INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 9, 2017

Mr. Freddie Pough, Director
South Carolina Department of Juvenile Justice
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Juvenile Justice (the Department), solely to assist you in evaluating the systems, processes and behaviors of the Department 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.

The procedures and associated findings are described in Attachment 1.

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 Department. 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 Department 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.
Mr. Freddie Pough, Director  
South Carolina Department of Juvenile Justice  
June 9, 2017 

This report is intended solely for the information and use of the management of the South Carolina Department of Juvenile Justice 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 Department of Juvenile Justice (N12)

Revenue

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 $2,600 – General Funds, $95,900 – Earmarked Funds, $6,600 – Restricted Funds, $21,600 – Federal Funds and 10%.

2. Randomly select twenty-five cash receipts and inspect supporting documentation to determine:
   - The receipt is properly described and classified in the accounting records in accordance with the agency’s policies and procedures and State regulations.
   - That collection and retention is properly authorized.

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 and 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 $518,300 – General Funds, $103,800 – Earmarked Funds, $6,200 – Restricted Funds, $24,300 – Federal Funds and 10%.

5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
   - The disbursement is properly described and classified in the accounting records in accordance with the agency’s policies and procedures and State regulations.
   - The disbursement is properly approved and, if applicable, supported by documentation of procurement process in accordance with applicable laws and regulations.
   - The disbursement was paid in conformity with State laws and regulations.

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 an understanding of variations over $518,300 – General Funds, $103,800 – Earmarked Funds, $6,200 – Restricted Funds, $24,300 – Federal Funds and 10%.
8. Randomly select twenty-seven payroll disbursements and inspect supporting documentation during the fiscal year to determine:
   - The disbursement is properly described, classified, and distributed in the accounting records.
   - The payee is a valid employee.
   - Gross pay is supported by time records, salary authorization or other documentation contained in employee’s personnel records.
   - The disbursement was properly authorized and was in accordance with existing legal requirements.
   - The disbursement was processed in accordance with the agency’s policies and procedures and State regulations.

9. Randomly select twenty-five 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 twenty-five 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-four non-recurring journal entries and one transfer for the fiscal year and determine if these transactions were:
   - Properly described and classified in the accounting records.
   - Properly supported by documentation, including the purpose of the transaction.
   - Properly approved.
   - Mathematically correct.
   - Processed in accordance with the agency’s policies and procedures and State regulations.

   We found no exceptions as a result of the procedures.

Appropriation Act

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

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

The Department did not have documentation to demonstrate blanket bond approval as required in Title 1, Chapter 11, Section 180 of the South Carolina Code of Laws.

Management's Response

We acknowledge and hereby agree with this finding. Please note a corrective measure has been implemented and we have submitted the current blanket bond for the Acting Agency Director to the South Carolina Office of the Attorney General on June 19, 2017 for approval as required in Title 1, Chapter 11, Section 180 of the South Carolina Code of Laws.

Reporting Packages

16. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General. Inspect all reporting packages, except for the Capital Assets Reporting Package, 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

As a result of our procedures, we identified the following:

**Inventory Reporting Package** – The Department reported having USDA food supplies on hand at year-end on the Master Reporting Checklist but did not include an inventory balance for those food supplies on the Inventory Reporting Package. Additionally, the Department did not notify the Office of the State Auditor of its inventory count dates as required on the reporting package instructions tab.

**Operating Leases Reporting Package** – The Department did not report any contingent rental payments for the fiscal year on the reporting package, but had approximately $100 thousand charged to contingent rental expenditure in the general ledger. Additionally, one of four leases, haphazardly selected by the auditor for inspection, understated future minimum lease payments by approximately $30 thousand due to a calculation discrepancy.

**Accounts Payable Reporting Package** – Payable transactions totaling approximately $37 thousand were inadvertently excluded from the reporting package, primarily due to misinterpretation of Comptroller General Office instructions requiring the inclusion of individual interfund payables of less than $100 thousand on this reporting package.

**Fund Balance Reporting Package** – Fund Balance Classification Reporting Forms were submitted to the Comptroller General’s Office with fund balance classification changes from the prior year but with no change support forms completed as required by the reporting package instructions.

**Attorney Fees** – The total fees paid to an attorney during the fiscal year exceeded the authorized maximum fees approved by the Attorney General by approximately twelve hundred dollars.
Management’s Response

We acknowledge and hereby agree with these findings. Please note a corrective action plan has been identified for each of the items listed in this section of the report and we are currently in the process of implementing the Reporting Package changes in the closeout procedures for FY 2017. Also, we notified the Office of the State Auditor on June 2, 2017 of the dates (June 27-29, 2017) that have been designated for our agency to conduct its annual inventory count of warehouse items as required.

Composite Reservoir Accounts

17. Obtain a listing of agency composite reservoir accounts and confirm with agency management that the listing below is complete.

- Canteen Account
- Detention Center Account
- Trust Account
- Victims Restitution

18. Obtain fiscal year monthly reconciliations for each composite reservoir account and for five 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.
- 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.

19. Inspect twenty-five haphazardly selected 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.

20. Inspect twenty-five haphazardly selected 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

21. 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.