

SOUTH CAROLINA DEPARTMENT OF JUVENILE JUSTICE

Columbia, South Carolina

Independent Accountants' Report on

Applying Agreed – Upon Procedures

For the Year Ended June 30, 2013

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

May 7, 2014

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, 2013, 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

SOUTH CAROLINA DEPARTMENT OF JUVENILE JUSTICE
Columbia, South Carolina

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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, 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, 2013, 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 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 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 \$3,100 in the general fund, \$100,000 in the earmarked fund, \$8,200 in the restricted fund, and \$21,000 in the federal funds and \pm ten percent.

The individual transactions were chosen judgmentally. We found no exceptions as a result of our procedures.

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.

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The Tower at 1301 Gervais,
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2. Non-Payroll Disbursements and Expenditures (Continued)

- We inspected twenty-five 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, 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 \$480,000 for the general fund, \$110,000 for the earmarked fund, \$7,500 for the restricted fund, and \$22,000 for the federal funds and \pm ten percent.

The individual transactions 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 payroll transactions for twenty-five new employees and twenty-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 current year payroll expenditures at the subfund and account 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 \$480,000 for the general fund, \$110,000 for the earmarked fund, \$7,500 for the restricted fund, and \$22,000 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 twenty-five recorded journal entries, five operating transfers, and twenty-five 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 transactions selected were chosen judgmentally. 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. Composite Reservoir Accounts

Reconciliations

- We obtained all monthly reconciliations prepared by the Department for the year ended June 30, 2013, and inspected selected reconciliations of balances in the Department's accounting records to those reflected on the State Treasurer's Office monthly 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 the State Treasurer's Office monthly 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.

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 made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.

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 non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.

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

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. Reporting Packages

- We obtained copies of all reporting packages as of and for the year ended June 30, 2013, 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 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 our procedures, is presented in Section A of the Accountants' Comments section of this report under the "Reporting Packages – Accounts Payable" heading.

9. Schedule of Federal Financial Assistance

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2013, 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.

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 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, 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
April 23, 2014

ACCOUNTANTS' 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 – ACCOUNTS PAYABLE

Condition:

During our testing of the Department's accounts payable reporting package, we noted the Department reported it had no accounts payable liability at June 30, 2013. Based on the tests performed, we determined the Department's accounts payable liability at June 30, 2013 was approximately \$178,000.

Cause:

Management informed us the reason for the incorrect completion of the accounts payable reporting package was due to misunderstanding the instructions for completing the package by both the individual preparing the package and the individual reviewing the package.

Effect:

The balance of accounts payable reported in the reporting package was incorrect.

Criteria:

The "Reporting Policies and Procedures Manual" for the State of South Carolina requires that all reporting package balances agree to balances within the SCEIS general ledger and subsidiary ledger reports where appropriate.

Recommendation:

We recommend the Department obtain additional clarification from the Office of the Comptroller General whenever instructions are unclear.

MANAGEMENT'S RESPONSE



South Carolina
DEPARTMENT OF
JUVENILE JUSTICE

Margaret H. Barber, Director

P.O. Box 21069
Columbia, SC 29221-1069

www.state.sc.us/djj



Nikki R. Haley
Governor
State of South Carolina

April 23, 2014

Richard H. Gilbert, Jr., CPA
Deputy 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, 2013.

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 the finding is as follows: Management concurs with the finding and has taken corrective action. We will ensure that if any questions or unclear instructions arise during closing package preparation that we will obtain additional clarification from the Office of the Comptroller General.

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,

J. Ed Pearce Jr.
Chief Financial Officer
Administrator of Fiscal Affairs