INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 11, 2017

Chief Mark Keel
South Carolina Law Enforcement Division
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Law Enforcement Division (the Division), solely to assist you in evaluating the systems, processes and behaviors of the Division for the fiscal year ended June 30, 2016. 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 Division. 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 Division 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 $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 Law Enforcement Division 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
Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level with those of the prior year. Obtain and document an understanding of variations over $50,000 and 10% for the General Fund, $500,000 and 10% for the Earmarked Fund, and $50,000 and 10% for the Federal Fund.

2. Randomly select twenty-five cash receipts 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.
   - Ensure that both revenue collections and amounts charged are properly authorized by law.

3. Randomly select twenty-five 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 with those of the prior year. Obtain and document an understanding of variations over $1,000,000 and 10% for the General Fund, $700,000 and 10% for the Earmarked Fund, and $400,000 and 10% for the Federal Fund.

5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
   - Transaction is properly completed as required by agency procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
   - All supporting documents and approvals required by agency procedures and good business practice are present and agree with the invoice.
   - The transaction is a bona fide expenditure of the agency, properly coded to the general ledger.
   - Disbursement complied with all State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
   - Rechecked clerical accuracy / verify proper sales/use tax.

   For Federal program disbursements we will inspect supporting documentation to determine:
   - Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.

6. Randomly select twenty-five 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 and document an understanding of variations over $1,000,000 and 10% for the General Fund, $700,000 and 10% for the Earmarked Fund, and $400,000 and 10% for the Federal Fund.
Payroll (Continued)

8. Randomly select the regular payroll disbursement for a pay period for twenty-five employees and inspect supporting documentation to determine:

   For Salaried Employees:
   • Obtain and scan 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 agency.
   • Using the personnel records, agree gross pay to supporting documentation noting all changes to gross salary for the year. Determine that all changes have been properly approved.

   For Hourly Employees:
   • Obtain and scan 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 agency.
   • Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

9. Randomly select fifteen employees hired during the fiscal year to determine if they were added to the payroll in accordance with the agency's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

10. Randomly select twelve employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the agency'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.

11. Compare the percentage change in personal service expenditures to the percentage change in employer contributions. Obtain an explanation of changes of +/- 10%.

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

   We found no exceptions as a result of the procedures.

Journal Entries and Transfers

13. Randomly select twenty-five non-recurring journal entries and transfers for the fiscal year to inspect as follows:

   • 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

14. Complete the Appropriation Act work program provided to management noting areas of noncompliance, if any.

15. Obtain agency-specific State provisos and review for compliance through inquiry and observation.
Finding

The Division did not obtain the proper approval prior to foreign travel in two instances during FY16, which is granted by the Comptroller General’s Office per proviso 117.20M and the Comptroller General’s State of South Carolina Statewide Disbursement Regulations under section 19.101.17.

Management Response

We will ensure that all foreign travels will get prior approval from CG’s office.

Reporting Packages

16. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General to determine if preparation was in accordance with Comptroller General Office requirements (http://www.cg.sc.gov/guidanceandformsforstateagencies). Also, to determine if amounts reported in the reporting packages agree with the supporting workpapers and general ledger. We will inspect the following reporting packages: Master Reporting Package, Other Receivables Reporting Package, Cash and Investments Reporting Package, Operating leases Reporting Package, and the Subsequent Events Reporting Package.

17. In addition to the above procedure, we will perform the following:

- For the Cash and Investments Reporting Package we will agree the amounts reported to the MAPPER and System Report and the Discretionary Account Monthly Report.
- For the Operating leases Reporting Package we will agree the amounts reported to the Vendor Payments Report and the lease agreements.

We found no exceptions as a result of the procedures.

Composite Reservoir Accounts

18. Obtain a listing of agency composite reservoir accounts from agency management and confirm that list is complete.

19. Obtain fiscal year monthly reconciliations for each composite reservoir account and for three haphazardly selected reconciliations for each account, perform the following procedures:

- Determine the selected reconciliations were timely performed and properly documented in accordance with State regulations, and are mathematically correct.
- Agree applicable amounts from reconciliations to the general ledger.
- Agree applicable amounts from reconciliations to the State Treasurer’s Office monthly reports.
- Determine if reconciling differences were adequately explained and properly resolved.
- Determine if necessary adjusting entries were made in the accounting records.
- Obtain a reconciliation of applicable composite reservoir account balances to the liability for assets held in custody for others and determine mathematical accuracy.
- Agree the reconciled balance of the liability for assets held in custody for others per the reconciliation to the general ledger.

20. Inspect twenty-three composite reservoir account receipts to determine that they were properly described and classified in the accounting records in accordance with the agency’s policies and procedures and State regulations and that they were recorded in the proper fiscal year.

21. Determine revenue collection and retention or remittance is supported by law.
Composite Reservoir Accounts (Continued)

22. Inspect twenty-nine composite reservoir account 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 agency, were paid in conformity with State laws and regulations and that goods and/or services were procured in accordance with applicable laws and regulations.

We found no exceptions as a result of the procedures.

Status of Prior Findings

23. Inquire about the status of findings reported in the Accountant's Comments section of the engagement for the prior fiscal year to determine if the agency has taken appropriate corrective action.

We found no exceptions as a result of the procedures.