

September 9, 1998

The Honorable Earle E. Morris, Jr.
Comptroller General
State of South Carolina
Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the South Carolina Office of the Comptroller General for the fiscal year ended June 30, 1998, was issued by Finch, Hamilton & Co., LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Edgar A. Vaughn, Jr., CPA
State Auditor

EAV/tdc

INDEPENDENT ACCOUNTANTS' REPORT
ON
AGREED-UPON PROCEDURES

**SOUTH CAROLINA OFFICE OF THE
COMPTROLLER GENERAL**
Columbia, South Carolina

June 30, 1998

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INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES

Mr. Edgar A. Vaughn, Jr., CPA, State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Office of the State Auditor and the South Carolina Office of the Comptroller General, solely to assist you in evaluating the performance of the South Carolina Office of the Comptroller General in the areas addressed for the fiscal year ended June 30, 1998. 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 reports. 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 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 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 9 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 South Carolina Office of the Comptroller General; and were paid in conformity with State laws and regulations and if accounting procedures and internal accounting controls over 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 7 percent of the aggregate amount of all recorded non-payroll disbursements. We found no exceptions as a result of the procedures.

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 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 13 percent of the aggregate amount of all recorded payroll disbursements. We found no exceptions as a result of the procedures.
4. We obtained a copy of the accompanying schedule of expenditures for the year ended June 30, 1998 - budget and actual and notes thereto prepared by the South Carolina Office of the Comptroller General and agreed the amounts by line-item appropriation within budgetary fund category thereon to the accounting records of the South Carolina Office of the Comptroller General. We checked the schedule and notes for mathematical accuracy. We found no exceptions as a result of the procedures.
5. We tested selected recorded journal entries to determine if these transactions were properly described and classified in the accounting records; the accounting procedures and internal accounting controls over these transactions were adequate to provide proper control over these transactions; and they agree with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct. The items selected for testing were chosen randomly. The selected journal entries were 33 percent of the total number of journal entries. We found no exceptions as a result of the procedures.
6. We obtained all monthly reconciliations prepared by the South Carolina Office of the Comptroller General for the year ended June 30, 1998, and tested selected reconciliations of balances in the South Carolina Office of the Comptroller General's accounting records to those in the State's accounting system (STARS) to determine if they were accurate and complete. For the selected reconciliations, we recalculated the amounts, agreed the applicable amounts to the South Carolina Office of the Comptroller General'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 South Carolina Office of the Comptroller General's accounting records or STARS. The reconciliations selected for testing were chosen randomly. We found no exceptions as a result of the procedures.
7. We tested the South Carolina Office of the Comptroller General'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 1998 by performing the applicable tests and procedures listed on the State Auditor's Office's Appropriation Act 1998 work program. We found no exceptions as a result of the procedures.
8. We obtained copies of closing packages as of and for the year ended June 30, 1998, prepared by the South Carolina Office of the Comptroller General 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; 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.

9. We were advised that the South Carolina Office of the Comptroller General did not receive any Federal Financial Assistance. As a result, we performed no procedures in this area.

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 elements, accounts or items and on the effectiveness of the internal control structure over financial reporting described in paragraph one through nine of this report. 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 use of the specified users listed above 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.

