

**SOUTH CAROLINA
CRIMINAL JUSTICE ACADEMY
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2015

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South Carolina
Office of the State Auditor

George L. Kennedy, III, CPA
State Auditor

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 30, 2016

The Honorable Nikki R. Haley, Governor
and
Council Members
South Carolina Criminal Justice Academy
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Criminal Justice Academy (the Academy), solely to assist you in evaluating the performance of the Academy for the fiscal year ended June 30, 2015, in the areas addressed. The Academy'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 twenty-five selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations.
- We inspected twenty-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 federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$500 – general fund, \$79,400 – earmarked fund, and \$8,200 – federal 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 agency's policies and procedures and State regulations, were bona fide disbursements of the Academy, 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 federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$11,000 – general fund, \$158,200 – earmarked fund, and \$9,000 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented in Fiscal Year Cut Off of Expenditures and Stamping of Invoices in the Accountant's Comments section of this report.

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 agency'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 agency'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 inspected five bonus pay disbursements to determine that the selected bonus did not exceed \$3,000; agreed to supporting documentation; was properly approved; and was not awarded to an employee earning a salary greater than \$100,000.
- 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, and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$11,000 – general fund, \$158,200 – earmarked fund, and \$9,000 – federal 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 agency's accounting records.

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

4. **Journal Entries and Interagency Appropriation/Cash Transfers**

- We inspected twenty-five selected recorded journal entries, and three interagency cash 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 agency'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 agency documents, observed processes, and/or made inquiries of agency personnel to determine the Academy's compliance with Appropriation Act general provisos as listed in the Appropriation Act work program, and agency specific provisos, if applicable.

We found no exceptions as a result of the procedures.

6. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2015, prepared by the Academy 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 closing packages agreed with the supporting workpapers and accounting records

Our finding as a result of these procedures is presented in Grants and Contribution Revenue Reporting Package in the Accountant's Comments section of this report.

7. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2015, prepared by the Academy 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 agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

8. **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 Academy resulting from our engagement for the fiscal year ended June 30, 2013, to determine if the Academy had taken corrective action. We applied no procedures to the Academy's accounting records and internal controls for the year ended June 30, 2014.

Our finding as a result of these procedures is presented in Grants and Contribution Revenue Reporting Package in the Accountant's Comments section of this report.

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 Academy has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-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 Criminal Justice Academy 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.

Proper Fiscal Year Cut-Off of Expenditures

Condition:

During our Test of Expenditures we noted one transaction was not posted in the fiscal year in which the good/service occurred. The expenditure was for reimbursement of travel that occurred June 24, 2014 through June 29, 2014 but was posted in fiscal year 2015.

Cause:

Academy personnel stated the expenditure was not posted until the next fiscal year due to insufficient grant funds at fiscal year-end.

Effect:

The Academy was not in compliance with State law.

Criteria:

Proviso 118.1 of the fiscal year 2013-2014 Appropriations Act sets forth guidelines for the posting of year end accounts payable transactions.

Recommendation:

We recommend the Academy strengthen its policies and procedures to ensure expenditures are recorded in the proper fiscal year.

Management's Response:

Due to misinterpretation between the Grant year and the Fiscal year, these expenditures were paid in the wrong fiscal year. Staff will ensure that all expenditures are paid in the proper fiscal year.

Grants and Contribution Revenue Reporting Package

Condition:

During our testing of the Grants and Contribution Revenue Reporting Package, we noted the following:

1. The Academy reported four grants that were closed out during the previous fiscal year. Due to this error, beginning fund balance was understated by \$874.
2. The Academy did not report grant receipts and grant qualified payments for two grants listed on Form 3.03.1. Per our review of SCEIS ZGLA, grant receipts for these two grants totaled \$254,231 and grant qualified payments totaled \$183,161. If these amounts had been properly reported, ending balance would have been \$0. We noted activity for these two grants was properly recorded on the Academy's fiscal year 2015 Schedule of Expenditures of Federal Awards.
3. The Academy did not include two grants on Form 3.03.1. Per our review of SCEIS ZGLA, grant receipts for these two grants totaled \$193,227 and grant qualified payments totaled \$306,090 which resulted in an ending balance of \$(112,863). We noted activity for these two grants was properly recorded on the Academy's fiscal year 2015 Schedule of Expenditures of Federal Awards.
4. The Academy recorded a non-current receivable balance of \$71,070 on the Grants Receivables and Deferred Revenue Summary Form. As noted in exception 3 above, ending balance of \$112,863 should have been reported as a current receivable.

Cause:

The errors noted above were due to employee oversight.

Effect:

The receivable was understated \$41,793 and misclassified on the reporting package.

Criteria:

The requirements and instructions for completing the reporting packages are included in the Comptroller General's Reporting Policies and Procedures Manual. Section 1.7 of the manual states, "Each agency's executive director and finance director are responsible for submitting... reporting packages... that are: accurate and prepared in accordance with instructions, complete, and timely."

Recommendation:

We recommend the Academy strengthen its procedures to ensure that reporting packages are completed in accordance with the Comptroller General's Reporting Policies and Procedures Manual. Personnel responsible for completing and reviewing the reporting packages should review instructions for completing the packages and compare the supporting working papers prior to submission to eliminate errors.

Management's Response:

The staff will analyze procedures to make sure accurate responses are in accordance with the Comptroller General's Reporting Policies and Procedures Manual. Working papers will be reviewed for correctness and completeness prior to submission of the reporting packages.

SECTION B - OTHER WEAKNESS

The condition described in this section has been identified while performing the agreed-upon procedures but it is not considered a violation of State Laws, Rules or Regulations.

Stamping of Invoices

Condition:

During our Test of Expenditures, we noted nineteen out of twenty-five invoices were not properly stamped to indicate the date the invoice was received by the Academy.

Cause:

Invoices were not stamped due to employee oversight.

Effect:

The Academy is not in compliance with its internal Accounts Payable Policies and Procedures Manual.

Criteria:

The Academy's Accounts Payable Policies and Procedures Manual states, "Each invoice, statement, PO, and other payment related documents and/or correspondence is date stamped by the AP Accountant."

Recommendation:

We recommend the Academy strengthen its policies and procedures to ensure invoices are stamped as received in accordance with its Accounts Payable Policies and Procedures Manual.

Management's Response:

The Academy has purchased a date/time stamp machine. All incoming mail and invoices will be processed in accordance with Accounts Payable Policies and Procedures.

SECTION C - 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 Criminal Justice Academy for the fiscal year ended June 30, 2013, and dated January 12, 2015. We applied no procedures to the Academy's accounting records and internal controls for the year ended June 30, 2014. We determined that the Academy has taken adequate corrective action on each of the findings except for the finding titled Grants and Contribution Receivable Package. We will report a similar finding titled Grants and Contribution Revenue Reporting Package in Section A of the report.

4 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$5.64. Section 1-11-425 of the South Carolina Code of Laws, as amended, requires this information on printing costs be added to the document.