

**SOUTH CAROLINA
COMMISSION ON INDIGENT DEFENSE**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2000

CONTENTS

	<u>PAGE</u>
I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1
II. ACCOUNTANT'S COMMENTS	
SECTION A - MATERIAL WEAKNESSES AND/OR VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS	5
GAAP CLOSING PACKAGES	
Introduction	6
Compensated Absences	6
Accounts Payable	8
Fixed Assets	8
Recommendations	8
ACCOUNTING SYSTEM	9
ACCOUNTING FOR INDIGENT DEFENSE FUNDS	11
RECEIPTS	13
PAYROLL	
Payroll Transactions at Termination of Employment	14
State-Funded Employee Bonuses	15
Recommendations	15
SECTION B – STATUS OF PRIOR FINDINGS	16
MANAGEMENT'S RESPONSE	17

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 23, 2001

The Honorable Jim Hodges, Governor
and
Members of the Commission
South Carolina Commission on Indigent Defense
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Commission on Indigent Defense (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2000, in the areas addressed. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the 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. We tested all recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the tested receipt transactions were adequate. We also tested all 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 from sources other than State General Fund appropriations to those of the prior year and, using estimations and other procedures, tested the reasonableness of collected and recorded amounts by revenue account. Our findings as a result of these procedures are presented in Accounting for Indigent Defense Funds and Receipts in the Accountant's Comments section of this report.

2. We tested selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records, 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; and if internal controls over the tested disbursement transactions were adequate. We also tested 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 to those of the prior year to determine the reasonableness of amounts paid and recorded by expenditure account. The individual transactions selected for testing were chosen randomly. Our findings as a result of these procedures are presented in Accounting System and Accounting for Indigent Defense Funds in the Accountant's Comments section of this report.
3. We tested selected recorded payroll disbursements to determine if the tested 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 internal controls over the tested payroll transactions were adequate. We tested 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 also tested payroll transactions for all new employees and all those who terminated employment to determine if internal controls over these transactions were adequate. 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 performed other procedures such as comparing current year recorded payroll expenditures to those of the prior year; comparing the percentage change in recorded personal service expenditures to the percentage change in recorded employer contributions to determine if recorded payroll and fringe benefit expenditures were reasonable by expenditure account. The individual transactions selected for testing were chosen randomly. Our findings as a result of these procedures are presented in Payroll in the Accountant's Comments section of this report.
4. We tested all recorded journal entries, operating transfers, and appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct; and the internal controls over these transactions were adequate. We found no exceptions as a result of the procedures.

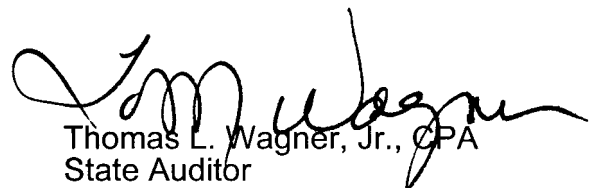
The Honorable Jim Hodges, Governor
and
Members of the Commission
South Carolina Commission on Indigent Defense
July 23, 2001

5. We tested 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 the internal controls over the tested transactions were adequate. The transactions selected for testing were chosen randomly. Our finding as a result of these procedures is presented in Accounting System in the Accountant's Comments section of this report.
6. We obtained all monthly reconciliations prepared by the Commission for the year ended June 30, 2000, and tested 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 they were accurate and complete. For the selected reconciliations, we 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. The reconciliations selected for testing were chosen randomly. Our finding as a result of these procedures is presented in Accounting System in the Accountant's Comments section of this report.
7. We tested the Commission's compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws, rules, and regulations for fiscal year 2000. Our findings as a result of these procedures are presented in GAAP Closing Packages, Accounting System, Accounting for Indigent Defense Funds, and Payroll in the Accountant's Comments section of this report.
8. We reviewed the status of the deficiencies described in the findings reported in Sections A and B of 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, 1999, to determine if adequate corrective action has been taken. Our findings as a result of these procedures are presented in GAAP Closing Packages, Accounting System, and Accounting for Indigent Defense Funds in the Accountant's Comments section of this report.
9. We obtained copies of all closing packages as of and for the year ended June 30, 2000, prepared by the Commission and submitted to the State Comptroller General. We reviewed them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. Our findings as a result of these procedures are presented in GAAP Closing Packages in the Accountant's Comments section of this report.

