

**SOUTH CAROLINA  
DEPARTMENT OF ALCOHOL  
AND OTHER DRUG ABUSE SERVICES  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 1997**

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

July 16, 1998

The Honorable David M. Beasley, Governor  
and  
Ms. Beverly G. Hamilton, Director  
South Carolina Department of Alcohol and  
Other Drug Abuse Services  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Department of Alcohol and Other Drug Abuse Services, solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 1997, 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 selected recorded receipts to determine if these receipts were properly described and classified in the accounting records; collection and retention or remittance were supported by law; and accounting procedures and internal accounting controls over the reporting of the tested receipt transactions were adequate to provide proper control over these transactions. The items selected for testing were chosen randomly. The total of the selected items was four percent of the aggregate amount of all recorded receipts. We found no exceptions as a result of the procedures.
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 Department; and were paid in conformity with State laws and regulations and if accounting procedures and internal accounting controls over the reporting of the tested disbursement transactions were adequate to provide proper control over these transactions. The items selected for testing were chosen randomly. The total of the selected items was two percent of the aggregate amount of all recorded non-payroll disbursements. We found no exceptions as a result of the procedures.

The Honorable David M. Beasley, Governor  
and  
Ms. Beverly G. Hamilton, Director  
South Carolina Department of Alcohol and  
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July 16, 1998

3. We tested selected recorded payroll disbursements to determine if the tested payroll and fringe benefits were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; and payroll transactions including employee payroll deductions were properly authorized by the employees and were in accordance with existing legal requirements and if accounting procedures and internal accounting controls over the reporting of the tested payroll transactions were adequate to provide proper control over these transactions. The items selected for testing were chosen randomly. The total of the selected items was one percent of the aggregate amount of all recorded payroll disbursements. We found no exceptions as a result of the procedures.
4. We tested selected recorded journal entries and operating transfers, and all interagency appropriation transfers to determine if these transactions were properly described and classified in the accounting records; the accounting procedures and internal accounting controls over the reporting of these transactions were adequate to provide proper control over these transactions; and they agreed with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct. Journal entries determined to be individually significant items were selected for testing. Operating transfers selected for testing were chosen randomly. The ratios of the totals of the selected journal entries and operating transfers to the aggregate amounts of all such recorded transactions were not readily determinable. The numbers of selected journal entries and operating transfers were four percent and sixteen percent, respectively, of the aggregate numbers of all such recorded transactions. We found no exceptions as a result of the procedures.
5. We tested 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 the accounting procedures and internal accounting controls over the tested transactions were adequate to provide proper control over the books of original entry and the general ledger. The items selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
6. We obtained all monthly reconciliations prepared by the Department for the year ended June 30, 1997, and tested selected reconciliations of balances in the Department's accounting records to those in the State's accounting system (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 Department's general ledger, agreed the applicable amounts to the STARS reports, determined that reconciling differences were adequately explained and properly resolved, and determined that necessary adjusting entries were made in the Department's accounting records or STARS. The reconciliations selected for testing were chosen judgmentally. We found no exceptions as a result of the procedures.

The Honorable David M. Beasley, Governor  
and  
Ms. Beverly G. Hamilton, Director  
South Carolina Department of Alcohol and  
Other Drug Abuse Services  
July 16, 1998

7. We tested the Department'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 1997 by performing the applicable tests and procedures listed on the State Auditor's Office's Appropriation Act 1997 work program. Our finding as a result of these procedures is presented in School Intervention Activity Program in the Accountant's Comments section of this report.
8. We reviewed the status of the deficiencies described in the findings reported in the Auditor's Comments section of the State Auditor's Report on the Department resulting from our engagement for the fiscal year ended June 30, 1996, to determine if adequate corrective action has been taken. Our findings as a result of these procedures are presented in Expenditure Cutoff and School Intervention Activity Program in the Accountant's Comments section of this report.
9. We obtained copies of the accompanying schedules of expenditures - budget and actual for the year ended June 30, 1997, and notes thereto prepared by the Department and agreed the amounts by line-item appropriation within budgetary fund category thereon to the accounting records of the Department. We checked the schedules and notes for mathematical accuracy. We found no exceptions as a result of the procedures.
10. We obtained copies of all closing packages as of and for the year ended June 30, 1997, prepared by the Department and submitted to the State Comptroller General and 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 finding as a result of these procedures is presented in GAAP Closing Packages in the Accountant's Comments section of this report.
11. We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 1997, prepared by the Department and submitted to the State Auditor and reviewed it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records. We found no exceptions as a result of the procedures.

