

**SOUTH CAROLINA
COMMISSION ON INDIGENT DEFENSE**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2015

CONTENTS

	<u>PAGE</u>
I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1
II. ACCOUNTANT'S COMMENTS	
SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS	5
REPORTING PACKAGES	6
PERSONAL PROPERTY INVENTORY SUPPORTING DOCUMENTATION	8
SECTION B - STATUS OF PRIOR FINDINGS	9



**South Carolina
Office of the State Auditor**

**George L. Kennedy, III, CPA
State Auditor**

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 20, 2016

The Honorable Nikki R. Haley, 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, 2015, in the areas addressed. The Commission's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. **Cash Receipts and Revenues**

- We inspected nineteen selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Commission's policies and procedures and State regulations.
- We inspected five selected recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- 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 at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the general, earmarked and restricted funds to ensure that revenue was classified properly in the Commission's accounting records. The scope was based on agreed upon materiality levels (\$0 – general fund, \$12,400 – earmarked fund, and \$69,900 – restricted fund) and ± 10 percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

2. **Non-Payroll Disbursements and Expenditures**

- We inspected twenty-five selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Commission's policies and procedures and State regulations, 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.
- We inspected twenty-five selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared current year expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked and restricted funds to ensure that expenditures were classified properly in the Commission's accounting records. The scope was based on agreed upon materiality levels (\$129,300 – general fund, \$12,900 – earmarked fund, and \$67,100 – restricted fund) and ± 10 percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

3. **Payroll Disbursements and Expenditures**

- We inspected twenty-five 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; and payroll transactions were properly authorized and were in accordance with existing legal requirements and processed in accordance with the Commission's policies and procedures and State regulations.
- We inspected payroll transactions for five selected new employees and five individuals who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the Commission's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
- We compared current year payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the general and restricted funds to ensure that expenditures were classified properly in the Commission's accounting records. The scope was based on agreed upon materiality levels (\$129,300 – general fund and \$67,100 – restricted fund) and ± 10 percent.
- We 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. We investigated changes of ± 10 percent to ensure that payroll expenditures were classified properly in the Commission's accounting records.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

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

- We inspected eleven selected recorded journal entries, five selected operating transfers, and seventeen appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the Commission's policies and procedures and State regulations.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

5. **Appropriation Act**

- We inspected Commission documents, observed processes, and/or made inquiries of Commission personnel to determine the Commission's compliance with Appropriation Act general provisos as listed in the Appropriation Act work program, and Commission specific provisos, if applicable.

Our finding as a result of these procedures is presented in Personal Property Inventory Supporting Documentation in the Accountant's Comments section of this report.

6. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2015, prepared by the Commission and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's Reporting Policies and Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records

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

7. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the South Carolina Commission on Indigent Defense resulting from our engagement for the fiscal year ended June 30, 2013, to determine if the Commission had taken corrective action. We applied no procedures to the Commission's accounting records and internal controls for the year ended June 30, 2014.

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

The Honorable Nikki R. Haley, Governor
and
Members of the Commission
South Carolina Commission on Indigent Defense
May 20, 2016

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the South Carolina Commission on Indigent Defense has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Up Upon Procedures:

- Clerical errors of less than \$100 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class tested.
- Clerical errors of less than \$100 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions tested were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.
- Submission of the Schedule of Federal Financial Assistance less than three business days late.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor and of the governing body and management of the South Carolina Commission on Indigent Defense and is not intended to be and should not be used by anyone other than these specified parties.



George L. Kennedy, III, CPA
State Auditor

ACCOUNTANT'S COMMENTS

SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

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

REPORTING PACKAGES

Condition:

Our testing of the Commission's fiscal year ended June 30, 2015 reporting packages resulted in the following exceptions:

