

**SOUTH CAROLINA COMMISSION  
ON PROSECUTION COORDINATION  
COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2016**

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**South Carolina**  
**Office of the State Auditor**

**George L. Kennedy, III, CPA**  
**State Auditor**

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**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

March 29, 2017

Members of the Commission  
South Carolina Commission on Prosecution Coordination  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Commission on Prosecution Coordination (the Commission), solely to assist you in evaluating the performance of the Commission for the fiscal year ended June 30, 2016, in the areas addressed. The Commission'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 seventeen 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 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 (\$0 – general fund, \$49,400 – earmarked fund, and \$3,600 – federal fund) and  $\pm 10$  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 Commission, 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 (\$102,500 – general fund, \$49,400 – earmarked fund, and \$3,600 – federal fund) and  $\pm 10$  percent.
- We inspected the Commission's distributions to the Judicial Circuit Solicitors' Offices to determine if the distributions were performed in accordance with State laws and Commission policies and procedures.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Accounting for Software Costs in the Accountant's Comments section of this report.

3. **Payroll Disbursements and Expenditures**

- We inspected five selected 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 all new employees and all 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 compared current year payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the general 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 (\$102,500 – general fund and \$3,600 – federal fund) and  $\pm 10$  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  $\pm 10$  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**

- We inspected five selected recorded journal entries 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 Commission'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, 2016, prepared by the Commission 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.

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 Commission 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.

Members of the Commission  
South Carolina Commission on Prosecution Coordination  
March 29, 2017

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 governing body and management of the South Carolina Commission on Prosecution Coordination 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

**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.

## **ACCOUNTING FOR SOFTWARE COSTS**

### **Condition:**

Analytical procedures revealed that, beginning in fiscal year 2016, the Commission made disbursements for a new software system and charged them to data processing expenditures. However, these expenditures exceeded the State's capitalization threshold for software and therefore should have been capitalized.

### **Cause:**

The Commission did not have controls in place to ensure that a purchase of the development and installation of a software system would be capitalized if required.

### **Effect:**

The purchase of the development and installation of a new software system is not being accounted for in accordance with State capitalization policy.

### **Criteria:**

Part III, Section 8 of the Comptroller General's Office Reporting Policies and Procedures Manual provides agencies guidance for capitalizing the costs of development and installation of a software system, and Exhibit 3.8 of the Manual provides the State's capitalization thresholds.

### **Recommendation:**

We recommend the Commission develop and implement procedures to ensure compliance with the State's capitalization policy. We also recommend that the Commission take appropriate steps to correct the accounting for the software system identified above, utilizing the assistance of the Comptroller General's Office as necessary.

### **Management's Response:**

This is a new software system that is still being developed. The South Carolina Commission on Prosecution Coordination will work with the Comptroller General's Office to ensure that the correct accounting for the system is completed. The Commission will make the necessary corrections to procedures to ensure compliance with the State's capitalization policy.

## **REPORTING PACKAGES**

### **Condition:**

The following conditions were noted during our inspection of the Commission's fiscal year ended June 30, 2016 reporting packages:

1. The liability for compensated absences reported on the Other Payroll Liabilities Reporting Package was overstated due to a clerical error that occurred when completing the reporting package.
2. The Master Reporting Package Checklist and the Subsequent Events Questionnaire were submitted to the Comptroller General's Office one and three business days after their respective due dates.

### **Cause:**

1. An adjustment to properly state the general fund portion of the compensated absences liability was identified by the Commission, but in reporting the corrected amount the Commission mistakenly included all funds with the corrected general fund amount.
2. Controls were not in place to prevent reporting packages from being submitted after the due date.

### **Effect:**

1. The liability reported for general fund compensated absences was overstated by approximately \$7,250.
2. The Comptroller General's Office was not in possession of all agency reporting packages on their due dates during the preparation of the State's financial statements.

### **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 Commission implement procedures to ensure that all reporting packages are completed and submitted timely in accordance with the Comptroller General's Policies and Procedures Manual.

### **Management's Response:**

The South Carolina Commission on Prosecution Coordination will make the necessary corrections to procedures to ensure all reporting packages are completed and submitted at the proper time. The South Carolina Commission on Prosecution Coordination continues to work diligently to ensure compliance with all State laws, rules, and regulations. We will continue to strive to be a good steward of taxpayers' dollars while ensuring that our financial reporting is accurate and timely.

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