The Honorable David M. Beasley, Governor  
and  
Ms. Beverly G. Hamilton, Director  
South Carolina Department of Alcohol and  
Other Drug Abuse Services  
July 16, 1998

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 and on the effectiveness of the internal control structure over financial reporting described in paragraph one and procedures one through eleven of this report. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we conducted an audit or review of the Department'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 use of the specified users and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA  
State Auditor

**SOUTH CAROLINA DEPARTMENT OF ALCOHOL  
AND OTHER DRUG ABUSE SERVICES**  
Schedule of Expenditures -  
Budget and Actual - Budgetary General Fund  
For the Year Ended June 30, 1997

	Legal Basis <u>Budget</u>	Actual on Budgetary <u>Basis</u>	<u>Variance</u>
<b>Expenditures:</b>			
Personal Services	\$ 1,821,706	\$ 1,712,930	\$108,776
Employer Contributions	439,455	409,734	29,721
Other Operating	501,247	401,720	99,527
Education Improvement Act			
Allocations for Alcohol and Drug Abuse Intervention	-	-	-
Allocations to Other State Agencies	-	-	-
Allocations to Entities for Alcohol and Drug Treatment	-	-	-
Allocations to Entities for Alcohol and Drug Intervention	-	-	-
Allocations to Entities for Alcohol and Drug Prevention	-	-	-
Allocations to Private Sector	-	-	-
Aid to Other State Agencies	623,906	623,906	-
Aid to Entities for Alcohol and Drug Treatment	2,377,577	2,333,610	43,967
Aid to Entities for Alcohol and Drug Intervention	1,016,105	953,030	63,075
<i>Special Items:</i>			
State Block Grants	1,655,642	1,655,642	-
Local Provider Salary Supplements	2,371,426	2,371,426	-
Total Quality Management	<u>10,595</u>	<u>9,350</u>	<u>1,245</u>
<b>Total Expenditures</b>	<b><u>\$10,817,659</u></b>	<b><u>\$10,471,348</u></b>	<b><u>\$346,311</u></b>

The accompanying notes are an integral part of this schedule.

**SOUTH CAROLINA DEPARTMENT OF ALCOHOL  
AND OTHER DRUG ABUSE SERVICES**  
Schedule of Expenditures -  
Budget and Actual - Other Budgeted Funds  
For the Year Ended June 30, 1997

	Legal Basis <u>Budget</u>	Actual on Budgetary <u>Basis</u>	<u>Variance</u>
<b>Expenditures:</b>			
Personal Services	\$ 1,042,428	\$ 734,851	\$ 307,577
Employer Contributions	270,652	167,412	103,240
Other Operating	1,498,036	818,249	679,787
Education Improvement Act			
Allocations for Alcohol and Drug Abuse Intervention	1,063,526	910,543	152,983
Allocations to Other State Agencies	964,187	828,178	136,009
Allocations to Entities for Alcohol and Drug Treatment	24,280,566	15,537,931	8,742,635
Allocations to Entities for Alcohol and Drug Intervention	185,000	92,330	92,670
Allocations to Entities for Alcohol and Drug Prevention	3,323,275	3,077,882	245,393
Allocations to Private Sector	150,000	17,375	132,625
Aid to Other State Agencies	-	-	-
Aid to Entities for Alcohol and Drug Treatment	-	-	-
Aid to Entities for Alcohol and Drug Intervention	-	-	-
<i>Special Items:</i>			
State Block Grants	-	-	-
Local Provider Salary Supplements	-	-	-
Total Quality Management	-	-	-
 <b>Total Expenditures</b>	 <u>\$32,777,670</u>	 <u>\$22,184,751</u>	 <u>\$10,592,919</u>

The accompanying notes are an integral part of this schedule.