The Honorable Jim Hodges, Governor
and
Members of the Commission
South Carolina Commission on Indigent Defense
July 23, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Furthermore, we were not engaged to express an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express such opinions. Had we performed additional procedures or had we conducted an audit or review of the Commission's financial statements or any part thereof, 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 Commission and is not intended to be and should not be used by anyone other than these specified parties.



Thomas L. Wagner, Jr., CPA
State Auditor

ACCOUNTANT'S COMMENTS

SECTION A - MATERIAL WEAKNESSES AND/OR VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

The procedures agreed to by the agency require that we plan and perform the engagement to obtain reasonable assurance about whether noncompliance with the requirements of State Laws, Rules, or Regulations occurred and whether internal accounting controls over certain transactions were adequate. Management of the entity is responsible for establishing and maintaining internal controls. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Therefore, the presence of a material weakness or violation will preclude management from asserting that the entity has effective internal controls.

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

GAAP CLOSING PACKAGES

Introduction

The Commission is required to submit GAAP (generally accepted accounting principles) closing packages to the Comptroller General's Office at the end of each fiscal year. The requirements and instructions for completing the closing packages are included in the GAAP Closing Procedures Manual (GAAP Manual). Section 1.8 of the GAAP Manual provides, "Each agency's executive director and finance director are responsible for submitting . . . closing package forms . . . that are: Accurate and completed in accordance with instructions." The Commission submitted inaccurate closing packages for compensated absences, accounts payable, and fixed assets for fiscal years 1998, 1999 and 2000 and also for refund receivables in fiscal year 1999. The Commission was missing at least one page from the Closing Package Control Checklist and Fixed Assets Closing Package and was unable to locate the Accounts Payable Closing Package.

Compensated Absences

The annual leave liability was calculated using incorrect leave balances as follows:

- 1) The Commission failed to reduce two employees' annual leave balances at the end of calendar year 1999 to the maximum carrying amount (337.5 hours). As a result, the reported liability was overstated by \$5,715.
- 2) The Commission used the annual leave balance as of September 2000 instead of using the balance as of June 30, 2000. The result was a \$62 understatement.

The errors resulted in a net overstatement of the Commission's annual leave liability of \$5,653. GAAP Manual Section 3.17 provides guidance on the valuation of the compensated absences liability and specifically states that the value of the actual annual leave balance should be reported.

During our review of employee leave balances and detail leave records for individual employees, we found that the Commission does not formally document the hours or dates that leave is taken. The Commission told us that employees verbally communicate leave time and that leave of less than one day is usually not recorded because employees may make up the time outside of their normal working hours.

Section 19-703.03 of the Office of Human Resources manual of State Human Resources Regulations requires the following regarding attendance, hours of work, leave, and record keeping:

- 1) The minimum full-time workweek is 37.5 hours.
- 2) Each agency must keep an accurate record of all hours worked and all leave taken. Leave shall be recorded in the appropriate categories and shown as either paid leave or leave without pay.
- 3) The ultimate responsibility for the accuracy and proper maintenance of attendance and leave records rests with the agency head.
- 4) Falsification of any attendance or leave record is cause for disciplinary action up to and including dismissal.
- 5) Each agency may develop and implement a variable work schedule for individual employees but the core hours that an agency shall be open for business are 8:30 a.m. to 5:00 p.m.

In addition, Sections 19-703.07 C. 1. and 19-703.08 B. 7. of the manual require leave records to be maintained by the agency for each employee and to be supported by individual leave forms signed by the employee and supervisor.

Accounts Payable

The Commission did not report any accounts payable for fiscal years 1998, 1999, and 2000. However, our testwork revealed that the Commission paid \$4,773 in fiscal year 2001 for services received in fiscal year 2000. The GAAP Manual defines accounts payable. These items should have been included on the Accounts Payable Closing Package as explained in Section 3.12 of the GAAP Manual.

Fixed Assets

We were unable to verify several key amounts reported on the Commission's fixed assets closing package. The Commission did not maintain a Fixed Assets listing for Fiscal Year 2000. Therefore, we were unable to verify figures reported for additions, retirements, and the End-of-Year Balance. The Commission was also unable to provide us with documentation to support the amount reported for Net Corrections to Prior Year Balances.

Sections 3.7 through 3.11 of the GAAP Manual provide guidance for properly reporting fixed asset additions, corrections, etc transactions on closing packages. Those sections and Section 1.9 provide guidance to prepare and retain adequate supporting documentation for each amount on each closing package.

