

**SOUTH CAROLINA
ADMINISTRATIVE LAW COURT
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2017



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 21, 2017

The Honorable Ralph K. Anderson, III
South Carolina Administrative Law Court
Columbia, South Carolina 29201

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Administrative Law Court (the Court), solely to assist you in evaluating the systems, processes and behaviors of the Court for the fiscal year ended June 30, 2017. 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 in Attachment 1 for the purpose of which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors of the Court. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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 has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Up Upon Procedures:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 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 inspected 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.

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. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed - Upon Procedures Related to the South Carolina Administrative Law Court (C05)**

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations over \$1,000 and 10% for the Earmarked Funds.
2. Randomly select twenty-five cash receipt transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Appropriations Act Proviso 117.1.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Randomly select six cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$15,000 and 10% for the General and Earmarked Funds.
5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Court procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Court procedures and good business practice are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Court, properly coded to the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Clerical accuracy / confirm proper sales/use tax.
6. Randomly select seven non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$15,000 and 10% for the General and Earmarked Funds.

Payroll (Continued)

8. Randomly select five employees and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Court.
- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Court.
- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

9. Randomly select five bonus pay disbursements to determine:

- Employee does not make more than \$100,000 annually.
- Bonuses received during the year did not exceed \$3,000.
- Transaction was appropriately documented and approved.

10. Select the two employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Court's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

11. Select the two employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Court's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.

12. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contribution expenditures between the current year and prior year. Obtain an explanation of changes of +/-10%.

13. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of changes of +/-10%.

We found no exceptions as a result of the procedures.

Journal Entries

14. Randomly select five journal entries for the fiscal year to:

- Trace postings to the general ledger, confirming amounts agree with supporting documentation.
- Confirm transaction is properly approved.
- Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Appropriation Act

15. Inspect the Appropriation Act work program, provided to and completed by management, observing areas of noncompliance, if any.
16. Confirm compliance with Court-specific state provisos by inquiring with management and observing supporting documentation.

We found no exceptions as a result of the procedures.

Reporting Packages

17. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
18. In addition to the above procedure, we performed the following:
 - Capital Assets Reporting Package
 - Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet and/or Court prepared records. In addition, ensure that asset acquisitions are accurately recorded by haphazardly selecting six assets for inspection.
 - Operating Leases Reporting Package
 - Determine if amounts agree to the SCEIS general ledger, the SCEIS Year-end Reporting - Operating Lease Expense with Vendor report and/or Court prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating payments by vendors included in the reporting package.
 - Accounts Payable Reporting Package
 - Determine if responses and all reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Year-end Reporting - Prior Year Payables with Vendor and/or Court prepared records.
 - Subsequent Events Questionnaire
 - Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Court prepared records.

Finding:

During our inspection of the Operating Leases Reporting Package, we observed one lease on the Operating Leases Minimum Payment Schedule that should have been reported as a contingent lease. The amount paid for the lease should have been reported on Form 3.09.1 section I as Contingent Rental Payments and in section II of Form 3.09.1, Leases with Contingent Rents because amounts vary by month depending upon how much space is needed to store files. As a result, the total current expense on the Operating Leases Future Minimum Payment Schedule was overstated by \$8,396 and the Future Minimum Payments was overstated by \$4,194.

Management's Response:

The agency will take appropriate action regarding your comment made in the report and will work to ensure corrective action is taken to eliminate the Operating Lease Reporting Package finding in the future.

Status of Prior Findings

19. Through inquiry and inspection, determine if the Court has taken appropriate corrective action on the findings reported in the Accountant's Comments section of the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures.