

SOUTH CAROLINA CRIMINAL JUSTICE ACADEMY

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2013

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State of South Carolina



Office of the State Auditor

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 12, 2015

The Honorable Nikki R. Haley, Governor
and
Council Members
South Carolina Criminal Justice Academy
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Criminal Justice Academy (the Academy) solely to assist you in evaluating the performance of the Academy for the fiscal year ended June 30, 2013, in the areas addressed. The Academy'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 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 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 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 (\$64,500 – earmarked fund and \$7,800 – federal fund) and ± 10 percent.

Our findings as a result of these procedures are presented in General Ledger Account Coding and Deposits in the Accountant's Comments section of this report.

2. **Non-Payroll Disbursements and Expenditures**

- We inspected 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 Academy, 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 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 (\$13,400 – general fund, \$69,100 – earmarked fund, and \$8,900 – federal fund) and ± 10 percent.

Our finding as a result of these procedures is presented in Academy Store in the Accountant's Comments section of this report.

3. **Payroll Disbursements and Expenditures**

- We inspected selected recorded 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; 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 selected new employees and those 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, 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 (\$13,400 – general fund, \$69,100 – earmarked fund, and \$8,900 – federal fund) and ± 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 ± 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, Operating Transfers and Appropriation Transfers**

- We inspected selected recorded journal entries, operating transfers, and appropriation transfers 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 Academy's compliance with Appropriation Act general and agency specific provisos.

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, 2013, prepared by the Academy 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 GAAP Reporting Packages in the Accountant's Comments section of this report.

7. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2013, prepared by the Academy and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

8. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Academy resulting from our engagement for the fiscal year ended June 30, 2012, to determine if the Academy had taken corrective action.

Our findings as a result of these procedures are presented in Deposits and Academy Store in the Accountant's Comments section of this report.

The Honorable Nikki R. Haley, Governor
and
Council Members
South Carolina Criminal Justice Academy
January 12, 2015

We were not engaged to and did not conduct an audit, 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 Governor and of the governing body and management of the South Carolina Criminal Justice Academy and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy 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.

GENERAL LEDGER ACCOUNT CODING

Our analytical procedures testing of revenues disclosed that the Academy recorded revenue earned from another state agency in an incorrect general ledger account. The Academy recorded the transaction using Unclassified Revenue Account 4530050000 instead of Restricted Revenue Account 4280020000.

The Comptroller General's Accounting Policies and Procedures provides revenue general ledger codes and definitions to assist agencies in determining the proper code.

We recommend the Academy ensure proper coding by carefully reviewing transactions prior to posting. We also recommend the Academy implement procedures to monitor their general ledger.

DEPOSITS

During our testing of revenue and cash receipts, we noted that the Academy did not deposit receipts in a timely manner. Between June 10 and June 26, 2013, the Academy received multiple payments for training and instruction fees. The Academy did not process and deposit the cash receipts until June 28, 2013. Section 89.1 of the Fiscal Year 2012-13 Appropriation Act, states that all revenues be remitted to the State Treasurer (deposited) at least once a week.

We recommend the Academy implement procedures to ensure that cash receipts are deposited in a timely manner in accordance with state law.

ACADEMY STORE

During our test of disbursements, we identified two issues with the Academy Store:

- The Academy incorrectly classifies all revenue as Sale of Goods, rather than separately recording a portion of the proceeds as sales tax. Therefore the sale of goods is overstated by the sales tax amount.

- The store clerk transfers sales information from the point of purchase system into SCEIS on a daily basis. SCEIS initiates internal entries to remove the goods from inventory and record cost of goods sold. The entries to record cost of goods sold are being classified as Office Supplies, rather than Inventory-Cost of Goods Sold, Purchase Resale-Consumer Goods, or other similar accounts.

A strong system of internal controls requires safeguards to ensure that transactions are properly recorded. The Comptroller General's Office has established policies and procedures for classification of revenues and expenditures.

We recommend the Academy assess the existing design of accounting for the store function. We also recommend that the Academy strengthen its internal controls over the recording of financial transactions, and implement policies and/or procedures to ensure that store activity is accounted for properly in accordance with state regulations and good business practices.

GAAP REPORTING PACKAGES

Timely Submission

During our testing of the Academy's Cash on Hand Reporting Form, we noted that the form was not completed and approved until August 3, 2013 and August 9, 2013, respectively.

During our testing of the Academy's Litigation Overview Form, we noted that the form was not completed and approved until August 5, 2013.

Both forms were due to the Comptroller General's Office July 31, 2013.

Grants and Contributions Receivable Package

During our testing of the Academy's Grants and Contributions Receivable Package, we noted an incorrect amount was reported on the Grants Activity Form. The form reported an ending balance of \$(91,837) for SCEIS grant number N2001TRAFS13. The Academy's Fiscal Year 2013 Schedule of Federal Financial Assistance reported an ending balance of \$(45,056). The ending balance of the grant was overstated by \$46,781.

Accounts Payable Reporting Package

During our testing of the Academy's Accounts Payable Summary Form, we noted that the Academy reported a balance of \$1,275 for Fund 3356 Reportable Vendor Payables. The supporting documentation extracted from SCEIS reported a balance of \$1,285.

Other Payroll Related Activities for Liabilities Form

During our testing of the Compensated Absences Reporting Package, we noted that the Academy reported the annual leave balance for one employee incorrectly. The employee's annual leave balance on the compensated absences report reported a balance of 131.21 hours, however the SCEIS Time Wage Types Report reported a balance of 129.21 hours. The Academy's payroll-associated liabilities were overstated on the Compensated Absences Report by 2.0 hours, or \$38.

The Comptroller General's Policies and Procedures state: "Each agency is responsible for designing and implementing internal controls for the accurate reporting of agency assets, liabilities, fund balance or net assets, revenue, and expenditures as required by the State Reporting Policies and Procedures Manual. 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."

We recommend the Academy follow the policies and procedures established by the Comptroller General's Office to ensure that the appropriate reporting packages are completed using the provided instructions.

SECTION B – STATUS OF PRIOR YEAR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the South Carolina Criminal Justice Academy for the fiscal year ended June 30, 2012, and dated January 14, 2014. We determined that the Academy has taken adequate corrective action on the findings for Employee Termination Process and General Ledger Account Coding. We have repeated findings for Deposits and Academy Store.

MANAGEMENT'S RESPONSE



South Carolina Criminal Justice Academy

February 09, 2015

Office of the State Auditor
Mr. Richard H. Gilbert, Jr., CPA
1401 Main Street, Suite 1200
Columbia, South Carolina 29201

Dear Mr. Gilbert:

In response to your letter dated January 29, 2015, enclosed please find our response to your report resulting from the agreed-upon procedures to the accounting records of the South Carolina Criminal Justice Academy for the fiscal year ended June 30, 2013. In addition, please consider this letter to be my authorization to release the report.

Corrective action being taken by Academy staff:

- General Ledger Account Coding: The staff will verify codes to ensure the proper ones are used.
- Deposits: The Academy is currently making deposits daily as funds are received.
- Academy Store: The Academy is looking at the design of the accounting system and potential changes in software. SCEIS is aware there is a problem with separation of sales tax and product sales.
- GAAP Reporting Packages: The staff will analyze procedures to make sure accurate responses are transmitted in a timely manner.

On behalf of the Academy staff, I want to thank your office for their time and assistance to help ensure the accuracy of expenditures, revenue and reporting of the Agency's funds. Enclosed is a current copy of SC CJA Council Members. If you have any questions, please call me at (803) 896-7907.

Sincerely,

Hubert F. Harrell
Director

Enclosure: List of CJA Council Members

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