1. During our review of the Compensated Absences Reporting Package, we noted that the Commission reported a total of 70 FTEs as of June 30, 2015 for employees eligible to earn annual leave. However, according to their detailed compensated absences report, a total of 68 employees were listed. Per discussion with finance staff, it was discovered that one employee was omitted from the compensated absences report. Therefore, the total FTEs listed should have been 69. The omitted employee had a total of 30.38 leave hours that were being paid out at a rate of \$12.29 per hour. As such, the Commission understated the total leave liability by \$373.37 for the employee that was omitted from the report. Furthermore, during our testing of the compensated absences report, it was noted that one employee's leave balance was overstated by 15 hours resulting in an overstatement of leave liability for this employee of \$199.05.
2. During our review of the Accounts Payable Reporting Package, we noted that the Commission understated accounts payable by \$153,797 on the Reporting Package. This was noted while comparing the balance in SCEIS to the Reporting Package balance. Upon further conversation with finance staff, we were notified that the Commission did not realize that the reports provided by the Comptroller General's Office needed to be checked by the Commission to ensure they are accurate and complete.
3. During our review of the Capital Assets Reporting Package, we noted that the Commission reported an incorrect amount for accumulated depreciation for the Computer Software purchased on July 1, 2013 for \$160,000. The software was not capitalized and therefore no depreciation was taken until fiscal year 2015. The amount of accumulated depreciation reported was \$112,000; however, the amount that should have been reported was \$32,000 (2 years * \$16,000/year). According to the reporting package, the Commission elected to use a useful life of ten years for this intangible asset.
4. During our review of the Operating Leases Reporting Package, we noted that the Commission did not include \$25,439.30 worth of expenditures due to the fact that they were coded to the incorrect general ledger account. The Commission coded payments for two months for the lease of the building to GL account 5040070000 - Rent-State Owned Real Property rather than coding the two months' payments to GL account 5040060000 - Rent-Non State Owned Real Property. Therefore, the balance transferred to the reporting package from the CG's report was off by the \$25,439.30 that was coded to the incorrect general ledger account.

Cause:

Each of the noted exceptions was caused by a lack of adequate review of the reporting package.

Effect:

1. The Commission understated its leave liability by \$174.32.
2. The Commission understated its accounts payable by \$153,797.
3. Accumulated depreciation was overstated by \$80,000.
4. Operating lease expense was understated by \$25,439.30.

Criteria:

The Comptroller General's Policies and Procedures state:

"Each agency is responsible for designing and implementing internal controls for the accurate reporting of agency assets, liabilities, fund balance or net assets, revenue, and expenditures as required by the State Reporting Policies and Procedures Manual. Each agency's executive director and finance director are responsible for submitting to the Comptroller General's Office reporting packages and/or financial statement that are: Accurate and prepared in accordance with instructions, complete, and timely."

Recommendation:

We recommend Commission on Indigent Defense implement policies and procedures to ensure that personnel preparing and reviewing the reporting packages properly check the reports provided by the Comptroller General's Office to ensure they are accurate and complete. Also, we recommend that a thorough review is completed on each reporting package by appropriate Commission staff in order to ensure their accuracy.

Management's Response:

1 – The Commission used the reports provided by the Comptroller General's Office for the reporting package. One employee was a duplicate entry and one employee was missing from the report due to a clerical error.

2 – The Commission did not realize that the reports provided by the Comptroller General's Office needed to be verified. In the future the Commission will ensure that all reports are verified before completing the reporting packages.

3 – The Commission purchase was made in 2013. No depreciation was taken until 2015. The Commission took the depreciation for 2013 through 2015 in error. This depreciation will be corrected in the new year reporting package.

4 – The Commission is aware of this error and will monitor the GL codes more closely.

The Commission will implement procedures to ensure that all reports provided by the Comptroller General's Office are verified for accuracy. We will also complete a thorough review of all reporting packages.

PERSONAL PROPERTY INVENTORY SUPPORTING DOCUMENTATION

Condition:

During our testing of the Appropriation Act 2015, the Commission could not provide us with supporting documentation to verify personal property inventory was taken in fiscal year 2015.

Effect:

We are unable to determine if the Commission's personal property inventory was properly accounted for during the fiscal year.

Cause:

Management did not adequately retain documentation supporting its count of personal property inventory.

Criteria:

Per SC Code of Laws Section 10-1-140, "The head of each department, agency, or institution of this State is responsible for all personal property under his supervision and each fiscal year shall make an inventory of all property under his supervision, except expendables."

Recommendation:

We recommend that the Commission strengthen its controls to ensure compliance with its policies as well as State laws and regulations.

Management's Response:

The Commission has put personnel in place to maintain personal property inventory and to ensure compliance with its policies as well as State law and regulations.

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 South Carolina Commission on Indigent Defense for the fiscal year ended June 30, 2013, and dated April 6, 2015. We applied no procedures to the Commission's accounting records and internal controls for the year ended June 30, 2014. We determined that the Commission has taken adequate corrective action on each of the findings, except we have repeated Reporting Packages.

4 copies of this document were published at an estimated printing cost of \$1.38 each, and a total printing cost of \$5.52. Section 1-11-425 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.