**SOUTH CAROLINA DEPARTMENT OF ALCOHOL  
AND OTHER DRUG ABUSE SERVICES**  
Schedule of Expenditures -  
Budget and Actual - Total Budgeted Funds  
For the Year Ended June 30, 1997

	Legal Basis <u>Budget</u>	Actual on Budgetary <u>Basis</u>	<u>Variance</u>
<b>Expenditures:</b>			
Personal Services	\$ 2,864,134	\$ 2,447,781	\$ 416,353
Employer Contributions	710,107	577,146	132,961
Other Operating	1,999,283	1,219,969	779,314
Education Improvement Act			
Allocations for Alcohol and Drug Abuse Intervention	1,063,526	910,543	152,983
Allocations to Other State Agencies	964,187	828,178	136,009
Allocations to Entities for Alcohol and Drug Treatment	24,280,566	15,537,931	8,742,635
Allocations to Entities for Alcohol and Drug Intervention	185,000	92,330	92,670
Allocations to Entities for Alcohol and Drug Prevention	3,323,275	3,077,882	245,393
Allocations to Private Sector	150,000	17,375	132,625
Aid to Other State Agencies	623,906	623,906	-
Aid to Entities for Alcohol and Drug Treatment	2,377,577	2,333,610	43,967
Aid to Entities for Alcohol and Drug Intervention	1,016,105	953,030	63,075
<i>Special Items:</i>			
State Block Grants	1,655,642	1,655,642	-
Local Provider Salary Supplements	2,371,426	2,371,426	-
Total Quality Management	<u>10,595</u>	<u>9,350</u>	<u>1,245</u>
<b>Total Expenditures</b>	<u>\$43,595,329</u>	<u>\$32,656,099</u>	<u>\$10,939,230</u>

The accompanying notes are an integral part of this schedule.

**SOUTH CAROLINA DEPARTMENT OF ALCOHOL  
AND OTHER DRUG ABUSE SERVICES**

Notes to Schedules

June 30, 1997

**NOTE 1 - BUDGET POLICY**

The South Carolina Department of Alcohol and Other Drug Abuse Services is granted an annual appropriation for operating purposes by the General Assembly. The appropriation as enacted becomes the legal operating budget for the Department. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenues budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the State Budget and Control Board under its authority or by the agency as set forth in 1997 Appropriation Act Proviso 72.9. as follows: Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Board's Division of Budget and Analyses and to the State Comptroller General. No such transfer may exceed 20 percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the Board.

During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year to that fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State law does not precisely define the budgetary basis of accounting. The current Appropriation Act states that the General Assembly intends to appropriate all State funds and to authorize and/or appropriate the use of all other monies to operate State government for the current fiscal year. The State's annual budget is prepared primarily on the modified accrual basis of accounting with several exceptions, principally the cash disbursements basis for payroll expenditures.

The schedules of expenditures - budget and actual present actual expenditures on the budgetary basis of accounting compared to the legally adopted and modified budget on a line-item expenditure basis. The level of legal control for each agency for each fiscal year is reported in a publication of the State Comptroller General's Office titled A Detailed Report of Appropriations and Expenditures.

**SOUTH CAROLINA DEPARTMENT OF ALCOHOL  
AND OTHER DRUG ABUSE SERVICES**

Notes to Schedules

June 30, 1997

**NOTE 2 - STATE APPROPRIATIONS**

The following is a reconciliation of the 1997 Appropriation Act as originally enacted by the General Assembly to amounts available for the Department's budgetary general fund expenditures as reported on Schedule 1 for the year ended June 30, 1997.

