

**SOUTH CAROLINA
ADMINISTRATIVE LAW COURT
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

January 26, 2017

The Honorable Ralph K. Anderson, III
Chief Administrative Law Judge
South Carolina Administrative Law Court
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Administrative Law Court (the Court), solely to assist you in evaluating the performance of the Court for the fiscal year ended June 30, 2015, in the areas addressed. The Court'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 Court's policies and procedures and State regulations.
- We inspected six 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 earmarked fund to ensure that revenue was classified properly in the Court's accounting records. The scope was based on an agreed upon materiality level (\$15,700 – earmarked fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Cut-Off in the Accountant's Comments section of this report.

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 Court's policies and procedures and State regulations, were bona fide disbursements of the Court, 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 eight 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 and earmarked funds to ensure that expenditures were classified properly in the Court's accounting records. The scope was based on agreed upon materiality levels (\$20,000 – general fund and \$13,800 – earmarked fund), and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Cut-Off in the Accountant's Comments section of this report.

3. **Payroll Disbursements and Expenditures**

- We inspected five selected full-time employees' and one temporary employee's personnel records to determine if the selected employees' disbursements were properly described, classified, and distributed in the accounting records; they were bona fide employees; and payroll transactions were properly authorized and were in accordance with existing legal requirements and processed in accordance with the Court's policies and procedures and State regulations.
- We inspected five selected recorded bonus payroll disbursements to determine if the selected disbursements were approved and processed in accordance with the Court's policies and procedures and State regulations.
- We inspected payroll transactions for two 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 Court'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 earmarked funds to ensure that expenditures were classified properly in the Court's accounting records. The scope was based on agreed upon materiality levels (\$20,000 – general fund and \$13,800 – earmarked 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 Court's accounting records.

We haphazardly selected the temporary employee while all other individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

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

- We inspected all recorded journal entries and all operating/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 Court's policies and procedures and State regulations.

We found no exceptions as a result of the procedures.

5. **Appropriation Act**

- We inspected Court documents, observed processes, and/or made inquiries of Court personnel to determine the Court's compliance with Appropriation Act general provisos as listed in the Appropriation Act work program, and Court 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 Court 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 Court resulting from our engagement for the fiscal year ended June 30, 2014, to determine if the Court had taken corrective action.

Our finding as a result of these procedures is presented in Reporting Packages 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 Court 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 management of the South Carolina Administrative Law Court 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.

CUT-OFF

Condition:

1. During our review of the revenue cut-off test we noted that one document related to revenue that was generated in FY15, but was recorded in SCEIS as FY16 revenue.
2. During our review of the test of disbursements we noted one document had a date of 6/24/2014, but was recorded as an FY15 disbursement.

Cause:

Agency Oversight / Human Error.

Effect:

1. The Court understated its FY15 revenue and overstated its FY16 revenue by \$5,000.
2. The Court understated its FY14 expenditures and overstated its FY15 expenditures by \$100.

Criteria:

The South Carolina Office of the Comptroller General's Memorandum titled "FY 2014-15 End-of-Year" states: "During July, two fiscal years will be open (FY 2015 and FY 2016) in SCEIS. Period 12 of FY 2015 is open to process payments for goods and services received on or before June 30, 2015, but for which invoices are processed after that date."

In addition, Proviso 118.1 of the fiscal year 2014-2015 Appropriations Act sets forth guidelines for the posting of year end accounts payable transactions.

Recommendation:

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

Management's Response:

The agency will take appropriate action regarding your comments made in the report and will work to ensure corrective action is taken to eliminate these findings in the future.

REPORTING PACKAGES

Condition:

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

1. During our review of the Accounts Payable Reporting Package, we noted the reporting package showed three (3) documents that were not payables at 6/30/2015. These transactions were paid prior to year-end.
2. During our review of the Other Payroll Liabilities Reporting Package, we noted that one of the Court's employees was not listed on the agency's Time Wage Type Report at 6/30/2015, but was listed on the Court's Compensated Absences Report sent by the CG's Office. However, the Court sent information to the CG's Office for the employee's 66 hours of annual leave and a \$1,654 unpaid liability balance to be added to the Court's compensated absences although the employee was already shown on the report.

Cause:

Agency Oversight / Human Error.

Effect:

1. The Court's Accounts Payable Reporting Package was overstated by \$1,758.
2. The Court's Other Payroll Liabilities was overstated by \$1,654.

Criteria:

Section 1.7 of the Comptroller General's Reporting Policies and Procedures Manual states, "Each agency's executive director and finance director are responsible for submitting to the Comptroller General's Office reporting packages and/or financial statements that are: accurate, and prepared in accordance with instructions, complete, and timely."

Recommendation:

We recommend the Court follow the policies and procedures established by the Comptroller General's Office to ensure that the reporting packages are completed correctly using the provided instructions.

Management's Response:

The agency will take appropriate action regarding your comments made in the report and will work to ensure corrective action is taken to eliminate these findings in the future.

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 Administrative Law Court for the fiscal year ended June 30, 2014, and dated April 28, 2015. We determined that the Court has taken adequate corrective action on each of the findings, except we have repeated Employee Leave Balance, in the Reporting Packages finding.

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