

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

**STATE AUDITOR'S REPORT**

**JUNE 30, 2007**

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# *State of South Carolina*



## *Office of the State Auditor*

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

September 16, 2008

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, 2007, 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, \$27,300 – earmarked fund, \$5,500 – restricted fund, and \$5,900 – federal fund) and  $\pm 10$  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. Our findings as a result of these procedures are presented in Object Codes and Posting of Transactions 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 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 (\$20,700 – general fund, \$34,400 – earmarked fund, \$24,200 – restricted fund, and \$5,900 – federal fund) and  $\pm 10$  percent.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented in Payment of Invoices and Cut-Off of Expenditures 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 (\$20,700 – general fund, \$34,400 – earmarked fund, \$24,200 – restricted fund, and \$5,900 – federal fund) and  $\pm 10$  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  $\pm 5$  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, 2007, 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.

Our findings as a result of these procedures are presented in Blanket Bond Approval, Travel Advance and Election Support Services in the Accountant's Comments section of this report.

8. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2007, 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 Compensated Absences 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, 2006, to determine if the Commission had taken corrective action.

Our finding as a result of these procedures is presented in Posting of Transactions in the Accountant's Comments 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 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.



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.

## **COMPENSATED ABSENCES CLOSING PACKAGE**

During our review of the fiscal year 2007 compensated absences closing package, we noted the Commission reported a negative compensatory leave balance for one employee. According to Commission personnel, accrued compensatory leave had been miscalculated for this employee since fiscal year 2005 which resulted in the employee using more compensatory leave than was actually earned. The Commission is currently working with the employee to correct the error.

An effective system of internal control include procedures to detect and correct errors in a timely manner. Section 3.17 of the Comptroller General's GAAP Closing Procedures Manual provides instructions to agencies regarding the calculation and reporting of compensatory leave.

We recommend the Commission continue its efforts to eliminate the compensatory leave issue. In addition, we recommend the Commission develop and implement controls to ensure that compensatory leave is correctly calculated and accrued.

## **BLANKET BOND APPROVAL**

The Commission did not obtain approval from the Attorney General's Office and the State Auditor's Office for its blanket bond policy that was initially purchased on December 12, 1999 and renewed on December 12, 2005.

Section 1-11-180 of the 1976 South Carolina Code of Laws states, in part, "In addition to the powers granted the Budget and Control Board under this chapter or any other provision of law, the board may: ...(4) approve blanket bonds for a state agency, or institution including bonds for state officials or personnel. However, the form and execution of blanket bonds must be approved by the Attorney General." (The Budget and Control Board has delegated this responsibility to the State Auditor.)

We recommend the Commission obtain the required approvals from the Attorney General and the State Auditor for its blanket bond policies.

### **TRAVEL ADVANCE**

The Commission submitted one travel advance request in fiscal year 2007. The Commission did not submit the travel advance request to the Comptroller General's Office timely. Section 2.1.3.100 of the STARS Manual states that a travel advance must be submitted at least seven business days prior to the start of the travel. The Commission submitted the travel advance request four business days prior to the trip. In addition, the Commission employee did not repay the travel advance within 30 days of the end of the trip, as required by Section 2.1.3.100. The trip ended on July 15, 2006 and the repayment was made on September 26, 2006.

We recommend the Commission establish and implement internal controls to ensure that all advances are requested and repaid in conformance with Section 2.1.3.100. Further, the Commission should ensure employees are knowledgeable of the applicable regulations and State laws regarding travel advances to ensure compliance.

### **ELECTION SUPPORT SERVICES**

Section 62.11 of the fiscal year 2006 Appropriation Act states, "The State Election Commission provides election support services to county election commissions by providing databases and ballots. Up to \$100,000 of revenue generated by charging a fee for these services may be retained and expended by the South Carolina Election Commission to help cover the costs of providing election support services." We determined the Commission expended \$100,037 for election support services from generated revenue (subfund 3037) during fiscal year 2007.

We recommend the Commission implement controls to ensure it does not exceed expenditure authorization for election support services as set forth by State law.

## **PAYROLL**

### **Documentation of Hourly and Rover Rates**

The Commission could not provide documentation to support the hourly rate paid to four of the 25 employees tested in our Test of Payroll. In addition, the Commission could not provide documentation to support the daily rate paid to two election rovers.

An effective system of internal controls includes controls to ensure that an entity prepares and maintains accurate documentation to support all personnel and payroll transactions.

We recommend the Commission develop and implement procedures to ensure that documentation is maintained to support employees' pay.

### **Timesheets**

The Commission could not locate timesheets for two of 25 employees tested in our Test of Payroll and for 10 of 16 employees tested in our Test of Employee Additions. In addition, the timesheet for one employee was not signed by the employee or employee's supervisor.