Original Appropriation	\$ 9,761,981
State Budget and Control Board Allocations:	
Employee Base Pay Increases and Related	
Employee Benefits (Proviso 17C.19.)	173,025
Employer Contributions (Proviso 72.17.)	877
Supplemental Appropriations from Fiscal Year	
1996 Surplus State General Fund Revenues	
(Part V of the 1997 Appropriation Act) For	
The Bridge Juvenile Treatment Program	<u>400,000</u>
Revised Appropriation - Legal Basis	10,335,883
Plus: 1996 Appropriations Brought Forward	
(1997 Provisos 17A.2. and 72.44.)	<u>481,776</u>
Legal Basis Appropriation Available for	
1997 Expenditures	<u>\$10,817,659</u>

Pursuant to Proviso 72.44. of the 1998 Appropriation Act, the Department carried forward \$242,836 of unspent State General Fund appropriations from the current year to the next fiscal year. This proviso authorized a maximum carry-forward of 10 percent of an agency's original appropriation with certain limitations for reductions and separate carry-forward authority. Pursuant to Proviso 17A.2. of the 1998 Appropriation Act, the Department carried forward \$1,245 of Total Quality Management funds from the current year to the next fiscal year to be spent for the same purpose. In total the Department carried forward \$244,081.

Part III of the 1998 Appropriation Act authorizes \$300,000 of the surplus State General Fund revenues from fiscal year 1997 to the Department for the Bridge Juvenile Treatment Program. These funds will be received in fiscal year 1998.

**SOUTH CAROLINA DEPARTMENT OF ALCOHOL  
AND OTHER DRUG ABUSE SERVICES**

Notes to Schedules

June 30, 1997

**NOTE 2 - STATE APPROPRIATIONS (CONTINUED)**

In addition, the Department received \$1,104,921 from the South Carolina Department of Revenue pursuant to Part IA, Section 19 X.K. and Part IB, Proviso 19A.43. of the 1997 Appropriation Act for the Education Improvement Act (EIA) which is reported within the line-items Education Improvement Act allocations for alcohol and drug abuse intervention, personal services, and employer contributions in the legal basis budget of the other budgeted funds category on Schedule 2. The Department transferred \$150,000 of this amount to the South Carolina Law Enforcement Division pursuant to Proviso 19A.42. of the 1997 Appropriation Act for the operation of the Drug Abuse Resistance Education (DARE) program. Further, in accordance with Section 59-21-450 of the 1976 South Carolina Code of Laws, as amended, the Department transferred \$43,434 of unexpended fiscal year 1996 EIA funds from other budgeted funds to the South Carolina Department of Education to be used for the school building aid program.

**NOTE 3 - EXPENDITURES PAID FROM FUNDS FOR ANOTHER FISCAL YEAR**

The Department recorded the following 1997 budgetary general fund and other budgeted funds category expenditures as payments in fiscal year 1998:

<u>Expenditures</u>	<u>Budgetary General Fund</u>	<u>Other Budgeted Funds</u>
Allocations to Entities for Alcohol and Drug Treatment	\$ -	\$590,994
Allocations to Entities for Alcohol and Drug Intervention	-	3,334
Allocations to Entities for Alcohol and Drug Prevention	-	14,294
Aid to Entities for Alcohol and Drug Treatment	<u>9,750</u>	<u>-</u>
Total	<u>\$9,750</u>	<u>\$608,622</u>

Adjusting entries were made to properly include these expenditures on Schedules 1, 2, and 3.

The Department recorded the following 1996 budgetary general fund and other budgeted funds category expenditures as payments in fiscal year 1997:

**SOUTH CAROLINA DEPARTMENT OF ALCOHOL  
AND OTHER DRUG ABUSE SERVICES**

Notes to Schedules

June 30, 1997

**NOTE 3 - EXPENDITURES PAID FROM FUNDS FOR ANOTHER FISCAL YEAR**  
**(CONTINUED)**

<u>Expenditures</u>	<u>Budgetary General Fund</u>	<u>Other Budgeted Funds</u>
Other Operating	\$ 900	\$ 222
Allocations to Other State Agencies	-	5,781
Allocations to Entities for Alcohol and Drug Treatment	-	1,322,876
Allocations to Entities for Alcohol and Drug Intervention	-	35,733
Allocations to Entities for Alcohol and Drug Prevention	-	258,076
Allocations to Private Sector	-	180
Aid to Entities for Alcohol and Drug Treatment	48,005	-
Aid to Entities for Alcohol and Drug Intervention	<u>63,075</u>	<u>-</u>
Total	<u>\$111,980</u>	<u>\$1,622,868</u>

Adjusting entries were made to properly exclude these expenditures from Schedules 1,2, and 3.

State law requires agencies to expend budgeted funds in strict accordance with the line-items in the Appropriation Act in the year for which appropriated unless otherwise authorized.

**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 an internal control structure. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements 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 an effective internal control structure.

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 State Comptroller General obtains certain generally accepted accounting principles (GAAP) information for the State's financial statements from agency-prepared closing packages. The State's accounting system (STARS) is on the budgetary basis. We determined that the Department submitted to the Office of the Comptroller General some incorrectly prepared and/or misstated fiscal year-end 1997 closing packages.

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, Section 1.8 of the Comptroller General's GAAP Closing Procedures Manual (GAAP Manual) states that the agency head and finance director are responsible for submitting closing packages "that are: •Accurate and completed in accordance with instructions. •Complete." The following outlines the errors noted on the closing packages and our recommendations for corrective action.

### **Compensated Absences**

From the Department's supporting summary schedule containing compensated absences liability calculations for its 79 employees earning annual leave as of June 30, 1997, we selected eight for testing. The Department used incorrect hourly rates for two of the eight employees tested. It overstated the hourly rate for one employee and overstated the compensated absences liability at June 30, 1997, by \$78. The Department stated the hourly rate for an employee who was on medical leave at June 30, 1997, as zero and, consequently, it understated the compensated absences liability at June 30, 1997, by \$39. Thus, the Department overstated the compensated absences liability at June 30, 1997, by a net amount of \$39 for the eight employees tested.

We recommend that the Department have in place procedures to ensure the independent comparison of amounts used in calculations to the source records.



## Accounts Payable

The Department included in its schedule of accounts payable three outstanding encumbrances for goods and/or services that had been ordered before June 30 but were received after June 30 and overstated accounts payable by \$23,161 at June 30, 1997. This overstatement of accounts payable also resulted in the reporting of an overstatement of grant/entitlement receivables of the same amount in the Grant/Entitlement Revenues closing package.

As noted in Section 3.12 of the GAAP Manual, encumbrances outstanding at year-end do not constitute expenditures or liabilities. Therefore, we recommend that the Department develop and implement procedures to ensure that it reports accounts payable only for goods and/or services received on or before June 30 but paid for after June 30.

## **EXPENDITURE CUTOFF**

The Department paid certain vouchers for goods and services received in fiscal year 1997 from fiscal year 1998 budgetary general fund and other budgeted funds appropriations. The payments were made with \$9,750 of State General Fund appropriated funds and with \$608,622 of other budgeted funds (\$517,953 earmarked funds and \$90,669 of federal funds). Adjustments were made to the budgetary Schedules 1, 2, and 3 to record these expenditures in the correct fiscal year.

This condition violates Section 2-7-75 of the 1976 South Carolina Code of Laws which states the following:

All state funds appropriated shall be used and all federal and other funds may be used for the operation of state agencies and institutions for the fiscal year for which they are appropriated or made available for use. All agencies and institutions are directed to expend state appropriated funds in strict accordance with the line item appropriations as authorized by the annual appropriations act except for such transfers of funds as may be approved by the Budget and Control Board under its authority as set forth in the appropriations act or other provisions of law.

