

**SOUTH CAROLINA DEPARTMENT OF
DISABILITIES AND SPECIAL NEEDS**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2006

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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

May 10, 2007

The Honorable Mark Sanford, Governor
and
Members of the Disabilities and Special Needs Commission
South Carolina Department of Disabilities and Special Needs
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of South Carolina Department of Disabilities and Special Needs (the Department), solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2006, in the areas addressed. The Department'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 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 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 (\$40,433 – general fund, \$492,469 – earmarked fund, \$10,385 – restricted fund, and \$9,567 – federal 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 Department, 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 (\$341,400 – general fund, \$496,019 – earmarked fund, \$10,717 – restricted fund, and \$6,546 – federal 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 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 (\$341,400 – general fund, \$496,019 – earmarked fund, \$10,717 – restricted fund, and \$6,546 – federal fund) and ± 10 percent.

- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; 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 findings as a result of these procedures are presented in Employee Profile Funding Source and Payroll Documentation in the Accountant's Comments section of this report.

4. **Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected selected recorded journal entries and all operating and 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. Our finding as a result of these procedures is presented in Retention Authority in the Accountant's Comments section of this report.

5. **General Ledger and Subsidiary Ledgers**

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

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

7. **Appropriation Act**

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

Our findings as a result of these procedures are presented in Fair Market Rental Value of Residences and Retention Authority 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, 2006, prepared by the Department 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 Closing Packages in the Accountant's Comments section of this report.

9. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2006, prepared by the Department and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

Our findings as a result of these procedures are presented in Schedule of Federal Financial Assistance in the Accountant's Comments section of this report.

10. **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 Department resulting from our engagement for the fiscal year ended June 30, 2005, to determine if Agency had taken corrective action.

Our finding as a result of these procedures is presented in Payroll Documentation 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 Department 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 has/have been identified as violations of State Laws, Rules or Regulations.

EMPLOYEE PROFILE FUNDING SOURCE

Our review of twenty-five payroll transactions disclosed that the funding source shown on the Office of Human Resources (OHR) Employee Profile for two employees did not agree with the Department's records. The Department's budget division notified the human resources division of the change in funding source, however, the human resources division did not update the OHR online Human Resource Information System (HRIS), which generates the employee profile, to reflect this change.

Section 8-11-230 of the South Carolina Code of Laws requires the OHR to establish and maintain a central personnel data system on all State employees and, in coordination with agencies served, determine the data to be recorded on employees and positions and the procedures and forms to be used by all agencies in reporting data. In order to maintain the integrity and completeness of the central personnel data system (HRIS), all agencies are required to submit appropriate information in a timely manner.

We recommend that the Department update HRIS for all changes in employee information on a timely basis.

PAYROLL DOCUMENTATION

The initial pay calculation for three of the twenty-five new hires tested and the final pay calculation for four of the twenty-five terminated employees tested was not supported by documentation. Department staff told us that in some instances timesheets had already been discarded. Without adequate supporting documentation, neither we nor Department staff could determine the reasons for the differences between our calculated pay and the actual payment to the employees. These differences are as follows:

	<u>Overpayment</u>	<u>Underpayment</u>
New Hires:		
Employee One		
Regular Pay		\$ 69
Overtime Pay		\$ 2
Employee Two		
Overtime Pay	\$53	
Employee Three		
Overtime Pay	\$65	
Terminations:		
Employee One		
Regular Pay	\$45	
Shift Differential	\$ 1	
Employee Two		
Regular Pay		\$ 67
Employee Three		
Regular Pay		\$443
Employee Four		
Regular Pay		\$410

State Human Resources Regulations section 19-708.02 provides recordkeeping requirements. The requirements specify that each agency maintain “The number of hours of compensatory time earned each workweek, or other applicable work period, by each employee...” Sound business practice requires management to establish and maintain effective internal controls to ensure that all salary and wage calculations and payments are accurate.

In addition, Section 8-11-30 of the South Carolina Code of Laws prohibits a person from receiving a salary from the State which is not due or employed by the State from paying salaries or monies not due to State employees.

We recommend that the Department adhere to state laws and regulations and maintain the required timesheets and any other information to support salary and wage calculations and payments.

CLOSING PACKAGES

Introduction

The Office of the Comptroller General (OCG) obtains certain generally accepted accounting principles (GAAP) data for the State's financial statements from agency prepared closing packages because the State's accounting system (STARS) is on a budgetary basis.

We determined that the Department submitted to the OCG certain fiscal year 2006 closing packages that were incorrectly prepared and/or misstated.

To accurately report the Department's and the State's assets, liabilities, and current year operations, the GAAP closing packages must be complete and accurate. Furthermore, Reference 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".

Reference 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. In addition, Reference 1.8 directs agencies to keep working papers to support each amount and other information they enter on each closing package form. The following outlines the errors noted on certain 2006 closing packages:

Cash and Investments

The amounts shown for petty cash on the cash and investments closing package are not supported by authorizations from the State Auditor's Office. The amounts (totaling \$10,850) are for each of the four regional centers and for an agency-wide account. Department staff told us that these accounts have existed for many years and that the original authorizations cannot be located.

The GAAP Manual Reference 3.1 states that "Petty cash is reported at the amount authorized by the State Auditor's Office, which may or may not be different from the actual balance on June 30."

We recommend that the Department request approval of its petty cash accounts from the State Auditor's Office and maintain the authorizations in order to support the amounts reported on the closing package.

Inventory

The Food Inventory value for the Whitten Center was reported as \$9,837 in error. It should have reported as \$17,068. The error occurred because the person preparing inventory count and valuation provided the closing package preparer with duplicate values for both the Midlands and Whitten Centers.

The GAAP Manual Reference 1.7 discussed in the introductory section above addresses the importance of accurate closing packages.

We recommend that the Department ensure that the staff reviewing the inventory closing package trace all amounts to original source documentation (e.g. – inventory count and valuation records).

Capital Assets

We reviewed the various capital assets closing package forms submitted to the OCG and noted the following errors and omissions:

- On the Capital Assets Overview Questionnaire, the Department’s response to question two did not explain the reason for net corrections to the prior year balances for the “Vehicles” and “Machinery and Equipment” accounts.
- Items of less than \$5,000 were included in the “Machinery and Equipment” account on the Capital Assets Summary Form and items of less than \$5,000 were included in the “Vehicles” and “Machinery and Equipment” accounts on the Accumulated Depreciation Summary Form because Department management wanted to include those items in inventory for Medicaid reporting purposes.
- “Accumulated Depreciation on Asset Retirements” on the Accumulated Depreciation Summary Form is reported \$21,188 less than the amount on supporting documentation. Department staff attributed this to a clerical error.

GAAP Form 3.8.1 question two requires the agency to briefly explain entries in the “Net Corrections to Beginning Balances” column. Also, Reference 3.8 shows capitalization criteria for vehicles and machinery and equipment as any costing more than \$5,000 and states “Do not capitalize any assets with a cost below the thresholds described above.” Further, Reference 1.7 discussed in the introductory section above addresses the importance of accurate closing packages.

We recommend that the Department respond fully to each closing package question including explaining all net corrections to beginning balances. In addition, the Department should follow appropriate capitalization criteria thresholds established by the OCG. If the Department determines that items under \$5,000 need to be included on the inventory listing, those items must be excluded from the balances reported on the closing packages. Finally, we recommend that the closing package preparer and reviewer verify and recalculate each of the amounts derived from supporting workpapers and accounting records.

Compensated Absences

We traced the leave liability reported on the compensated absences closing package to the Department's schedule of leave values for each employee. We were unable to agree individual leave balances on the schedule to the agency's leave system records. We were told that the system report used to prepare the schedule could not be located or reproduced.

Reference 1.8 of the GAAP Manual, as discussed in the introductory section above, notes the importance of retaining supporting workpapers.

We recommend that the Department maintain all supporting records, reports and workpapers used in preparing closing packages. This should include a leave liability report for employee leave balances as of June 30.

RECONCILIATIONS

The Comptroller General's STARS Policies and Procedures Manual describes the importance of monthly reconciliations for the detection and correction of errors. Reconciliations between balances in the Department's accounting records and those in the State's accounting system (STARS) as reflected on the Comptroller General's reports "...prove significant assurances that transactions are processed correctly both in the agency's accounting system and in STARS and that balances presented in the State's Comprehensive Annual Report are proper. To ensure adequate error detection and to satisfy audit requirements, such reconciliations must be...Performed at least monthly on a timely basis (i.e., shortly after month-end)." We reviewed fiscal year 2006 reconciliations in detail and noted that the following reconciliations were not completed timely:

- All fiscal month 02 reconciliations (except the CSA406 Statement of Estimated and Actual Revenues report reconciliation)
- All fiscal month 03 reconciliations
- Fiscal month 04 – CSA467 Trial Balance by Subfund, Project and GLA report reconciliation

We recommend the Department develop and implement policies and procedures to ensure that its reconciliations for cash, revenues, expenditures, and federal funds are prepared, reviewed, and approved in a timely manner (i.e. – shortly after month-end).

