

**SOUTH CAROLINA
DEPARTMENT OF PUBLIC SAFETY**

BLYTHEWOOD, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

March 13, 2020

Mr. Robert G. Woods, IV, Acting Director
South Carolina Department of Public Safety
Blythewood, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Public Safety (the Department), on the systems, processes and behaviors related to financial activity of the Department for the fiscal year ended June 30, 2019. 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 Public Safety 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 Public Safety (K05)**

Cash Receipts/Revenues

1. Compare current year revenues at the fund 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 \$8,000 – General Funds, \$180,000 – Earmarked Funds, \$60,000 – Restricted Funds, \$120,000 – Federal Funds and 10%.
2. Randomly select twenty-five cash receipts transactions 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.
3. Confirm that any Department fee increases are in accordance with Proviso 117.7, as applicable.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

4. Compare current year non-payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations over \$490,000 – General Funds, \$185,000 – Earmarked Funds, \$30,000 – Restricted Funds, \$115,000 – Federal Funds and 10%.
5. Randomly select twenty-five non-payroll disbursements and 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.
 - 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.

Cash Disbursements/Non-Payroll Expenditures (Continued)

6. Inspect all local law enforcement grant disbursement transactions made during the fiscal year, to determine whether documentation supports that each payment was made in accordance with instructions provided to the Department.

We found no exceptions as a result of the procedures.

Payroll

7. Compare current year payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations over \$490,000 – General Funds, \$185,000 – Earmarked Funds, \$30,000 – Restricted Funds, \$115,000 – Federal Funds and 10%.
8. 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%.
9. 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% when the proportion of employer contributions to personal service expenditures also varies at a rate greater than 5% between fiscal years.
10. Randomly select twenty-five employee payments and inspect supporting documentation during the fiscal year to:
 - 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.

For Salaried Employees:

- 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:

- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

11. Haphazardly select ten 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.
12. Haphazardly select ten 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.
13. Confirm that any supplemental salaries paid to Department employee(s) had proper approval and were reported by the employing Department to the Department of Administration as defined by Proviso 93.14.

We found no exceptions as a result of the procedures. Management of the Department confirmed that no supplemental salaries were paid to Department employees in fiscal year 2019.

Journal Entries and Transfers

14. Haphazardly select five journal entries and five 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 procedures.

Reporting Packages

15. 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.
16. 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 Department prepared records. In addition, determine if amounts agree to 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 Department prepared records.
 - **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 the effective dates, periodic minimum payment, current expense, and future minimum lease payments were accurately reported based on inspection of invoices and lease agreements. In addition, confirm that the Department submitted copies of leases to the CG in accordance with the CG's reporting package instructions.
 - **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, SCEIS Yearend Reporting – Interagency Prior Year Payables, and/or Department prepared records.

Reporting Packages (Continued)

- Litigation Reporting Package

Haphazardly select five transactions from the SCEIS Yearend Reporting – Litigation Expense report to determine if charges were properly coded and approved.

- Miscellaneous Loss Liabilities, Loss Contingencies, and Commitments Reporting Package

Determine if responses and amounts are reasonable/accurate based on inspection of invoices and/or contractual agreements.

- 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, 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

Miscellaneous Loss Liabilities, Loss Contingencies, and Commitments Reporting Package - The Department's reported miscellaneous commitments balance included commitments to parties within State government. Per the CG's Reporting Policies and Procedures Manual, commitments should only apply to parties outside State government.

Litigation Payments - For three of the five litigation expense report transactions inspected, the following discrepancies were encountered: attorney fees were misclassified as legal services, an attorney was paid an hourly rate exceeding the approved rate, and a firm was paid for services billed for an attorney not included on the Attorney General approval.

Management's Response

As a pass-through agency with administrative and financial oversight of federal funding, the Department has historically regarded all grants awarded to sub-grantees as miscellaneous commitments. In the past, this practice has erroneously included grants awarded to other state agencies. However, we have implemented a process that will exclude all federal funds awarded to state agencies from the reporting package for miscellaneous commitments.

A corrective action plan has been identified for processing litigation payments for contracted services. Previously the Department did not request approval from the Attorney General for additional attorneys within the same firm who are providing services based on the certification of the attorney already approved by the Attorney General. In addition to ensuring all attorneys providing services have been certified by the Attorney General, the Department has implemented additional review and approval procedures when processing litigation expenditures.

Composite Reservoir Accounts

17. Obtain a listing of Department composite reservoir accounts and confirm with Department management that the listing is complete.
18. Confirm that the Department submitted the required Bank Account Transparency Report to the State Fiscal Accountability Authority by October first of the fiscal year in accordance with Proviso 117.83.

Composite Reservoir Accounts (Continued)

19. Obtain fiscal year monthly reconciliations for each composite reservoir account and for four 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.
20. Haphazardly select and inspect three composite reservoir account receipts to determine that they were properly described and classified in the accounting records in accordance with the Department'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.
21. Haphazardly select and inspect three composite reservoir account disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations, were bona fide disbursements of the Department, 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 the procedures.

Assets and Personal Property

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 CG's Reporting Policies and Procedures Manual.
23. Haphazardly select five capital asset retirements and inspect supporting documentation, and the SCEIS Asset History Sheet, to determine that each asset was approved for removal, and that the asset was properly removed from the Department's books/general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
24. Confirm that an inventory of Department property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Law 10-1-140.

We found no exceptions as a result of the procedures.

Appropriation Act / Department-Specific Provisos

25. Confirm that the Department submitted to the State Human Affairs Commission employment and filled vacancy data by race and sex by October thirty-first of the fiscal year in accordance with Proviso 117.13.
26. Confirm compliance with Department-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Status of Prior Findings

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

We found no exceptions as a result of the procedures.