

**SOUTH CAROLINA DEPARTMENT OF  
PROBATION, PAROLE AND PARDON SERVICES**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2018**



Independent Accountant's Report on Applying Agreed-Upon Procedures

April 3, 2019

Mr. Jerry B. Adger, Director  
South Carolina Department of Probation,  
Parole and Pardon Services  
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 Probation, Parole and Pardon Services (the Department), on the systems, processes and behaviors related to financial activity of the Department for the fiscal year ended June 30, 2018. The Department'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 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:

- 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 Department of Probation, Parole and Pardon Services 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 Department of Probation, Parole and Pardon Services  
(N08)**

**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 \$20,000 – General Funds, \$100,000 – Earmarked Funds, \$10,000 – Restricted Funds, \$3,000 – Federal Funds and 10%.
2. Randomly select twenty-five 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 over \$215,000 – General Funds, \$100,000 – Earmarked Funds, \$10,000 – Restricted Funds, \$2,000 – Federal Funds and 10%.
4. Randomly select twenty non-payroll disbursements and five victim restitution payments to inspect supporting documentation to determine:
  - Transaction is properly completed as required by Department procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Department procedures are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Department.
  - 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.

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.

We found no exceptions as a result of the procedures.

## Payroll

5. 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 \$215,000 – General Funds, \$100,000 – Earmarked Funds, \$2,000 – Federal Funds and 10%.
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 variations greater than 10%.
8. Randomly select twenty-five employee payments and inspect supporting documentation during the fiscal year 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 Department.
- 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 Department.
  - Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.
9. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Department'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.
  10. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Department'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

11. Haphazardly select twenty-five Department Journal Entry transactions 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:

- Prepaid Expenses Reporting Package

Determine if amounts agree to the South Carolina Enterprise Information System (SCEIS) Yearend Reporting - Prepaid Expenses report and/or Department prepared records. In addition, haphazardly select five prepaid expenses to determine if the amounts were properly classified, calculated and reported based on inspection of the SCEIS general ledger and invoices.

- 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 Department prepared records. In addition, haphazardly select and inspect three capital asset acquisitions and five retirements. For acquisitions, determine that assets were properly coded and classified in the Department's records, ensure that assets conform with appropriate useful lives for depreciation, and that the amounts calculated for depreciation and accumulated depreciation were correct. For retirements, ensure that assets were properly disposed in accordance with applicable State regulations.

- Operating Leases Reporting Package

Determine if amounts agree to the SCEIS general ledger, the SCEIS Yearend Reporting - Operating Lease Expense with Vendor report and/or Department 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) Five haphazardly selected contingent rental payments; (2) Up to five haphazardly selected rental payments from each remaining category; and (3) agree the effective dates, current expense and future minimum payments from the fiscal year 2018 Operating Lease Future Minimum Payment Schedule to the prior year Schedule.

- Accounts Payable Reporting Package

Haphazardly select five 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 Report and/or Department 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 Department prepared records. In addition, determine if the payables reported on the Subsequent Events Accounts Payable Worksheet were properly classified, reported, and excluded from the original Accounts Payable Reporting Package submission.

## Reporting Packages (Continued)

### Finding

The incorrect disposal dates were recorded for the five, fully depreciated, asset retirements inspected, due to the Department recording the disposals in the accounting system prior to completing the turn-in process which is required to complete the disposal.

### Management's Response

We concur with this finding. We have updated the Standard Operating Procedures to include the steps to review and verify that the turn-in process has been completed prior to creating the disposal transaction in SCEIS.

### Internal Audit Reports

14. Inspect the Department's internal audit reports beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our procedures.

### Governance, Risk and Compliance (GRC) SCEIS Module

15. Select all controls identified through the SCEIS GRC system and inspect mitigating control documentation. Confirm with management that the controls are operating as designed.

We found no exceptions as a result of the procedure, except as it relates to the finding in the Reporting Packages section.

### 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 Department-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

### Finding

Similar to the finding reported in the prior year, we were unable to confirm compliance with the Department's requirement to report Public Service Employment set-up fee information as required by fiscal year 2018 Proviso 66.6.

### Management's Response

The requirement to report Public Service Employment set-up fee was inserted in this proviso in FY 2008 due to state economy and budget constraints. We have since requested through the FY 2020 legislative budget process that this language be deleted as it is no longer required by the Chairman of the Senate Finance Committee nor the Chairman of the House Ways and Means Committee.

### Status of Prior Findings

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

We determined that the Department has taken adequate corrective action on each of the findings, except where identified in the findings above.