

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

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

April 26, 2019

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), on the systems, processes and behaviors related to financial activity of the Office for the fiscal year ended June 30, 2018. Office 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 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-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 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 – 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 from management an understanding of variations over \$160,000 – General Funds, \$100,000 – Earmarked Funds, \$200,000 – Federal Funds 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.

Finding

One of the fifteen receipt transactions inspected was not deposited timely or recorded in the correct fiscal year. A batch of receipts totaling approximately \$1,500 collected by one department of the Office was not timely forwarded to the finance department for deposit and recording, resulting in the discrepancies.

Management’s Response

Management will ensure Comptroller General receipting policy and procedures are shared with all agency division management to avoid future untimely depositing of revenue.

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 over \$100,000 – General Funds, \$150,000 – Earmarked Funds, \$200,000 – Federal Funds and 10%.
4. Haphazardly select twenty 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.
 - 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.

Cash Disbursements/Non-Payroll Expenditures (Continued)

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

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.

We found no exceptions as a result of the procedures.

Payroll

6. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$100,000 – General Funds, \$150,000 – Earmarked Funds, \$200,000 – Federal Funds and 10%.

7. 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%.

8. 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 variations greater than 10%.

9. Randomly select twenty employee payments and inspect supporting documentation 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 confirming 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.

Payroll (Continued)

10. 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.
11. Randomly select ten 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.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

12. Haphazardly select seven journal entries and eight transfers from 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.

Reporting Packages

13. 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.
14. In addition to the procedure above, perform the following:
 - Cash and Investments Reporting Package

Determine if responses are reasonable/accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Reporting - Cash and Investments report and/or Office prepared records. In addition, determine if Deposits with Banks Reporting Form amounts agree to SCEIS, Office prepared records, and/or State Treasurer's Office Composite Bank Account reports and year end reconciliations.
 - Grants and Contributions Revenue Reporting Package

Haphazardly select five grants to determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the SCEIS general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue.
 - Capital Assets Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet and/or Office prepared records.

Reporting Packages (Continued)

- Operating Leases Reporting Package

Agree applicable effective dates and future minimum lease payments on the Future Minimum Lease Payment Schedule to the prior year Schedule. For any new operating leases reported, determine that the effective dates, periodic minimum payment, current expense, and future minimum lease payments were accurately reported based on inspection of invoices and lease agreements.

- Accounts Payable Reporting Package

Haphazardly select ten payables to determine if reported amounts were properly identified, classified, and reported based on the inspection of the SCEIS general ledger, SCEIS Yearend Reporting - Prior Year Payables with Vendor, SCEIS Yearend Reporting - Inter-Agency Prior Year Payables, and/or Office prepared records.

- 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 Office prepared records. In addition, haphazardly select five payables from the Subsequent Events Accounts Payable Worksheet and determine if the amounts were properly classified, calculated and reported and excluded from the original Accounts Payable Reporting Package submission.

Findings

Timely Reporting

Two of the ten reporting packages submitted to the CG were submitted one and four days after the reporting package due date.

Cash and Investments Reporting Package

Discrepancies ranging from \$55 to \$4,000 were noted in the reporting of five of the balances on the deposits with banks reporting form.

Grants and Contributions Revenue Reporting Package

Several discrepancies were encountered when agreeing reported amounts to the supporting accounting records. The impact of the noted discrepancies was an approximate \$13,000 understatement of the grants receivable balance and an approximate \$4,000 overstatement of the deferred revenue balance.

Accounts Payable Reporting Package

Similar to the finding reported in the prior year, accounts payable reported through the combination of the Accounts Payable and Subsequent Events Reporting Packages was understated by approximately \$320,000 due to the inadvertent omission of interfund payables under \$100,000, required by CG instructions to be reported as account payables.

Management's Response

Management will ensure all reporting package guidelines and instructions are reviewed thoroughly prior to completing the packages. Management will ensure the preparer is properly trained on how to complete the packages prior to doing so. Management will ensure all packages are inspected and reviewed for any errors prior to submission. Lastly, management will ensure all packages are completed timely and submitted by the due date.

Composite Reservoir Accounts

15. Obtain a listing of Office composite reservoir accounts and confirm with management that the listing is complete.
16. Obtain fiscal year monthly reconciliations for select Office composite reservoir accounts and for three haphazardly selected reconciliations, perform the following procedures:
 - Determine that selected reconciliations were timely performed, reviewed, 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.
17. 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, and that any retention or remittance of revenue is supported by law.
18. 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, exceptions were encountered for certain composite account reconciliations and receipts. Some bank reconciliations did not include adequate documentation to support the difference between the book balance and bank balance and receipt dates were not documented for some of the composite account receipts. In addition, some of the receipts were deposited several weeks after they were received.

Management's Response

Management will closely monitor the finance procedures to ensure all reporting and reconciliations of the Composite Reservoir Accounts meet the guidelines of the Comptroller General's Office Reporting Policies and Procedures. The checkbook balances of the Composite Reservoir Accounts are kept in real-time recording and do not reflect outstanding checks on these accounts. Additionally, there are instances when court schedules prohibit timely deposits and receipting, however, we will work to ensure proper depositing procedures are met in accordance with the Comptroller General's guidelines.

Governance, Risk and Compliance (GRC) SCEIS Module

19. Select all controls identified through the SCEIS GRC system that were in place during fiscal year 2018 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of the procedures.

Appropriation Act

20. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
21. Confirm compliance with Office-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Capital Assets

22. Haphazardly select five capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the Office of the Comptroller General's Reporting Policies and Procedures Manual.
23. Haphazardly select five capital asset retirements and inspect supporting documentation to ensure that assets were properly disposed in accordance with applicable State regulations.

We found no exceptions as a result of the procedures.

Crime Victim Compensation

24. Obtain and inspect the accounting policies and procedures of the Department of Crime Victim Compensation.
25. Obtain and inspect the Crime Victim Compensation Federal grant (CFDA #16.576) award documentation applicable to expenditures during the State fiscal year.
26. Randomly select and inspect ten Department of Crime Victim Compensation receipts and twenty-five Department of Crime Victim Compensation disbursements to determine if they comply with Department of Crime Victim Compensation accounting policies, and/or State, Office, and Federal policy, as applicable.

Findings

Four of the ten receipt transactions inspected included receipts deposited several weeks after they were received. In addition, seven of the ten receipt transactions included receipts of refunds of prior year expenditures miscoded in the accounting system, primarily coded as a reduction to current year expenditures.

Crime Victim Compensation (Continued)

Management's Response

Management has noted the findings and will ensure Crime Victim Compensation personnel are informed on the Comptroller General receipting policy and procedures to avoid future untimely deposits. Management will work with the Comptroller General's Office to create a proper general ledger code to record prior year refund of claim expenditures.

Status of Prior Findings

27. Through inquiry and inspection, determine if the Office has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We determined that the Office has taken adequate corrective action on the findings, except where noted in the Reporting Packages and Composite Reservoir Accounts findings above.