South Carolina Law Enforcement Division

Independent Accountants' Report on

Applying Agreed-Upon Procedures

for the year ended June 30, 2005

State of South Carolina

Office of the State Auditor

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RICHARD H. GILBERT, JR., CPA
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June 28, 2006

The Honorable Mark Sanford, Governor
and
Chief Robert M. Stewart
South Carolina Law Enforcement Division
Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the South Carolina Law Enforcement Division for the fiscal year ended June 30, 2005, was issued by Scott McElveen, LLP, 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,

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

RHGjr/trb

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SCOTT McELVEEN LLP

Independent Accountants' Report on Applying Agreed-Upon Procedures

Richard H. Gilbert, Jr., CPA
Deputy State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Office of the State Auditor (the "State Auditor"), solely to assist you in evaluating the accounting records of the South Carolina Law Enforcement Division ("the Agency") for the fiscal year ended June 30, 2005, in the areas addressed. The Agency'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 State Auditor. 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 and internal controls over the selected receipt transactions were adequate to detect errors and/or irregularities.
    - 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 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 to those of the prior year and we used estimations and other procedures to evaluate the reasonableness of collected and recorded amounts by revenue account.
    - We observed and evaluated the accountability and security over permits, licenses, and other documents issued for money.

We found no exceptions as a result of the procedures.

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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, were bona fide disbursements of the Agency, 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 selected disbursement transactions were adequate to detect errors and/or irregularities.
- 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 to those of the prior year to determine the reasonableness of amounts paid and recorded by expenditure account.

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 internal controls over the selected payroll transactions were adequate to detect errors and/or irregularities.
- We inspected selected recorded 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 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 compared current year recorded payroll expenditures to those of the prior year; compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and 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 to determine if recorded payroll and fringe benefit expenditures were reasonable by expenditure account.

We found no exceptions as a result of the procedures.

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

- We inspected selected 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 to detect errors and/or irregularities.

We found no exceptions as a result of the procedures.

5. **General Ledger and Subsidiary Ledgers**

- We inspected selected entries and monthly totals in the subsidiary records of the Agency 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 selected transactions were adequate to detect errors and/or irregularities.

We found no exceptions as a result of the procedures.

6. **Reconciliations**

- We obtained all monthly reconciliations prepared by the Agency for the year ended June 30, 2005, and inspected selected reconciliations of balances in the Agency'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 which appeared to be properly and timely prepared and reviewed in accordance with State regulations, we recalculated the amounts, agreed the applicable amount to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Agency's accounting records and/or in STARS.

We found no exceptions as a result of the procedures.

7. **Compliance**

- We confirmed, through inspection of payroll and non-payroll disbursement vouchers, cash receipts and other documents, inquiry of agency personnel, and/or observation of agency personnel performing their assigned duties, the Agency'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 2005.

Our finding as a result of these procedures is presented in Section A in the Accountant's Comments section of this report.

8. **Closing Packages**

   - We obtained copies of all purported closing packages as of and for the year ended June 30, 2005, prepared by the Agency 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; 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 Section A 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, 2005, prepared by the Agency 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 were reasonable; and if they agreed with the supporting workpapers and accounting records.

   We found no exceptions as a result of the procedures.

10. **Status of Prior Findings**

   - We inquired about the status of the deficiencies described in the Accountant's Comments section of our report on the Agency resulting from the engagement for the fiscal year ended June 30, 2004, to determine if adequate corrective action has been taken.

   Our findings as a result of these procedures are presented in Section B 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 areas, 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 the Board of Trustees and the management of the South Carolina Law Enforcement Division and the management of the South Carolina Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Scott McElveen, L.L.P.

Columbia, South Carolina
June 9, 2006

SECTION A – MATERIAL WEAKNESS AND/OR VIOLATION OF STATE LAWS, RULES, OR REGULATIONS

The procedures agreed to 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 internal controls. A material weakness is a condition in which the design or operation of one 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 condition described in this section has been identified as a violation of State Laws, Rules, or Regulations, but is not considered to be material weaknesses.

