

**SOUTH CAROLINA
LAW ENFORCEMENT DIVISION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

June 21, 2019

Chief Mark Keel
South Carolina Law Enforcement Division
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Law Enforcement Division (the Division), on the systems, processes and behaviors related to financial activity of the Division for the fiscal year ended June 30, 2018. The Division'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 Division. 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 Division 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 Division 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

**SC Office of the State Auditor
Agreed - Upon Procedures Related to the South Carolina Law Enforcement Division (D100)**

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 in the earmarked fund for general ledger accounts 4300060000 (State Operating Grant – Restricted) and 4230010002 (Forfeited Monies Federal), in the federal fund for general ledger accounts 4280020000 (Federal Operating Grant – Restricted) and 4280070000 (Federal Grant – Unrestricted).
2. Randomly select fifteen cash receipts transactions (excluding general ledger account 4370010000 [Record Search Fee]) and inspect supporting documentation to:
 - Ensure transaction amount, date, payor, document number, and account classification are properly reported in 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 these 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 general fund for general ledger account series 503- (Supplies and Material) and 504- (Fixed Charges), in the earmarked fund for general ledger account series 503-, and in the federal fund for general ledger account series 517- (Allocations).
4. Haphazardly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Division procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Division procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Division.
 - 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, 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.

Cash Disbursements/Non-Payroll Expenditures (Continued)

5. Haphazardly select fifteen purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for Fiscal Year 2018 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Division policies.
 - 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.

Finding

One receipt for a procurement card transaction was not located by either the cardholder or the procurement department of the Division.

Management's Response

We will ensure that all procurement card transactions have appropriate receipts as backup.

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% when the proportion of employer contribution to personal service expenditures also varies at a rate greater than 5% between fiscal years.
8. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Division'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 five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Division's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
10. Haphazardly select five overtime pay transactions during the fiscal year to determine if the employee's overtime pay was properly calculated based on the number of hours worked during the appropriate pay period.

We found no exceptions as a result of these procedures.

Journal Entries and Transfers

11. Haphazardly select eleven journal entries and four transfers 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 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:

- Other Receivables Reporting Package

Determine if reported amounts are accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Rptg - Accounts Receivable Current with Customer report and/or Division prepared records. Haphazardly select one receivable transaction for inspection to determine proper reporting as a receivable at year end.

- Operating Leases Reporting Package

Determine if amounts agree to the SCEIS general ledger, the SCEIS Yearend Rptg Operating Lease Expense with Vendor report and/or Division 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) two haphazardly selected payments, for a total of six, from each of the remaining rental payment classifications (one time rental payments, state agencies, and one year cancelable leases); and (3) the future minimum payments for two haphazardly selected operating leases.

- Accounts Payable

Determine if responses and reported amounts are reasonable/accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Rptg -Prior Year Payables with Vendor and/or Division prepared records. Haphazardly select ten payables for inspection to determine proper reporting as a payable at year end.

- 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 Division prepared records.

Findings

Timely Submission of Reporting Packages

During our inspection of the submission of reporting packages, we observed four reporting packages were submitted late to the CG. Three of the packages were submitted one business day late and one of the packages was submitted two days late.

Operating Leases Reporting Package

Three equipment base charges, totaling \$1,196, were improperly classified as contingent rentals on the package. As these charges were not paid on a per copy basis, they should have been classified as other rental charges.

Accounts Payable Reporting Package

One payable, totaling \$2,532, was improperly classified as an intergovernmental payable, when it should have been classified as a vendor payable.

Management Response

Moving forward, we will submit all reporting packages on time and properly classify them.

Composite Reservoir Accounts

14. Obtain a listing of Division composite reservoir accounts and confirm with Division management that the listing is complete.
15. Obtain fiscal year monthly reconciliations for each composite reservoir account and, for a total of four of the 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.
 - 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.
16. Haphazardly select a total of ten composite reservoir account receipts to determine that they were properly described and classified in the accounting records in accordance with the Division'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.
17. Haphazardly select a total of ten composite reservoir account disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Division's policies and procedures and State regulations, were bona fide disbursements of the Division, 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 these procedures.

Governance, Risk and Compliance (GRC) SCEIS Module

18. Select both 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 procedure.

Appropriation Act

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

Finding

The Division did not complete an inventory of personal property for FY18 in accordance with South Carolina Code of Law 10-1-140.

Management Response

Line Inspections of every agent's equipment were done for FY18 as it has been done each year in the past. We are in the process of implementing an inventory software system for the entire agency. As this system is added all assets will be inventoried and entered into the system. This system will maintain perpetual inventory balances.

Capital Assets

21. 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 CG's Reporting Policies and Procedures Manual.
22. Haphazardly select three capital asset retirements and inspect supporting documentation, and the SCEIS Asset History Sheet, to determine that each asset was approved for removal, and proper documentation supports the retirement in accordance with the CG's Reporting Policies and Procedures Manual.

We found no exceptions as a result of these procedures.

Random Checks of Cash

23. Haphazardly select ten random checks of cash related to undercover operations to determine:
 - Agents receiving discretionary funds properly reviewed and reconciled the monthly statement received from Division finance.
 - Ledgers are maintained to document all expenditures.
 - Supervisors approved each agent's discretionary funds once per month.
 - Random and unannounced audits of the funds occurred during the fiscal year.

We found no exceptions as a result of the procedure.

Status of Prior Findings

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

We found no exceptions as a result of the procedure.