

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

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

April 17, 2020

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, 2019. The Office'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 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 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 in General Ledger (G/L) Account 4110190001 (Money Services Fee) in the General Fund, in G/L Account 4350020000 (Litigation and Court Cost Recovery) and 4310030000 (General Operating Contributions/Donations-Restricted) in the Earmarked Fund, and G/L Account 4280020002 (Fed Grant Dep to Grantee) in the Federal Fund.
2. Haphazardly select ten cash receipts transactions and inspect supporting documentation to:
 - Ensure supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, and account classification.
 - 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 fund and account level to those of the prior year. Obtain from management an understanding of variations in G/L Account Series 503 - (Supplies and Materials) and 507 - (Land, Buildings & Infrastructure) in the General Fund, G/L Account Series 502 - (Contractual Services) in the Earmarked Fund, and G/L Account Series 502 - and 507 - in the Federal Fund.
4. Haphazardly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - The 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.
 - 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)

5. Haphazardly select five purchasing card transactions from the Office of the State Comptroller General (CG) listing of purchasing card transactions for Fiscal Year 2019 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Office 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.

We found no exceptions as a result of the 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 variations greater than 10%.
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 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.
9. Haphazardly select five 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

10. Haphazardly select two journal entries and three transfers 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

11. 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 submitted by the due date established by the CG's Reporting Policies and Procedures Manual.

Reporting Packages (Continued)

12. 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, State Treasurer's Office Composite Bank Account reports and year end reconciliations.

- Grants and Contributions Revenue Reporting Package

Haphazardly select three 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.

- 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. In addition, confirm that the Office 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 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

Grants and Contributions Revenue Reporting Package - Similar to the finding reported in the prior year, a discrepancy was encountered when agreeing grant receipts to the reporting package. A portion of the grant receipts of one grant was inadvertently also included in the reporting package receipts of another grant, resulting in an approximate \$5 million overstatement of deferred revenue and an approximate \$3 million understatement of grants receivable on the reporting package.

Miscellaneous Commitments Reporting - The commitment balances reported on the Significant Miscellaneous Commitments Form, and filed with supplemental information of the Subsequent Events Questionnaire, could not be confirmed to Office commitment balance supporting documentation.

Reporting Packages (Continued)

Management's Response

Grants and Contribution Revenue Reporting Package - The Office mistakenly combined revenue from two separate grants on the reporting package in error. The Office will adjust this error on the FY20 reporting package to correct. The Office has reviewed the errors with the auditor's office and will ensure thorough review of the package is conducted to avoid the same error in FY20.

Miscellaneous Commitments Reporting Package - The Office has reviewed the findings and reporting package requirements. The Office will ensure this package is thoroughly reviewed and completed correctly in the new fiscal year.

Composite Reservoir Accounts

13. Obtain a listing of Office composite reservoir accounts and confirm with Office management that the listing is complete.
14. Confirm compliance with the Bank Account Transparency and Accountability Report Proviso of the Appropriation Act.
15. Through inquiry with management, determine if the Office has taken appropriate corrective action on the findings reported in the composite reservoir section of the engagement for the prior fiscal year.

Per inquiry with management, corrective action on the prior year findings from this section of the report is ongoing.

Finding

The Bank Account Transparency and Accountability Report for fiscal year 2019 was submitted one day after the date required by State proviso.

Management's Response

Management has reviewed the findings and will ensure all reports are completed and submitted by the deadline going forward. A list of all report due dates will be distributed to finance staff responsible for completion.

Assets and Personal Property

16. Haphazardly select three 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.
17. Confirm that an inventory of Office 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 / Provisos

18. Confirm that the Office 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 of the Appropriation Act.

Appropriation Act / Provisos (Continued)

19. Confirm compliance with Office-specific 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

20. 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 as noted in the Grants and Contributions Revenue Reporting Package finding and the Composite Reservoir Accounts section above.