

**SOUTH CAROLINA
ADMINISTRATIVE LAW COURT
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

March 28, 2019

The Honorable Ralph K. Anderson, III
South Carolina Administrative Law Court
Columbia, South Carolina 29201

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Administrative Law Court (the Court), on the systems, processes and behaviors related to financial activity of the Court for the fiscal year ended June 30, 2018. The Court's management is responsible for the systems, processes and behaviors related to financial activity. 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 either for the purpose for 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 related to financial activity of the Court. 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 Court has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the management of the Court 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 Administrative Law Court (C05)**

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 from management an understanding of variations over \$100,000 and 10%.
2. Haphazardly select fifteen cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account classification to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
 - 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

3. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations in the 502- general ledger accounts in the General Fund and 503- general ledger accounts in the Earmarked Funds.
4. Haphazardly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Court procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Court procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Court.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
 - Determine that disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.
5. Haphazardly select five purchasing card transactions from the Comptroller General's listing of purchasing card transactions for Fiscal Year 2018 and inspect supporting documentation to determine:
 - The cardholder is an authorized user.
 - The purchase is authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Finding:

During our inspection of purchasing card transactions, we observed that for all five transactions selected, the Court did not have the required signatures on the monthly purchase summary statements as required by the South Carolina Division of Procurement Services Materials Management Office Purchasing Card Policies and Procedures.

Management's Response:

The South Carolina Administrative Law Court will provide required signatures on the monthly purchase summary statement as required by the SC Division of Procurement Services Materials Management Office Purchasing Card Policies and Procedures.

Payroll

6. 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 variations greater than 10%.
7. 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 greater than 10%.
8. Haphazardly select three employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Court'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.
9. Haphazardly select three employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Court's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
10. Haphazardly select five bonus pay disbursements to determine:
 - Employee does not make more than \$100,000 annually.
 - Bonuses received during the year did not exceed \$3,000.
 - Payment agreed to supporting documentation.
 - Bonus pay was approved by the appropriate supervisor.

We found no exceptions as a result of the procedures.

Journal Entries

11. Inspect all three journal entries 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 procedure.

Reporting Packages

12. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.

13. In addition to the procedure above, perform the following:

- Operating Leases Reporting Package

Determine if amounts agree to the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Reporting Operating Lease Expense with Vendor report and/or Court prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) One haphazardly selected payment for each vendor included in all rental payment classifications; and (2) agree effective dates, current expense, and future minimum lease payments for leases starting in FY18, to supporting documentation.

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Court prepared records.

Findings:

Timely Submission of Reporting Package: During our inspection of the submission of reporting packages, we observed that one reporting package was submitted late. The master reporting checklist was due on 7/6/18 but was not submitted to the Comptroller General's Office until 7/10/18.

Operating Leases Reporting Package: During our inspection of the operating leases reporting package, we observed that the Court did not properly classify reported expenses from two vendors, totaling \$7,073. These expenditures were categorized as 'Other Detailed Rental Charges'. Based on the nature of these transactions, they should have been reported in the 'Leases with Contingent Rents' section.

Management's Response:

Timely Submission of Reporting Package: The South Carolina Administrative Law Court will ensure reporting packages will be submitted timely in the future.

Operating Leases Reporting Package: The South Carolina Administrative Law Court concurs with the finding as outlined in this report, and will ensure proper classifications in the future.

Status of Prior Finding

14. Through inquiry and inspection, determine if the Court has taken appropriate corrective action on the finding reported during the engagement for the prior fiscal year.

We found a similar exception regarding the operating leases reporting package. See finding in **Reporting Packages**.

Governance, Risk and Compliance (GRC) SCEIS Module

15. Inspect all four controls identified through the SCEIS GRC system that were in place during fiscal year 2018 including mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of the procedure.

Appropriation Act

16. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
17. Confirm compliance with the selected agreed-upon Court-specific state provisos, 58.1 and 58.3, by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Office of Motor Vehicle Hearings Cash Collection Procedures

18. Per request of the Chief Judge, inquire with management regarding the procedures in place related to cash collections for the Office of Motor Vehicle Hearings. Areas of weakness as well as potential improvements will be conveyed to management as necessary.

We found no areas of weakness or potential areas of improvement related to the process.