

**SOUTH CAROLINA
ATTORNEY GENERAL'S OFFICE
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2016



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 18, 2017

The Honorable Alan Wilson, Attorney General
South Carolina Attorney General's Office
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Attorney General's Office (the Office), solely to assist you in evaluating the systems, processes and behaviors of the Office 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 Office. 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 Office has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Up On 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 Attorney General's Office 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 Attorney General's Office (E20)**

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 \$150,100 and 10% for the General Fund, \$73,300 and 10% for the Earmarked Fund, and \$18,500 and 10% for the Federal Fund.
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.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Randomly select seven 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 \$46,500 and 10% for the General Fund, \$76,600 and 10% for the Earmarked Fund, and \$18,100 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 Office procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Office procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Office, 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 / verify proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures selected 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.

Cash Disbursements/Non-Payroll Expenditures (Continued)

6. Randomly select five monthly purchase card statements and inspect to determine:
 - All cardholders appearing on the statement are full-time employees, and cards were not issued in the name of a department or shared among multiple employees.
 - All cardholders appearing on the statement made purchases within their authorized P-card spending limits.
 - The P-Card Statement Certification Form was attached with the monthly statement.

From each monthly statement selected, haphazardly select one cardholders' purchases to determine:

- All of the selected card holder's transactions were for allowable purchases per Materials Management Office's Purchasing Card Policy and Procedures.
7. 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

8. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$46,500 and 10% for the General Fund, \$76,600 and 10% for the Earmarked Fund, and \$18,100 and 10% for the Federal Fund.
9. Randomly select twenty-five employee payments 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 Office.
- 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 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 Office.
- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

10. Randomly select six 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.

Payroll (Continued)

11. Haphazardly select sixteen bonus pay disbursements authorized by the 2015-2016 Supplemental Appropriations to determine:
 - Employee is a permanent state employee in a full-time equivalent position who has been in continuous state service for at least six months prior to July 1, 2015.
 - Employee does not make more than \$100,000 annually.
 - Bonus pay was split between funds according to the ratio of the employee's base salary.
12. Randomly select nine employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Office's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
13. Randomly select ten employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Office'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.
14. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes of +/- 10%.
15. 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 and Transfers

16. Randomly select twenty-three journal entries and two transfers 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

17. Inspect the Appropriation Act work program provided to management noting areas of noncompliance, if any.
18. Confirm compliance with Office-specific state provisos by inquiring with management and observing supporting documentation.

We found no exceptions as a result of the procedures.

Reporting Packages

19. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General. Inspect all reporting packages to:
 - Determine if preparation was in accordance with Comptroller General Office requirements.
 - Determine if amounts reported in the reporting packages agree with the supporting workpapers and accounting records.

Findings

Accounts payable and capital asset discrepancies were reported in the Accountant's Comments section of the engagement for the prior fiscal year. The fiscal year 2016 exceptions encountered are as follows:

Approximately \$9,500 of vendor payables were misidentified as intergovernmental payables on the Accounts Payable reporting package.

Asset Costs to be eliminated, as reported on Form 3.08.2 of the Capital Assets Reporting Package, were overstated by approximately \$320,000 due to clerical errors in scheduling the applicable asset basis and accumulated depreciation amounts on the form.

Management's Response

Management has reviewed the closing package requirements and noted all audit findings. Management will carefully review all closing packages for accuracy prior to submitting in future years.

Composite Reservoir Accounts

20. Obtain from the South Carolina Office of the State Auditor (OSA) a listing of Office composite reservoir accounts and confirm with Office management that the listing is complete.
21. Obtain fiscal year monthly reconciliations for each composite reservoir account and for a total of ten haphazardly selected reconciliations, 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.
22. Haphazardly select and inspect ten composite reservoir account receipts to determine that they were properly described and classified in the accounting records in accordance with the Office's policies and procedures and State regulations and that they were recorded in the proper fiscal year.
23. Determine revenue collection and retention or remittance is supported by law.
24. Haphazardly select and inspect ten composite reservoir account disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Office's policies and procedures and State regulations, were bona fide disbursements of the Office, were paid in conformity with State laws and regulations and that goods and/or services were procured in accordance with applicable laws and regulations.

Findings

Similar to the finding reported in the prior year, for three of ten reconciliations selected, monthly bank reconciliation supporting documentation was not adequate to explain differences between the book and bank balance, and for two of those reconciliations the check book balance did not agree to the monthly balances recorded in the accounting system.

In addition, for three of the ten composite reservoir receipts selected, the deposit was made two or three weeks after receipt.

Management's Response

Management will conduct an internal review of all composite account reconciliation procedures. Management will work closely with appropriate staff to ensure all deposits and reconciliations are made timely and accurately. Management will carefully review all closing packages prior to submitting in future years.

Status of Prior Findings

25. 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 Office has taken appropriate corrective action.

We determined that the Office has taken appropriate corrective action on each of the findings, except where noted in each of the findings above.