

Department of Juvenile Justice
Independent Accountants' Report on
Applying Agreed-Upon Procedures
for the year ended June 30, 2004

State of South Carolina



Office of the State Auditor

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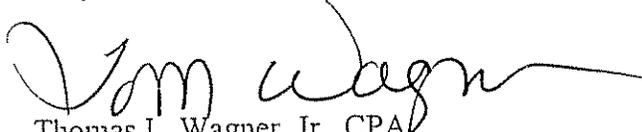
June 1, 2005

The Honorable Mark Sanford, Governor
and
Mr. William R. Byars, Jr., Director
South Carolina Department of Juvenile Justice
Columbia, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records and internal controls of the South Carolina Department of Juvenile Justice for the fiscal year ended June 30, 2004, was issued by Scott McElveen, L.L.P., 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.

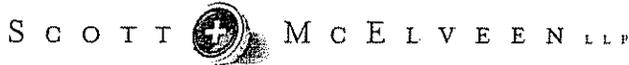
Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

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Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Mark Sanford, Governor
 and
 Mr. William R. Byars, Jr., Director
 South Carolina Department of Juvenile Justice
 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 Department of Juvenile Justice (the "Agency") for the fiscal year ended June 30, 2004, 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 selected certain 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 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 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 tested payroll transactions were adequate to detect errors and/or irregularities.
- We inspected 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 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; comparing 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. 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 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 if 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 tested 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, 2004, and inspected selected reconciliations of balances in the Agency's accounting record 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.

Our finding as a result of these procedures is presented in the Accountants' Comments section of this report.

7. Compliance

- We confirmed, through inspection of payroll and non-payroll disbursement vouchers, cash receipts and other documents, inquiry of agency personnel, and 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 2004.

We found no exceptions as a result of these procedures.

8. Closing Packages

- We obtained copies of all closing packages as of and for the year ended June 30, 2004, prepared by the Agency 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.

We found no exceptions as a result of the procedures.

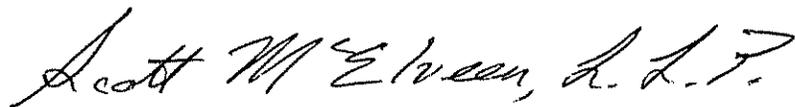
9. Schedule of Federal Financial Assistance

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2004, 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.

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 of the Board of Trustees and the management of the Department of Juvenile Justice 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.



Columbia, South Carolina
April 28, 2005

Section A – Weakness Not Considered Material

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 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 below has been identified as a weakness subject to correction or improvement but it is not considered a material weakness or a violation of State Laws, Rules, or Regulations.

Reconciliations with unresolved differences

During our procedures related to the Agency's monthly reconciliations of its records to the Comptroller General's records, we identified some unresolved differences in the cash, expenditure, and revenue reconciliations. For example, reconciling items in cash with sub fund 1001 remained unresolved for fiscal months 2 through 5, reconciling items of expenditures with the mini code 6740 and sub fund 3528 remained unresolved throughout the year, and the revenue reconciliations with sub fund 1001 remained unresolved for the months September thru December 2003.

In addition, in an effort to review the cash amounts in the reconciliations summary sheet for fiscal months 1 through 12, we were unable to trace some amounts on the reconciliations summary sheet to the SABARS or Comptroller General's records because this data was being pulled from incorrect fields in the supporting sheets.

The reconciliation of the Agency's records to the Comptroller General's is a critical control in maintaining the integrity of the Agency's and the State's accounting records. We recommend that all differences identified during the reconciliation process be properly investigated and resolved in a timely manner. Without the proper performance and review of this process, errors could exist in the Agency's records or the Comptroller General's records and not be detected. Even in times of personnel shortage, the Agency's management should find a way to perform all necessary investigations.

Section B – Status of Prior Findings

There was one prior finding for the year ended June 30, 2003, the last year for which an agreed-upon procedure report was issued for South Carolina Department of Juvenile Justice. This finding pertained to monthly reconciliations not being signed and dated by preparer and reviewer. In addition, we were unable to trace amounts from the reconciliations to the SABARS and Comptroller General reports. Based upon our follow-up review of the prior year finding, the Agency has made the appropriate actions to ensure that the monthly reconciliations are signed and dated by preparer and reviewer; however, the amounts could not be traced to the SABARS and Comptroller General reports during the subsequent year ending June 30, 2004.



**South Carolina
Department of
Juvenile Justice**

Bill Byars, Director



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Mark Sanford
Governor
State of South Carolina

May 17, 2005

Mr. Randy Scott
Scott McElveen, L.L.P.
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1441 Main Street, Suite 1200
Columbia, SC 29202

Dear Mr. Scott:

In connection with your engagement to apply agreed-upon procedures to the South Carolina Department of Juvenile Justice as of June 30, 2004, we would like to respond to "Section A – Weakness Not Considered Material." We agree with the auditors that reconciliation variances should be resolved in a more timely manner even though there may be personnel shortages at times (due to sickness or other unforeseen matters). We have already taken steps to ensure that all reconciliation variances are resolved within a reasonable time frame.

We appreciate your efforts and professionalism in helping to ensure accountability, integrity, and compliance within our agency.

Sincerely,

G. Randall Grant, SPHR, Deputy Director
Administrative Services Division
Chief Financial Officer

Carol A. Seawright, MPA, Administrator
Fiscal Affairs Office