Recommendations

We recommend the Commission carefully review and follow applicable GAAP Manual instructions for completing all closing packages. The Commission should ensure that employees who complete and independently review the closing packages are properly trained in and knowledgeable of GAAP and GAAP Manual guidance and instructions for preparation of closing packages. We further recommend that the Commission establish procedures to ensure that all absences from work during scheduled hours are properly documented by leave records that are supported by leave slips signed by both the employee and the supervisor.

The Commission should also implement procedures to ensure that each full-time employee reports a minimum of 37.5 hours of work plus approved leave each workweek. Also, the Commission should maintain an accurate fixed assets listing to reflect all additions and retirements. Finally, we recommend that the Commission prepare and retain adequate supporting documentation for all amounts recorded on closing packages.

ACCOUNTING SYSTEM

We reviewed the Commission's accounting records and noted gaps in the numerical sequences as follows:

- 1) For the selected month of July 1999, we found fourteen unexplained gaps in the numerical sequence of the disbursement voucher document series.
- 2) For the entire year's journal voucher document series, there were four gaps in the numerical sequence.

We obtained the Commission's monthly reconciliations between balances in its internal accounting records and those in the State's accounting system (STARS) as reflected on Comptroller General reports. We noted the Commission's reconciliations lacked evidence (signature and date) of independent reviews by a responsible, knowledgeable commission employee other than the person who prepared the analysis.

The Commission still does not maintain a double entry accounting system. Its current accounting system consists of a database software program that assigns numbers to vouchers and journal vouchers and a series of spreadsheets used for recording transaction data. These spreadsheets are not linked and integrated. We determined that this system is inadequate because it lacks the built-in controls of a governmental accounting software program which prevent unauthorized entry, offer error detection capability, provide automatic numbering of

documents, and aid in the monthly reconciliation process. Under its current accounting system, the Commission does not always use journal entries to correct recorded information (although it uses journal vouchers to correct STARS). Instead, the Commission replaces the incorrect information in the spreadsheet cell with other data. This practice does not provide an adequate audit trail and may lead to additional errors. We described similar deficiencies regarding the Commission's accounting system and reconciliation process in our prior reports on the Commission's controls and records.

An effective internal control system requires the entity to maintain an appropriate and adequate accounting system to properly record, process, summarize, report and reconcile transactions and balances. For there to be accurate and adequate financial information and communication thereof, the system must include appropriate methods and records. This system should include the use of sequentially numbered documents with separate series by type of document/transaction, to identify, capture, and exchange information in a form and time frame that enable people to carry out their responsibilities.

To timely detect and correct errors, Section 2.1.7.20 of the Comptroller General's Policies and Procedures Manual (STARS Manual), requires monthly reconciliations be timely prepared, adequately documented, and independently reviewed. Also, all reconciling items should be explained, and all errors detected through the reconciliation process should be promptly corrected in the Commission's internal accounting records and/or in STARS, as appropriate.

We again recommend that the Commission implement and utilize an accounting system that is appropriate for a state agency and the Commission's specific needs. In that process, the Commission should contact other State agencies of similar size to determine what accounting systems are available and their features and capabilities. We also recommend that the Commission implement procedures to use separate document series and to ensure

that documents are properly numbered and used in sequence (e.g., through the use of a document number control list). Finally, we again recommend that the Commission implement procedures to ensure that monthly reconciliations are performed and reviewed on a timely basis in accordance with the STARS Manual requirements.

ACCOUNTING FOR INDIGENT DEFENSE FUNDS

The Commission receives a set portion of certain application fees and court fines to be used for the defense of indigents and operating expenses of the Commission. The Death Penalty Trial Fund pays for fees and expenses related to defense in capital cases. The balance in that fund may never exceed \$2,750,000. Fees and expenses for all other cases are paid from the Conflict Fund. Regarding the distribution of specified monies, Proviso 35.1 of the fiscal year 2000 Appropriation Act required the Commission to deposit, on a monthly basis, 50% into the Death Penalty Trial Fund until that fund received \$2,750,000 and 15% to the Conflict Fund until that fund received \$1,500,000 for the year. Each month the remaining revenue collections have to be apportioned among the counties' public defender offices based on the most recent official United States Census. (The Commission uses the County Public Defender Fund for those transactions). When either fund is fully funded to the required level of deposit, the monthly revenue being set aside for that fund has to be directed to the other fund until it is completely funded. At the end of each fiscal year, any unobligated funds remaining in the Conflict Fund must roll over to the Death Penalty Trial Fund provided that fund has been exhausted. At the end of each fiscal year, any leftover funds carryover to the next fiscal year.

