

**SOUTH CAROLINA GENERAL ASSEMBLY
OFFICE OF LEGISLATIVE PRINTING,
INFORMATION AND TECHNOLOGY SYSTEMS**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2006

CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES | 1 |
| II. ACCOUNTANT'S COMMENTS | |
| VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS | 5 |
| COMPENSATED ABSENCES | 6 |
| OBJECT CODE | 7 |
| MANAGEMENT'S RESPONSE | 8 |

State of South Carolina



Office of the State Auditor

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 8, 2007

Members of the South Carolina General Assembly
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina General Assembly Office of Legislative Printing, Information and Technology Systems (the Office), solely to assist you in evaluating the performance of the Office for fiscal year ended June 30, 2006, in the areas addressed. The Office'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 and to determine if revenue collection and retention or remittance were supported by law.
- We inspected all receipts recorded in fiscal month 12 and 13, fiscal year 2006 and fiscal month 01, fiscal year 2007 to determine if these receipts were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger 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 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 earmarked fund to ensure that revenue was classified properly in the agency's accounting records. The scope was based on an agreed upon materiality level of \$2,600 for the earmarked fund and ± 10 percent.

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 Office, 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 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 and earmarked funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$28,300 - general fund and \$2,700 earmarked fund), and ± 10 percent.

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

3. **Payroll Disbursements and Expenditures**

- We inspected selected recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements and 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 all 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 and earmarked funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$28,300 - general fund and \$2,700 earmarked fund), and ± 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; 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. We found no exceptions as a result of the procedures.

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 journal entries selected were chosen randomly.

5. **General Ledger**

- We inspected selected entries and monthly totals in the records of the Office 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 Office for the year ended June 30, 2006, and inspected selected reconciliations of balances in the Office'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 Office'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 Office's accounting records and/or in STARS.

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

7. **Appropriation Act**

- We inspected agency documents, inspected records, and/or made inquiries of agency personnel to determine the agency'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, 2006, prepared by the Office 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 findings as a result of these procedures are presented in Compensated Absences and Object Code 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 South Carolina General Assembly and of the management of the South Carolina General Assembly Office of Legislative Printing, Information and Technology Systems 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.", with a stylized flourish at the end.

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

ACCOUNTANT'S COMMENTS

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

The Office omitted the leave liability for one employee. The omission was caused by a formula error in the spreadsheet used to generate the leave liability. As a result, the Office understated its annual leave liability by \$184.

Section 1.7 of the Comptroller General's GAAP Closing Procedures Manual (GAAP Manual) states that "The accuracy of closing package data is extremely important. Large errors jeopardize the accuracy of the State's financial statements. The existence of even "small" errors tends to cast doubt on the State internal control structure's ability to detect and correct errors. All errors are avoidable. We all must work together to implement procedures that keep closing package errors to an absolute minimum. An adequate internal control system includes safeguards to ensure that your agency detects and corrects its own closing package errors. Whenever the Comptroller General's Office or auditors detect errors, it means that your agency's system of internal control could be stronger". Section 1.7 further states that a supervisory employee should perform a review that includes tracing all amounts from the appropriate agency accounting records or other original sources to the working papers and finally to the closing package itself.

We recommend that the Office implement procedures to ensure compliance with the requirements in the GAAP Manual. The procedures should include steps to ensure that both the preparer and independent reviewer carefully inspect all source data including spreadsheet formulas when computing the compensated absences liability.

OBJECT CODE

During our review of the Capital Assets Additions Reconciliation Form, we found that the Office reported as capital asset additions \$8,043 of data processing equipment that had been charged to object code 5004 (non-capitalizable data processing equipment). Staff preparing the closing package determined that the original expenditure was charged to object code 5004 in error and should have been recorded under object code 0604 (capitalizable data processing equipment). The Office properly reported the equipment on the closing package but could not correct the coding error because the State's accounting records had closed.

The Comptroller General's Policies and Procedures Manual (STARS Manual) requires that asset expenditures of \$5,000 or more per item be classified under object code 0604 (capitalizable data processing equipment). Effective internal controls require safeguards to ensure that transactions are properly recorded.

We recommend that the Office strengthen internal controls by ensuring that personnel recording transactions are thoroughly knowledgeable of STARS Manual definitions for object codes.

MANAGEMENT'S RESPONSE



State of South Carolina
Legislative Printing, Information &
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Gigi Brickle
Director

Suite 223, Solomon Blatt Building
1105 Pendleton Street
Columbia, SC 29201

July 24, 2007

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
1401 Main Street
Suite 1200
Columbia, SC 29201

Dear Mr. Gilbert:

Below are the South Carolina General Assembly Office of Legislative Printing, Information and Technology Systems responses to comments listed in the report of the performance of agreed-upon procedures of our accounting records for the fiscal year ended June 30, 2006.

Compensated Absences

The agency agrees with the auditor's comments and recommendations and will comply.

Object Code

The agency agrees with the auditor's comments and recommendations and will comply.

Sincerely,

A handwritten signature in black ink, appearing to read "Gigi Brickle", with a large, stylized flourish at the end.

Gigi Brickle
Director

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