August 26, 1998

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BUDGETARY GENERAL FUND

SOUTH CAROLINA OFFICE OF THE COMPTROLLER GENERAL

For the Year Ended June 30, 1998

	<u>Legal Basis Budgets</u>	<u>Actual on Budgetary Basis</u>	Variance Favorable <u>(Unfavorable)</u>
Expenditures			
Aid to subdivisions			
Aid to counties			
Property Tax Relief	\$ 227,850,155	\$ 227,400,845	\$ 449,310
Homestead exemption	45,187,600	43,580,200	1,607,400
Manufacturing depreciation	10,116,054	10,116,054	--
Inventory tax phase-out	32,716,537	32,716,537	--
Tax forms and supplies	139,469	139,469	--
Clerks of Court	72,450	72,450	--
Probate judges	72,450	72,450	--
Sheriffs	72,450	72,450	--
Register of Mesne Conveyances	23,625	23,625	--
Auditors	705,595	693,804	11,791
Treasurers	704,762	695,362	9,400
Auditors and Treasurers employer contributions	422,833	422,832	1
Aid to municipalities			
Homestead exemption	6,047,400	5,991,791	55,609
Inventory tax phase-out	7,843,628	7,842,841	787
Manufacturing depreciation	<u>600,000</u>	<u>543,275</u>	<u>56,725</u>
Total aid to subdivisions	332,575,008	330,383,985	2,191,023
General			
Personal services	3,580,336	3,565,387	14,949
Employer contributions	805,054	796,827	8,227
Other operating expense	<u>562,751</u>	<u>522,530</u>	<u>40,221</u>
Total general expenditures	<u>4,948,141</u>	<u>4,884,744</u>	<u>63,397</u>
TOTAL EXPENDITURES	<u>\$ 337,523,149</u>	<u>\$ 335,268,729</u>	<u>\$ 2,254,420</u>
Lapsed to the General Fund of the State			
Aid to subdivisions	\$ --	\$ 2,191,023	\$ 2,191,023
General	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL LAPSED TO THE GENERAL FUND OF THE STATE	<u>\$ --</u>	<u>\$ 2,191,023</u>	<u>\$ 2,191,023</u>

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE

SOUTH CAROLINA OFFICE OF THE COMPTROLLER GENERAL

June 30, 1998

NOTE A - BUDGET POLICY

The South Carolina Office of the Comptroller General ("the Office") is granted an annual appropriation for operating purposes by the General Assembly. The appropriation as enacted becomes the legal operating budget for the Office. The Appropriations 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 revenue 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 unit. 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 1998 Appropriation Act Proviso 72.9. as follows: Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and the State Comptroller General. No such transfer may exceed twenty 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 to fiscal year 1998 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 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 schedule of expenditures - budget and actual presents 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 is reported in a publication of the State Comptroller General's Office entitled *A Detailed Report of Appropriations and Expenditures* for each fiscal year.

NOTES TO SCHEDULE

SOUTH CAROLINA OFFICE OF THE COMPTROLLER GENERAL

June 30, 1998

NOTE B - STATE APPROPRIATIONS

The following is a reconciliation of the Appropriation Act for 1998 as originally enacted by the General Assembly to amounts available for the Office's budgetary general fund expenditures as reported on the accompanying schedule of expenditures - budget and actual for the year ended June 30, 1998.

	<u>Administration</u>	<u>Aid to Subdivisions</u>
Original appropriation	\$ 4,851,582	\$ 309,214,795
1998 Appropriation Act Proviso 17C.13. - Budget and Control Board appropriation increase for salaries and related fringe benefits for state employees	72,979	
1998 Appropriations Act, Part III-Supplemental Appropriations of 1997 Surplus State General Fund Revenues for 1997 property tax relief		17,975,473
1998 Appropriation Act Part III - from fiscal year 1998 Veto 17, Part II, Section 44, pages 11-34 and 11- 35		4,668,686
1998 Open Ended Appropriation for Aid to subdivisions for manufacturing depreciation	_____	<u>716,054</u>
Revised appropriation for fiscal year 1998	4,924,561	332,575,008
1998 Appropriation Act Proviso 72.9 - Transfers of appropriations	16,730	--
1998 Appropriation Act Proviso 72.44. appropriations brought forward from prior fiscal year into current fiscal year	<u>6,850</u>	<u>--</u>
Appropriation available for fiscal year 1998 expenditures - legal basis	<u>\$ 4,948,141</u>	<u>\$ 332,575,008</u>

Pursuant to Proviso 72.48. of the 1998-1999 Appropriation Act, the Office of the Comptroller General carried forward \$63,397 of unspent State General Fund Appropriations from fiscal year 1998 to fiscal year 1999. These monies are to be used for the Office's general operations.

Pursuant to Proviso 72.14. of the 1998 -1999 Appropriation Act, the Office of the Comptroller General transferred from Auditors and Treasurers Appropriations to employer contributions in the amount of \$9,925. The monies are within Aid to Subdivisions and for auditors and treasurers employer contributions.