Section 14-1-204 of the 1976 South Carolina Code of Laws requires the State Treasurer to deposit to the Commission's accounts a specified portion of certain court filing fees for it to distribute semi-annually in amounts proportionate to each recipient county's share of the State's poverty population. These fees are deposited in the Commission's Legal Aid Fund.

We reviewed the Commission's accounting for the Death Penalty Trial, Conflict, County Public Defender, and Legal Aid funds and noted the following deficiencies. The Commission records its revenues from the application fee, court fine, and court filing fee as restricted funds in subfund 4313. Interest earnings on these deposits are credited by the Treasurer's Office to this subfund. The Commission maintains an internal spreadsheet showing collections from the legally required apportionments separately for each of the four funds but the spreadsheet does not account for interest earnings, expenditures, or remaining balances on an individual fund basis. In an attempt to determine the balance for each individual fund, we reviewed the STARS reports and found that expenditures are reported separately by fund but revenues and fund balances are reported only in the aggregate for Subfund 4313. Without knowing the balance for each individual fund at all times, the Commission is unable to comply with the dollar limits, distribution requirements, and carryover provisions of the law. They can neither document compliance nor determine the availability of funds to pay legally mandated costs for defense of indigents and the Commission's operating expenditures.

In fiscal year 2000, the above conditions caused the Commission to make late payments of invoices and payments of expenditures in the next fiscal year, rather than the year in which the costs were incurred. The Commission failed to timely pay 8 of the 25 vouchers in our disbursements test totaling \$3,807 and 9 of the 25 vouchers in our year-end expenditure cutoff test totaling \$9,570. Also, the Commission paid 7 of the 25 vouchers in our year-end expenditure cutoff test in the wrong fiscal year totaling \$4,773.

Proviso 72.3 of Part IB of the 1999-2000 Appropriation Act states, "Subject to the terms and conditions of this act, sums of money set forth in this Part, if so much is necessary, are appropriated . . . to meet the ordinary expenses of the state government for Fiscal Year 1999-2000, and for other purposes specifically designated." Furthermore, Section 11-35-45 of the Code of Laws of South Carolina requires all vouchers to be delivered to the Comptroller

General's Office within 30 work days from the later of acceptance of the good/services or receipt of a proper invoice. Furthermore, good accounting practice and governmental accounting principles require that funds be maintained separately to help ensure and document compliance with applicable laws and regulations.

We recommend that the Commission establish individual funds in its accounting system for the Death Penalty Trial Fund, Conflict Fund, County Public Defender Fund, and Legal Aid Fund, to properly record all transactions [revenues (including interest earnings), expenditures, and transfers] and to maintain cash and fund balances separately for each of the four individual funds. Once these separate funds are established, the Commission should monitor these funds to help ensure compliance with all legal and budgetary requirements.

RECEIPTS

We reviewed the commission's cash receipts and were unable to determine the timeliness of all 16 deposits selected for testing. We also noted 10 of 16 deposits tested did not have any supporting documentation attached, and did not agree with the cash receipts register.

Section 72.1 of the 2000 Appropriation Act states, "...all general state revenues...and all institutional and departmental revenues or collections...must be remitted to the State Treasurer at least once each week, when practical..." Sound business practices require necessary supporting documentation to accompany each transaction.

We recommend the Commission develop and implement procedures to help ensure the timeliness of deposits. Also, the Commission should keep an accurate receipt log as well as maintain the necessary supporting documentation to show when funds are received.

PAYROLL

Payroll Transactions at Termination of Employment

We reviewed certain of the Commission's payroll transactions and noted the following errors. First, the Commission was unable to locate its Payroll Voucher File. Second, the Commission did not properly compensate an employee who was terminating employment with the agency. At termination, the Commission paid the employee for only a portion of the unused balance of annual leave. Over one year later, the Commission paid the employee what appeared to be the remainder of the annual leave due plus a payment of \$726.94 for accrued sick leave. We also noted that the Commission charged the payment for the terminal leave to the improper object code. In our review of payroll transactions, we also noted one instance in which an employee had authorized a 401(k) deduction but the deduction did not take place.