FAIR MARKET RENTAL VALUE OF RESIDENCES

The Department did not report to the Agency Head Salary Department nor to the Division of Budget and Analysis the fair market rental value of residences furnished to State employees. Department staff told us that the report has not been filed since 2000.

Proviso 72.19 of the fiscal year 2006 Appropriation Act states that the fair market rental value of any residence furnished to a State employee shall be reported by the State agency furnishing the residence to the Agency Head Salary Department and the Division of Budget and Analyses by October 1 of each year.

We recommend that the Department comply with Proviso 72.19.

RETENTION AUTHORITY

During our testing of operating transfers, we noted that the Department transferred \$9,942 from subfund 2837 to subfund 3757. The purpose of the transfer was to correct an error in the prior year in which revenues were incorrectly deposited to subfund 2837. The revenues should have been recorded to subfund 3757 which would have allowed the agency to retain the funds. However, since the agency recorded the funds to subfund 2837, those funds were remitted to the State's general fund at the close of fiscal year 2005. The transfer made in fiscal year 2006 to correct the error is inappropriate because the funds deposited in subfund 2837 in 2006 are required to be remitted to the State's general fund since there is no retention authority associated with those funds.

Proviso 72.1 of the fiscal year 2006 Appropriation Act requires all revenues to be credited to the general fund of the State unless otherwise directed by law.

We recommend that the Department comply with Proviso 72.1 and remit to the State's general fund the \$9,942 transferred to subfund 3757.

SECTION B - OTHER WEAKNESSES

The conditions described in this section have been identified while performing the agreed-upon procedures but they are not considered violations of State Laws, Rules or Regulations.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

We tested the Department's fiscal year 2006 schedule of federal financial assistance (SFFA) and noted several errors:

- 1) The name of the pass-through agency was not shown for CFDA numbers 10.550, 10.553, and 10.555.
- 2) The grant title was omitted for CFDA number 93.779.
- 3) Corrections for prior year errors were shown as adjustments to current year expenditures rather than as other additions.

The State Auditor's Office provides a letter of instructions to each State agency explaining how to complete the SFFA.

We recommend that the Department ensure that the SFFA is prepared and independently reviewed by staff that is knowledgeable of the requirements of the State Auditor's letter of instructions and federal reporting requirements.

SECTION C - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Department for the fiscal year ended June 30, 2005, and dated June 23, 2006. We determined that the Department has taken adequate corrective action on each of the findings except we have repeated the finding Improper Documentation of Terminated Employee Hours in a finding titled Payroll Documentation in Section A of this report.

MANAGEMENT'S RESPONSE



Stanley J. Butkus, Ph.D.

State Director

Robert W. Barfield

*Deputy State Director
Administration*

David A. Goodell
*Associate State Director
Operations*

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*Associate State Director
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July 5, 2007

Mr. Richard H. Gilbert, Jr., CPA
State of South Carolina
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

Dear Mr. Gilbert:

In reviewing the findings resulting from our Agreed Upon Procedures engagement for the fiscal year ending June 30, 2006, the South Carolina Department of Disabilities and Special Needs submits the attached corrective action plan.

If you have any questions concerning the corrective action plan, please contact Martin Taylor of my staff at 898-9698.

Sincerely,

Robert W. (Bill) Barfield
Deputy State Director,
Administration

RWB/lbc

Attachment

DISTRICT I

-18-

DISTRICT II

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Midlands Center - Phone: 803/935-7500
Whitten Center - Phone: 864/833-2733

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Summerville, SC 29485
Phone: 843/832-5576

Coastal Center - Phone: 843/873-5750
Pee Dee Center - Phone: 843/664-2600
Saleeby Center - Phone: 843/332-4104

SOUTH CAROLINA DEPARTMENT OF DISABILITIES AND SPECIAL NEEDS

**MANAGEMENT'S RESPONSE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

SECTION A – VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Employee Profile Funding Source

The funding source shown on the Office of Human Resources (OHR) Employee Profile for two employees did not agree with the Department's records.

Recommendation: ...that the Department update HRIS for all changes in employee information on a timely basis.

Action Taken: The Department will ensure that any payroll funding changes are properly submitted to the Division of Human Resources, which will ensure that the OHR Human Resource Information System (HRIS) is properly updated as necessary.

Payroll Documentation

The initial pay calculation for three new hires and the final pay calculation for four terminated employees were not supported by documentation.

Recommendation: ...that the Department ...maintain the required timesheets and any other information to support salary and wage calculations and payments.