Furthermore, Sections 1A and 2 of Part IB of the fiscal year 1997 Appropriation Act repeat these fiscal year restrictions on the use of budgeted funds to satisfy operating obligations of the fiscal year for which they are budgeted.

In our report on the Department for the year ended June 30, 1996, we cited the Department for paying \$111,980 of 1996 budgetary general fund expenditures and \$1,622,868 of 1996 other budgeted funds expenditures in fiscal year 1997. Although the Department has significantly reduced the amount of expenditures paid from the subsequent year's appropriations, we recommend that the Department strengthen its procedures to ensure that funds are expended in the proper fiscal year and in compliance with all applicable provisions of State Law.

## **SCHOOL INTERVENTION ACTIVITY PROGRAM**

Part IB, Proviso 33.1. of the fiscal year 1997 Appropriation Act states, "\$1,149,204 of the amount appropriated as 'Total Distribution to Subdivisions' in Program III, Division of Programs and Services is intended to be used for the School Intervention activity and none of this sum shall be used by the Department for the employment of personnel."

However, for fiscal year 1997, the Department paid the salary of the School Intervention program coordinator from these funds. This same exception was noted in our report on the Department for the year ended June 30, 1996. The Department explained its actions by stating the fiscal year 1998 Appropriation Act proviso for the School Intervention activity allows for personnel costs to be paid from these funds.

To comply with the restrictions set forth in the 1997 and 1996 Appropriation Acts, we recommend the Department reimburse the School Intervention program for the fiscal year 1997 and 1996 funds paid for the salary of the coordinator.

## **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 Auditor's Comments section of the State Auditor's Report on the Department for the fiscal year ended June 30, 1996, and dated June 3, 1997. We determined that the Department has taken adequate corrective action on the reported deficiency regarding the Operating Leases Closing Package. However, in Section A hereof we have repeated the same findings regarding the School Intervention Activity Program and Expenditure Cutoff.

## **MANAGEMENT'S RESPONSE**

## **SOUTH CAROLINA DEPARTMENT OF ALCOHOL AND OTHER DRUG ABUSE SERVICES**

September 18, 1998

Mr. Edgar A. Vaughn, Jr., CPA  
State Auditor  
Office of the State Auditor  
Post Office Box 11333  
Columbia, South Carolina 29211

Dear Mr. Vaughn:

The South Carolina Department of Alcohol and Other Drug Abuse Services (DAODAS) has prepared the following responses to the findings of the FY97 Agreed Upon Procedures Engagement:

### **1. GAAP CLOSING PACKAGE – COMPENSATED ABSENCES**

The DAODAS has implemented a policy by which the senior accountant in the Accounting Section will review and verify all figures for the compensated absences closing package. In addition, DAODAS now uses the payroll module of the SABARS accounting system. This module allows for better data accuracy and improved internal controls.

### **2. GAAP CLOSING PACKAGE – ACCOUNTS PAYABLE**

The DAODAS will verify vouchers and supporting documentation to ensure the accounts payable closing package reflects accurate data. This will eliminate reporting any items received after June 30.

### **3. EXPENDITURE CUT-OFF**

DAODAS makes every effort to reduce expenditures paid from subsequent year's appropriations. A written notification requesting submission of reimbursement requests is mailed to subrecipients at least twice before the end of the fiscal year. The majority of accounts payable (\$517,648) was due to reimbursable contracts in which expenditures must be incurred before reimbursements are made. However, it is impossible to exonerate this completely.

**4. SCHOOL INTERVENTION ACTIVITY PROGRAM**

The language was changed in the proviso for FY98. Part IB, Section 33.1 of the FY98 Appropriation Act has been amended to state that SciP funds "...may be used to employ one supervisory coordinator for this program."

The DAODAS appreciates the opportunity to address the findings of the Agreed Upon Procedures Engagement. If there are any questions or should you need further information, please call me at 734-9527.

Sincerely,

J. Daniel Edens, CPA  
Deputy Director for Finance

JDE/CJI

Enclosures