Sound business practices require that documentation should be retained to support transactions. Section 19.703.07L of the State Human Resources Regulations effective January 1, 1998, provides that, upon termination of employment with the State, the employee is entitled to a lump-sum payment for all unused annual leave up to the maximum allowed. Section 19-703.08 L2 of the regulations states, "Upon termination of employment with the State (other than retirement), employees shall forfeit all accumulated sick leave credit." Also, Section 8-11-30 of the 1976 South Carolina Code of Laws states, "It is unlawful for a person to receive a salary from the State or any of its departments which is not due ..." Finally, Section 2.1.6.20 of the STARS Manual defines the proper object codes to be used for charging expenditures.

State-Funded Employee Bonuses

We noted the Commission paid \$1,000 bonuses to all staff. Proviso 72.65 of the 2000 Appropriation Act states, “Agencies affected by this proviso shall maintain documents verifying that the bonuses funded were from savings resulting from increased efficiency in their operations.” The Commission could not provide adequate documentation to substantiate increased efficiency in operations to warrant payments of these bonuses.

Recommendations

We recommend that the Commission ensure that personnel responsible for handling payroll transactions have a thorough understanding of the procedures, regulations, and laws for processing those transactions. We also recommend that the Commission maintain adequate documentation to properly support payroll transactions.

SECTION B – 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 Commission for the fiscal year ended June 30, 1999, and dated July 7, 2000. We determined that the Commission has taken adequate corrective action on the finding regarding Parking, but not for GAAP Closing Packages, Accounting System, and Accounting for Indigent Defense Funds. Each of these deficiencies will be addressed under the same title in Section A of the Accountant's Comments section of this report.

MANAGEMENT'S RESPONSE



SOUTH CAROLINA OFFICE OF INDIGENT DEFENSE

1122 Lady Street, Suite 1110
Post Office Box 11433
Columbia, South Carolina 29211-1433
Telephone: (803) 734-1343
Facsimile: (803) 734-1345
E-Mail: executives@scoid.state.sc.us

Tyre D. Lee, Jr., Esq., Executive Director
Lisa A. Graves, Administrative Manager

December 3, 2001

Thomas L. Wagner, Jr., CPA
State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201

RE: Preliminary Draft of Audit Report covering Fiscal Year 1999-2000

Dear Mr. Wagner:

This letter will acknowledge receipt of the above document on November 20, 2001, and will acknowledge that our review of the report has been completed. You are authorized to release the final version of this report. I am enclosing a listing of the names and addresses of our present Commissioners as you requested.

As has been discussed previously, the scheme of auditing this agency falls at the end of one fiscal year and is either concluded just prior to the end of that year or shortly after the close of that fiscal year, with the findings not being reported until some time later. The problem which results is that the audit being conducted is being conducted on the records for the previous year or for the year before the year in which the audit is being conducted. In other words, the year being audited here, Fiscal Year 1999-2000, was concluded in July of 2001. This means that if procedural mistakes were being made in the audited year, then they will probably be made again in the next fiscal year, as attention to the mistakes was probably not directed to the mistake until after the second fiscal year closed. I realize that this is not a problem the Auditors Office can easily remedy because it is limited by the staff, resources, and time available to it, but it would be nice to have a report finalized in time to correct errors and make changes before the year ends. As it stands presently, we always seem to be "catching up". Because of the size and experience of our staff and our lack of longevity as an agency, items which need remedying are always developing.

Of the specific items listed in this report, we note the following:

Compensated Absences:

Page 6, Number 1: Correction to this item was made with Brice Wilson at the Comptroller General's Office on August 20, 2000. The notes to this effect are in the file but must have been over looked.

Page 6, Number 2: Leave was calculated on maximum carry forward hours allowed by state law of 337.5 hours per year.

Page 7, Leave time was recorded on a calendar kept by the agency manager. In an agency the size of this one, this was the most convenient method as it allowed the manager to quickly determine who was on leave and when they were absent. The agency now uses "leave request forms" which are maintained in a file format.

Page 9, Closing package: Carry forward hours were erroneously included on leave balances, however, corrected closing packages were submitted to the Comptroller General's Office.

Accounting System

Page 9, Number 1: In FY 1999-2000 the Agency used an accounting program based on Microsoft Access. These gaps were the result of a data base numbering error. The agency now uses the Bars accounting system which will be discussed below.

