)

REF	EXPLANATION
(1)	Enter the agency name and three-character STARS agency code.
(2)	Complete all information regarding preparation of this Form. The Finance Director or Executive Director should approve the Form before sending it to the Comptroller General's Office. The agency should retain a copy of the completed Form.
GENERAL INFORMATION.	
(3)	Check one block to indicate whether the data are year-end data or subsequent period data. For year-end data, fill in the year. If the Form describes major changes that occurred between July 1 and December 31, enter the date that the change occurred.
(4)	Enter the case name if you know it. Otherwise, describe the State's opponent as completely as possible. If the case is part of a group of related cases, check the block. If your agency is reporting more than one group of related cases, provide a name or identifier for the group on the blank line.
(5)	If you have consulted an attorney, enter: <ul style="list-style-type: none"> o The attorney's name. o The attorney's business address. o The attorney's telephone number. Otherwise, indicate that you have not yet consulted an attorney.
(6)	Describe: <ul style="list-style-type: none"> o The facts of the case or situation. o The case status as of the date shown in (3). o Other information needed to understand the case and any potential gain or loss to the State. If a potential gain exists, enter the amount, or range, of the gain.
(7)	Place an "x" in the box that describes the type of case. Refer to the Key Terms section for the definitions of "breach of contract," "tort," and "criminal."

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EXPLANATION

- (8) The agency's attorney should place an "x" in a box indicating the likelihood that the State will incur a loss from this case. Refer to the Key Terms section for the accounting definitions of "probable," "reasonably possible," and "remote."
- (9) The agency's attorney should sign this Form before sending it to the Comptroller General's Office. The attorney's signature acknowledges awareness of the contingent litigation and confirms that the general information reported in (3), (4), (6), (7), and (8) is accurate.
- (10) Answer this question only if settlement may result in a loss to the State. Enter the four-digit GAAP code and name of the fund(s) responsible for payment. (See Appendix A.) If multiple GAAP funds are responsible, list all funds and show the percentage split if possible. If the Insurance Reserve Fund is partially or entirely responsible for payment, also list the case number assigned by the Insurance Reserve Fund.

CASE IN PROGRESS. Complete this section only if the case is in progress at the date shown in (3).

- (11) Show the date your agency became aware of the lawsuit.
- (12) Answer this question only if settlement may result in a loss to the State. Show how much the complaining party is asking for. If no amount is specified, provide an estimate of the potential liability. You may express this as a single amount or as a range of amounts (minimum and maximum).

THREATENED CASE. Complete this section only if the case: (a) might ultimately result in a loss to the State and (b) is threatened (not yet filed) at the date shown in (3) above.

- (13) Estimate the date the complaining party will file a case.
- (14) Enter your best estimate of the amount the lawsuit may ask from the State. You may wish to express this as a range of amounts (minimum and maximum).

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GENERAL INSTRUCTIONS--LITIGATION CLOSING PACKAGE, REVIEWER CHECKLIST
(GAAP FORM 3.13.5)

- o The purpose of the Reviewer Checklist is to help your agency perform an effective review of the completed closing package forms **before** you submit them to the Comptroller General's Office. An effective review is essential to minimizing closing package errors. As such, it is an important internal control. **Completion of this Checklist is required.**
- o Retain the completed checklist for audit along with your other working papers; **do not** return it to the Comptroller General's Office.
- o Your agency's Finance Director, Executive Director, or another reviewer should complete the Reviewer Checklist. The reviewer **must** be someone other than the preparer.
- o Each question on the Reviewer Checklist is designed so that a "No" answer indicates a potential problem. Generally, when the reviewer responds "No," he/she should return the closing package form to the preparer to be corrected and resubmitted. If you believe that a "No" answer to a particular question is unavoidable or acceptable in your unique situation, however, attach an explanation to the completed checklist and retain it with the completed checklist.
- o This checklist is not all-inclusive. It is designed only to detect the most frequent types of errors. It may not identify all possible errors.
- o Exhibit 3.13 (E) shows a sample completed Reviewer Checklist (GAAP Form 3.13.5), a two-page Form.

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REVIEWER CHECKLIST
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Reviewer's Signature: <i>I. M. Senior</i>
Date Last Review Step Was Completed: <i>7/18/02</i>

All agencies submitting a Litigation Closing Package must complete a Litigation Overview Form (GAAP Form 3.13.1).

REVIEW STEP	YES/NO
Is the reviewer of the closing package someone other than the person who prepared it?	<i>Yes</i>
Did the preparer and reviewer sign the closing package (not just type or rubber-stamp their names)?	<i>Yes</i>
Did the preparer and reviewer show their titles and telephone numbers?	<i>Yes</i>
If yes is checked in response to the first question, has a Payments to Private Attorneys Form (GAAP Form 3.13.2) been completed?	<i>Yes</i>
If your agency made payments to private attorneys, are they properly classified on the Payments to Private Attorneys Form (GAAP Form 3.13.2)?	<i>Yes</i>
Are all the cases reported in last year's closing package as <i>contingent</i> accounted for on the Litigation Overview Form (GAAP Form 3.13.1)?	<i>Yes</i>
For each case name or situation, is ONE box marked?	<i>Yes</i>
Does the total number of <i>S</i> 's marked equal the total number of Settled Litigation Forms (GAAP Form 3.13.3)?	<i>Yes</i>
If any <i>N</i> 's are marked, have NO further forms been completed?	<i>Yes</i>
Does the total of all the <i>C</i> 's marked equal the total number of Litigation Contingency Forms (GAAP Form 3.13.4)?	<i>Yes</i>

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If you are submitting a Settled Litigation Report Form (GAAP Form 3.13.3) complete the following review steps:

Did your agency's attorney sign the form?	<i>Yes</i>
Is the form complete including: case name, settlement date, GAAP fund name, GAAP fund code, and amount?	<i>Yes</i>

Required documentation to be submitted:

Is a settlement payment schedule attached?	<i>Yes</i>
Are all required STARS documents included/attached?	<i>Yes</i>

If you are submitting a Litigation Contingency Report Form (GAAP Form 3.13.4) complete the following review steps:

Did your agency's attorney sign the form?	<i>Yes</i>
Did your agency's attorney indicate the likelihood that the State will incur a loss by checking the appropriate box?	<i>Yes</i>
If the case has been filed with the Insurance Reserve Fund (IRF), is the IRF case number included?	<i>Yes</i>
Is the form complete including GAAP fund name, amount and date the case was initiated or will be filed?	<i>Yes</i>
Is the potential gain or loss to the State of the case (or the total combined potential gain or loss to the State of the group of related cases) \$500,000 or more?	<i>Yes</i>