State Human Resources Regulation 19-707.01.F. requires each agency to keep an accurate record of all hours worked by its employees. In addition, an effective system of internal controls includes procedures to ensure payroll input documents are signed by the employee and the employee's supervisor to show that the information has been properly reviewed and approved.

We recommend the Commission develop and implement procedures to ensure all employee timesheets are properly maintained and are signed and dated by the employee and supervisor.

#### Calculation of Employee Pay

The Commission miscalculated the final pay for one of 11 termination transactions tested and the regular pay for one of 25 payroll transactions tested. The errors resulted in an overpayment of \$74 and an underpayment of \$20. Both errors occurred because of miscalculations on the employees' timesheets.

A well-designed and effective system of internal controls includes procedures to detect and correct errors in a timely manner. In addition, Section 8-11-30 of the 1976 South Carolina Code of Laws, as amended, states that it is unlawful for anyone to receive a salary from the State which is not due or for anyone employed by the State to pay salaries or monies that are not due.

We recommend the Commission develop and implement controls to ensure that payments to employees are calculated correctly. We also recommend the Commission include procedures requiring an independent reviewer check the mathematical accuracy of the calculations and trace each component to supporting documentation. The reviewer should sign and date the support documentation to document that the information has been reviewed and checked for clerical accuracy.

#### **PAYMENT OF INVOICES**

During our Test of Disbursements, we noted that two out of 25 vouchers tested were not submitted to the Comptroller General's Office for payment within 30 work days of the receipt of goods and/or services. We determined that invoices were sometimes held by the

approving departments and not submitted to the finance department in a timely manner. In addition, the finance department received multiple invoices from the same vendor for separate purchases. The department held the invoices so they could pay all of the invoices at one time. As a result invoices were not paid within 30 work days.

Section 11-35-45 of the 1976 South Carolina Code of Laws, as amended, requires payment of goods and services within 30 workdays of the receipt of goods and/or services.

We recommend the Commission implement procedures to ensure invoices are paid in accordance with State law.

### **CUT-OFF OF EXPENDITURES**

During our Test of Disbursements, we noted that one out of 25 vouchers tested was not paid in the proper fiscal year. The voucher paid multiple invoices from the same vendor. The Commission included invoices pertaining to services received in July 2007 in a voucher it processed in fiscal year 2007. The invoices in question should have been paid with fiscal year 2008 funds.

Section 72.2 of the fiscal year 2007 Appropriation Acts states, "Subject to the terms and conditions of this act, the sums of money set forth in this part, if so much is necessary, are appropriated from the General Fund of the State, the Education Improvement Act Fund, the Highways and Public Transportation Funds, and other applicable funds, to meet the ordinary expenses of the state government for Fiscal Year 2006-07..."

We recommend the Commission establish procedures to ensure that invoices are paid in the proper fiscal year.

## **OBJECT CODES**

We tested twenty-five deposits and noted that the Commission posted one transaction to an incorrect object code. The transaction was for the sale of non-capitalized office equipment and should have been posted to object code 7859 (Sale of Machinery and Equipment – Non-Capitalized). The Commission used object code 7855 (Sale of Works of Art and Historical Treasures – Capitalized) to record the revenue.

The Comptroller General's Policies and Procedures Manual (STARS Manual) provides object code definitions to assist agencies in properly recording transactions. In addition, sound internal controls require that revenue be properly classified on the Commission's books of account.

We recommend the Commission develop and implement policies and procedures to ensure all revenue received is properly classified and recorded in its accounting system.

## **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.

## **POSTING OF TRANSACTIONS**

We noted that 5 of the 25 cash receipt transactions tested were not posted to the accounting records in a timely manner. These transactions were posted from 11 to 45 days after receiving the State Treasurer's Office receipt. Also we could not determine if three transactions were posted in a timely manner because the Commission did not document the date the State Treasurer's Office receipt was received. (Similar findings were noted in the fiscal year 2006 report.) We also noted during our test of payroll vouchers that the Commission did not post its March 30, 2007 and April 16, 2007 payrolls until May 2007.

The Commission's policy requires date stamping the State Treasurer's Office receipt when received and then posting the transaction within five to seven business days. To be effective, a system of internal controls requires maintenance of a general ledger and accounting system which includes all accounts and transactions and provides complete, accurate and timely information for management.

We recommend the Commission strengthen its controls to ensure transactions are timely posted to the accounting records.

## **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, 2006, and dated June 7, 2007. We determined that the Commission has taken adequate corrective action on the findings regarding Closing Packages, Reconciliations, Documentation of Election of Non-Membership in the State Retirement System, Journal Entries, Termination Dates, and Revenue Transaction Types. We determined that the deficiency titled Posting of Transactions still exists; consequently we have reported a similar finding in Section B of the report.

