

SOUTH CAROLINA DEPARTMENT OF JUVENILE JUSTICE

AGREED UPON PROCEDURES REPORT

JUNE 30, 2010

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
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June 8, 2011

The Honorable Nikki R. Haley, Governor
and
Ms. Margaret H. Barber, Director
South Carolina Department of Juvenile Justice
Columbia, South Carolina

This report on the application of 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, 2010, was issued by WebsterRogers, 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,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

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

RHGjr/trb

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Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. 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 management of the South Carolina Department of Juvenile Justice and the South Carolina Office of the State Auditor (the specified parties), solely to assist you in evaluating the performance of the South Carolina Department of Juvenile Justice (the Department) for the fiscal year ended June 30, 2010, in the areas addressed. The Department'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.

Our procedures and findings are as follows:

1 Cash Receipts and Revenues

- We inspected twenty-five recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations.
- We inspected twenty-five 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 of South Carolina's (the State) accounting system (STARS) as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement. Effective November 2, 2009, the Department implemented the South Carolina Enterprise Information System (SCEIS). Upon implementation of SCEIS, STARS reports were no longer used by the Department.
- 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 object code level from sources other than State General Fund appropriations to those of prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that revenue was classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels of \$2,100 in the general fund, \$120,000 in the earmarked fund, \$6,500 in the restricted fund, and \$54,000 in the federal funds and \pm ten percent.

The individual transactions selected from the Department's legacy system were chosen randomly. The individual transactions from SCEIS were chosen judgmentally. We found no exceptions as a result of our procedures.

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2 Non-Payroll Disbursements and Expenditures

- We inspected twenty-five recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations, were bona fide disbursements of the Department, 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 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. Effective November 2, 2009, the Department implemented SCEIS. Upon implementation of SCEIS, STARS reports were no longer used by the Department.
- We compared current year expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted, and federal funds to ensure the expenditures were properly classified in the Department's accounting records. The scope was based on agreed upon materiality levels of \$450,000 for the general fund, \$97,000 for the earmarked fund, \$8,200 for the restricted fund, and \$63,000 for the federal funds and \pm ten percent.

The individual transactions from the Department's legacy system were chosen randomly. The individual transactions from SCEIS were chosen judgmentally. We found no exceptions as a result of our procedures.

3 Payroll Disbursements and Expenditures

- We inspected twenty-five 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 processed in accordance with the Department's policies and procedures and State regulations.
- 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 five new employees and five who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the Department's policies and procedures, that the employee's first and/or last pay check was properly calculated, and that the employees leave payout was properly calculated in accordance with applicable State law.
- 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. Effective November 2, 2009, the Department implemented SCEIS. Upon implementation of SCEIS, STARS reports were no longer used by the Department.
- We compared current year payroll expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted, and federal funds to ensure that expenditures were classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels of \$450,000 for the general fund, \$97,000 for the earmarked fund, \$8,200 for the restricted fund, and \$63,000 for the federal fund and \pm ten percent.

- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed 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 \pm five percent to ensure that payroll expenditures were classified properly in the Department's accounting records.

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

4 Journal Entries, Operating Transfers and Appropriation Transfers

- We inspected ten recorded journal entries, all operating transfers, and all 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 were documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the Department's policies and procedures and State regulations.

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

5 General Ledger and Subsidiary Ledgers

- We inspected 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 selected entries were processed in accordance with the Department's policies and procedures and State regulations.

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

6 Reconciliations

- We obtained all monthly reconciliations through October 31, 2009, prepared by the Department for the year ended June 30, 2010, and inspected selected reconciliations of balances in the Department's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if accounts reconciled. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amounts to the Department's general ledger, agreed the applicable amounts to STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined, if necessary adjusting entries were made in the Department's accounting records and/or in STARS. Effective November 2, 2009, the Department implemented SCEIS. Upon implementation of SCEIS, STARS reports were no longer used by the Department.

The reconciliations selected were chosen randomly. Our finding as a result of these procedures is presented in the Accountants' Comments section of this report under the Reconciliations heading.