Action Taken: The Department has implemented a uniform methodology and standard format working papers for performing salary and wage calculations which includes approval by the regional HR Director. Further, procedures will be implemented to provide for routine testing of new and final compensation to ensure compliance with policy, supervisory review and' adequacy of supporting documentation. Although this was a finding noted during previous engagements, the corrective actions were implemented in the fall of 2006, subsequent to the fiscal period covered within this current engagement. As a result, this condition is also being reported within Section C – Status of Prior findings.

Closing Packages

CASH AND INVESTMENTS

The amounts shown for petty cash are not supported by authorizations from the State Auditor's Office.

Recommendation: ...that the Department request approval of its petty cash accounts from the State Auditor's Office and maintain the authorizations in order to support the amounts reported on the closing packages.

Action Taken: The Department has submitted requests to the State Auditor's Office for approvals of its long-standing petty cash accounts. These approvals, when received, will be maintained as supporting documentation for the amounts to be reported on the closing package in the future.

INVENTORY

A clerical error resulted in Food Inventory being underreported by \$7,231.

Recommendation: ...that the Department ensure that the staff reviewing the inventory closing package trace all amounts to original source documentation.

Action Taken: The Department will review procedures to ensure supervisory review of all information disclosed on closing packages in order to enhance the accuracy of reported amounts.

CAPITAL ASSETS

- Responses to the Capital Assets Overview Questionnaire did not explain corrections to prior year balances.
- Items of less than \$5,000 were included in "Vehicles" and "Machinery and Equipment".
- Accumulated Depreciation on Asset Retirements was underreported by \$21,188 when compared to supporting documentation due to clerical error.

Recommendations: ...that the Department respond fully to each closing package question including explaining all net corrections to beginning balances, follow appropriate capitalization criteria thresholds established by the OCG, and that the closing package preparer and reviewer verify and recalculate each of the amounts derived from supporting workpapers and accounting records.

Action Taken: The Department will review procedures to ensure that all questions are fully responded to and all net corrections are clearly explained; any assets which have been capitalized by the Department for Medicaid Reimbursement purposes that are below OCG thresholds will be removed prior to reporting to the OCG; and that adequate supervisory reviews are performed to enhance the accuracy of all reported amounts.

COMPENSATED ABSENCES

The amounts reported as the annual leave liability were not supported by adequate documentation.

Recommendation: ...That the Department maintain all supporting records, reports and workpapers used in preparing closing packages.

Action Taken: The Department will ensure that all documentation used for calculations for the closing packages is maintained in support of reported amounts.

Reconciliations

Fiscal Month 02, 03 and 04 reconciliations were not considered performed timely.

Recommendation: ...that the Department develop and implement policies and procedures to ensure that reconciliations are prepared, reviewed and approved in a timely manner (i.e. – shortly after month-end).

Action Taken: The Department will ensure that all reconciliations are prepared, reviewed, and approved timely.

Fair Market Value of Residences

The Department did not report the fair market rental value of residences furnished to State employees to the Agency Head Salary Department nor the Division of Budget and Analysis per proviso 72.19 of the fiscal year 2006 Appropriation Act.

Recommendation: ...that the Department comply with Proviso 72.19 of the Appropriation Act.

Action Taken: The Department will ensure that all reporting requirements related to residences furnished to State Employees as delineated within the Appropriation Act are fully complied with.

Retention Authority

The Department transferred \$9,942 from CG subfund 2837 to CG subfund 3757 to correct a prior year error, resulting in current year General Fund revenues being retained by the agency inappropriately.

Recommendation: ...that the Department remit to the State's General fund the \$9,942 transferred to CG subfund 3757.

Action Taken: Although the transfer in question was a good faith attempt to make both parties whole by correcting an erroneous posting of Departmental Revenues to which it had authority to retain, given that this error crossed budgetary periods, the Department understands the verbatim of the Auditor's recommendation. We will comply by ensuring an adjustment will be made during the current Fiscal Year (SFY07) to refund the \$9,942 in question back to the General Fund.

SECTION B – OTHER WEAKNESSES

Schedule of Federal Financial Assistance

The Department's fiscal year 2006 Schedule of Federal Financial Assistance (SFFA) had various clerical errors to include omission of the pass-through agency for 3 CFDA numbers, omission of a grant title for one CFDA number, and improper reporting of corrections for prior year errors as current expenditures.

Recommendation: ...that the Department ensure that the SFFA is prepared and independently reviewed by staff knowledgeable of the requirements of the State Auditor and federal reporting requirements.

Action Taken: The Department will perform reviews of the SFFA to ensure completeness, accuracy and compliance with all State Auditor and federal reporting requirements.

4 copies of this document were published at an estimated printing cost of \$1.66 each, and a total printing cost of \$6.65. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.