Page 9, Number 2: Concerning gaps in the numerical sequence of journal voucher numbers, when we examined these vouchers we were unable to discover any gaps in these numbers. According to our records, all journal voucher numbers are consecutive and are in numerical sequence. We will be glad to provide copies or have you examine these records again.

Page 9, Accounting System recommendations: The agency implemented the Bars Account System in fiscal year 2000-2001. This is a system used by a number of small state agencies. The agency did not adopt it previously because it is in MSDOS format and not a Windows product. As such, data can not be easily imported into other Windows products which the Agency uses. It also does not have a statistical component which will generate data which this Agency needs. When the inquired of the owners of this program about a Windows version in 1998, we were told that a Windows version would be available shortly. The Agency postponed purchasing this system to await the Windows version because the owners of the program charge the full price (\$5,000) for each upgrade. Unfortunately, this upgrade has never materialized and we are now told it will not. The Agency purchased the program in FY 2000-2001 and now uses it even though it requires staff to enter the same information two or more times in order to produce the statistical data needed.

Page 9 Accounting System: The Agency are now uses a double entry accounting system through the Bars accounting program.

Accounting for Indigent Defense Funds

Page 12, Timely Payment of Vouchers: Vouchers must be submitted with original payee signatures and with the correct information and supporting documentation for each claim. When the correct information is not received, the attorney is contacted, and the information needed to process the claim is requested. This often requires getting court orders, copies of bills, etc. This process takes time and holds up the timely processing of payments. Once this Agency receives a correct voucher or the needed information is submitted, vouchers are processed within one or two days.

During Fiscal Year 1999-2000, this Agency experienced a sever funding shortage. The funds which support the Death penalty Trial Fund and the Conflict Fund are produced by fine surcharges. The demand on these funds exceeded their monthly revenue and as a consequence, the Agency had a back log of vouchers that were paid as collected funds were received each month. The vouchers were date stamped and paid in order. Last year and for the current fiscal year, the Legislature appropriated funds for the Conflict Fund and as a consequence payments are not in arrears except for incomplete vouchers.

Page 12, Wrong Fiscal Year: Payments processed in FM 13 are often not posted by the Comptroller General's office until FM 01 of the next fiscal year even though they are delivered to that office by this Agency in time to be processed.

Page 13, Individual Funds: The implementation of the Bars Accounting System ensures that we are in compliance with legal and budgetary requirements.

Page 13, Deposits: All Deposits are made the day the check is received. We now have in place a register to show the day the check is received, the day it is deposited, and the day it is posted at the Comptroller General's Office.

Receipts

Page 13, Supporting Documentation for Receipts: Our records indicate that of the 10 out of 16 sampled deposits cited as not having documentation, only one deposit did not have support documentation attached, but there is documentation of it posting at the CG's Office. The others are located in the files. All checks deposited agree with the cash receipts register. We will be glad to provide copies or have the records re-examined.

Payroll

Page 14, Payroll Voucher File: The Agency was in the process of moving during this year's audit. Copies of Payroll Voucher File were obtained and provided to the auditors.

Page 14, Terminating Employee: At the request of Wayne Sams, documentation concerning employee's subsequent employment date of hire and other information was required before paying remaining balance of annual leave. Payment was made when information was received and approved by the State Auditor's Office.

Page 14, 401(K) Deduction: Forms were misplaced by SC Deferred Compensation Office. After several phone calls and re-submission of form, deduction was increased as employee had requested.

Page 14, Employee Bonuses: Required forms were submitted to OHR as OHR requires. This is all

Wagner, Jr., Thomas L., State Auditor

RE: Preliminary Draft of Audit Report covering Fiscal Year 1999-2000

Date: December 3, 2001

Page 4

that OHR requires.

Status of Prior Findings - Agency has implemented all recommendations for FY 2000-2001.

As I stated above, I am including a listing of the present Commissioners with their mailing addresses and a 3.5 inch disk with an electronic version of this letter.

If you have any questions, please feel free to contact me.

With best regards, I remain

Very truly yours,



TYRE D. LEE, JR.
Executive Director

TDL/cp

ENCLOSURE:

List of Commissioners

10 copies of this document were published at an estimated printing cost of \$1.76 each, and a total printing cost of \$17.60. The FY 2000-01 Appropriation Act requires that this information on printing costs be added to the document.