Closing Packages – DNA Fees Revenue

Sections 23-3-620 and 23-3-670 of the 1976 South Carolina Code of Laws, as amended, requires offenders meeting certain criteria to provide DNA samples to the State Law Enforcement Division (SLED) for inclusion in the State's DNA Database and to pay a $250 processing fee. The law authorizes SLED to use the fees to offset operating costs for the DNA Database program. Furthermore, Section 23-3-670 requires that persons who are required to remit a DNA sample, if they are incarcerated, to pay the entire fee before they are paroled or released from confinement. This section requires a person not sentenced to confinement to pay the fee as a part of their sentence. The fees are primarily collected by the Department of Corrections (DC), the Department of Juvenile Justice (DJJ), and the Department of Probation, Parole, and Pardon Services (DPPPS).

Beginning in fiscal year 1999, DC began to provide samples to SLED for testing and collecting amounts from inmates for the processing fee, and DJJ and DPPPS began to do the same in fiscal year 2002. SLED has recorded revenues related to these samples based on the cash they have received rather than the amount of samples processed. SLED has not recorded the receivables related to the DNA fees. Consequently, SLED did not report receivables on its fiscal year 2004 or fiscal year 2005 miscellaneous receivables closing packages. As a result, the related revenues, deferred revenues, accounts receivables, and allowance for uncollectibles were understated on the State's financial statements. We were not able to determine the amount of the understatements. A similar finding was reported in the fiscal year 2000-2001 engagement dated April 12, 2002, in the fiscal year 2001-2002 engagement dated June 12, 2003, and in the fiscal year 2003-2004 engagement dated April 15, 2005.

We recommend that the Agency coordinate with the agencies responsible for submitting the DNA samples and collecting the fees to obtain a list of the qualifying offenders who owe the fee and the balance still owed in order to properly record accounts receivable, revenues, deferred revenues, and the related allowance for uncollectibles in accordance with GAAP Manual Instructions, and so this asset may be properly tracked, monitored, controlled, and collected.

SECTION B – STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on the findings reported in the Accountants' Comments Section of the Independent Accountants' Report on Applying Agreed Upon Procedures for the fiscal year ended June 30, 2004, and dated April 15, 2005. The following is the status of each prior year finding:

Prior Year Finding	***Status***
Untimely Deposit of Receipts	Corrective action taken
Accountability and Security Over Licenses Issued for Money	Corrective action taken
DNA Fees Revenue	Similar finding in section A of current year report

SOUTH CAROLINA LAW ENFORCEMENT DIVISION

MARK SANFORD
Governor

ROBERT M. STEWART
Chief

June 29, 2006

Richard H. Gilbert, Jr.
Deputy State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29211

Dear Mr. Gilbert:

Reference is made to the preliminary draft of the audit for the fiscal year ended June 30, 2005.

We have responded to the appropriate categories within each section of the auditor's comments for the audit period.

As always, we appreciate the expertise exhibited by the professionals on your staff. With best regard I remain.

Very truly yours,

Robert M. Stew Chief
South Carolina Law Enforcement Division

An Accredited Law Enforcement Agency
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AGENCY RESPONSE TO AUDIT FINDINGS

Fiscal Year Ended 2004-2005

Section B – Status of Prior Findings Response

DNA Fees Revenue

We recommend that the agency coordinate with the agencies responsible for submitting the DNA samples and collecting the fees to obtain a list of the qualifying offenders who owe the fee and the balance still owed in order to properly record accounts receivable, revenues, deferred revenues, and the related allowance for uncollectible in accordance with GAAP Manual Instructions, so this asset may be properly tracked, monitored, controlled and collected.

DNA Fees Revenue

The Division will continue to make efforts to correct prior year audit finding.