## **MANAGEMENT'S RESPONSE**

# State of South Carolina

COMMISSIONERS  
JOHN H. HUDGENS, III  
Chairperson

CYNTHIA M. BENSCH

TRACEY C. GREEN

PAMELLA B. PINSON

THOMAS WARING



## State Election Commission

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Executive Director

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JANET REYNOLDS  
Director,  
Administrative Services

GARRY BAUM  
Director,  
Public Information and  
Training

CHRIS WHITMIRE  
Public Information Officer

November 7, 2008

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

Dear Mr. Gilbert:

We have completed our review of the preliminary draft copy of the report resulting from the audit of agreed-upon procedures of the State Election Commission for fiscal year ending June 30, 2007. Please find our response to the following findings by your office:

### Compensated Absences Closing Package

The miscalculations of compensatory leave for an agency employee have been reviewed from the beginning of the employee's hire, and all corrections have been made. Additionally, two people are now verifying all manual calculations of employee's leave records in an effort to avoid human error. The compensated absences closing packages for fiscal year 2006-07 and fiscal year 2007-08 have been revised and sent to the Comptroller General's Office.

### Blanket Bond Approval

The blanket bond policy has been in effect for many years and this is the first indication from the auditors that prior approval was necessary from the State Attorney General's Office and the State Auditor's Office. We obtained approval from the Attorney General's Office during the audit and provided such to the auditors at that time. We will submit a request for approval from the State Auditor's Office today.

### Travel Advance

In explanation to the finding on the travel advance, the agency does not normally provide travel advances for employees. Past procedures followed were for the employee to put all expenditures on their personal credit card and request reimbursement following their return. However, this was going to cause a financial hardship for the employee who did not have a personal credit card. He requested a travel advance on July 3<sup>rd</sup> for travel beginning on July 9. A memorandum to the Comptroller General's Office documented this information which was attached to the voucher and available for review by the auditor.

Due to the fact that we do not normally process travel advances, we were unfamiliar with the process which resulted in conversations and transactions between our agency and the Comptroller General's Office. The process occurred while both agencies were attempting to close out one fiscal year and

begin another. Once the proper procedures were identified, the employee remitted a check to reimburse the leftover funds.

#### Election Support Services

Regarding the finding of exceeding expenditure authorization in Election Support Services, \$37.00 was the amount exceeding authorization in fiscal year 2006-07. We actually carried over revenue generated funds from the previous fiscal year which allowed us to exceed the amount normally received. The division is no longer revenue generated, but we will work to ensure that all revenue generated programs are more closely monitored in an effort to avoid exceeding authorization.

#### Documentation of Hourly and Rover Rates

It was noted in the audit finding that documentation was not provided for the hourly rate for employees. The hourly rate for all temporary employees is noted on the actual time sheets submitted by them at the end of each week. The number of hours worked times the rate of pay is noted to calculate the amount due the employee. It was also noted that the hourly rate of pay is not documented for rovers. During the audit, it was explained to the auditors that rovers are paid on a daily rate which is documented by the supervisor.

#### Timesheets

Regarding the finding that timesheets were not signed by the employee or the employee's supervisor, it is the agency's policy that all timesheets are signed by the employee and the supervisor. We are not aware of any that were not signed by either.

#### Calculation of Employee Pay

The agency has implemented a policy where two employees now verify all manual calculations in an attempt to avoid human error.

#### Payment of Invoices

The finding noted that invoices were sometimes held by the approving departments and not submitted to the finance department in a timely manner. In addition, the finance department had been holding multiple invoices to the same vendor for separate purchases which resulted in them not being paid within 30 days. The invoices were held by the employee in an attempt to clarify questions regarding the amount invoiced. Once the discrepancies were settled, the invoice was paid. All employees are aware that invoices must be submitted to the proper division for payment within the 30 day timeframe. If payment is not possible due to a discrepancy with the vendor, it should be noted on the invoice.

#### Cut-off of Expenditures

This finding was pertaining to an invoice submitted with both June and July transactions. In the past, we have always paid them on two separate invoices in order to pay them from the proper fiscal year. This incident was a case of human error.

#### Object Codes

Regarding the transaction where an incorrect object code had been used, a new employee used the incorrect transaction code when recording the sale of a non-capitalized asset. In the future, we will more closely monitor all revenue to ensure it is properly classified and recorded appropriately.

Posting of Transactions

It was noted in the audit report that several cash receipts were not posted to the internal accounting system until 11 to 45 days after receiving the State Treasurer's Office receipt. It was also noted that payroll vouchers were not posted in a timely manner. For several months, a temporary employee worked in the Accountant/Fiscal Analyst position on an intermittent basis. The position has since been filled by a full time employee.

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 addresses.

Sincerely,

A handwritten signature in dark ink, appearing to read "Marci Andino". The signature is fluid and cursive, with the first name "Marci" and last name "Andino" clearly distinguishable.

Marci Andino

Enclosure

4 copies of this document were published at an estimated printing cost of \$1.66 each, and a total printing cost of \$6.64. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.