7 Appropriation Act

- We inspected Department documents, observed processes, and/or made inquiries of Department personnel to determine the Department's compliance with Appropriation Act general and Department specific provisos.

We found no exceptions as a result of the procedures.

8 Closing Packages

- We obtained copies of all closing packages as of and for the year ended June 30, 2010, prepared by the Department 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 and if the amounts reported in the closing packages 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, 2010, prepared by the Department 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 and if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of these procedures.

10 SCEIS Implementation

- We compared cash, revenue, and expenditure account closing balances from the Department's legacy system to opening balances input into SCEIS to ensure the Department carried forward the proper account balances to SCEIS.

We found no exceptions as a result of our procedures.

11 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 Department resulting from their engagement for the fiscal year ended June 30, 2008, to determine if the Department had taken corrective action. We applied no procedures to the Department's accounting records and internal controls for the year ended June 30, 2009.

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

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. 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, the management of the South Carolina Department of Juvenile Justice, and 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
June 8, 2011

ACCOUNTANTS' COMMENTS

SECTION A – VIOLATION 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 Department require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The condition described in this section has been identified as a violation of State Laws, Rules or Regulations.

RECONCILIATIONS

As was noted in both the fiscal year 2010 and fiscal year 2008, Agreed-upon Procedures Report the Department failed to prepare reconciliations in accordance with the Statewide Accounting and Reporting Manual. We noted the August 2009 cash reconciliation had an unresolved difference of \$218,803. We noted the September 2009 cash reconciliation had an unresolved difference of \$907. We noted the September 2009 expenditure reconciliation had an unresolved difference of \$58,124.

The Statewide Accounting and Reporting (STARS) Manual states the key to error corrections, whether detected internally or externally, is to take appropriate action in a timely manner. Section 2.1.7.20 of STARS states "To ensure adequate error detection and to satisfy audit requirements, reconciliations must be performed monthly on a timely basis, documented in writing in an easily understandable format with all supporting working papers maintained for audit purposes, signed and dated by the preparer, and reviewed and approved in writing by an appropriate agency official other than the preparer."

We recommend the Department follow reconciliation procedures as required by the STARS Manual.

SECTION B – STATUS OF PRIOR FINDING

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 Department of Juvenile Justice for the fiscal year ended June 30, 2008, and dated August 20, 2009. We applied no procedures to the Department's accounting records and internal controls for the year ended June 30, 2009. We determined the Department has not taken adequate corrective action on the finding and have repeated it in our finding entitled Reconciliations in Section A of the Accountants' Comments section of this report.

MANAGEMENT'S RESPONSE



South Carolina
DEPARTMENT OF
JUVENILE JUSTICE

Margaret H. Barber, Director

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Nikki Haley
Governor
State of South Carolina

June 9, 2011

Richard H. Gilbert, Jr., CPA
Interim State Auditor
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201

Dear Mr. Gilbert:

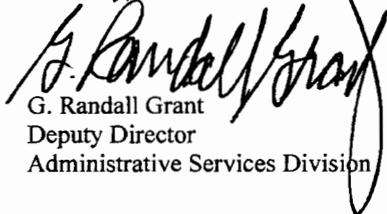
The management of the South Carolina Department of Juvenile Justice has completed its review and officially authorizes release of the draft report from the State Auditor's Office resulting from the performance of agreed-upon procedures to the accounting records of the South Carolina Department of Juvenile Justice for the fiscal year ended June 30, 2010.

As a cabinet level Agency, the South Carolina Department of Juvenile Justice is not governed by a Board of Directors, and, as such, does not have Board Members. The agency director has been made aware of the contents of the draft report.

Management has reviewed the Accountant's Comments. Our response to each finding is as follows: Management concurs with the finding and has taken corrective action or is in the process of taking corrective action.

The Department of Juvenile Justice appreciates the cooperation and courtesies extended to us by the State Auditor's Office and the staff of Webster Rogers, LLP.

Sincerely,



G. Randall Grant
Deputy Director
Administrative Services Division

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