

**SOUTH CAROLINA
DEPARTMENT OF JUVENILE JUSTICE**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

July 8, 2020

Mr. Freddie Pough, Director
South Carolina Department of Juvenile Justice
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 Juvenile Justice (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 Juvenile Justice 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 Juvenile Justice (N12)**

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 for the following: General Fund: General Ledger (G/L) Account 4310081000; Earmarked Fund: G/L Account 4890040000 (fund 37J60000); Restricted Fund: GL Account 4890090000 (fund 49730550); and Federal Fund: GL Account 4890100000 (fund 57770000).
2. Haphazardly select ten 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.

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 for the following: General Fund: Fixed Charges (504 - account series) and Allocations (517 - account series); Earmarked Fund: Contractual Services (502 - account series); Restricted Fund: Supplies and Materials (503 - account series); and Federal Fund: Supplies and Materials (503 - account series).
4. Haphazardly select ten non-payroll disbursements and inspect supporting documentation to determine:
 - The 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.
5. Haphazardly select ten purchasing card transactions from the Office of the State Comptroller General's (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 Department policies.
 - The purchase is authorized based on the cardholder's job title/position.

Cash Disbursements/Non-Payroll Expenditures (Continued)

- 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% 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 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.
9. 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 and Transfers

10. Haphazardly select seven journal entries and three 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

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 prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
12. In addition to the procedure above, perform the following:
 - Capital Assets Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Asset History Sheet and/or Department 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 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

Determine if responses and reported amounts are reasonable/accurate 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 Department prepared records. Additionally, haphazardly select five payables to determine if reported amounts were properly identified, classified, and reported on the Accounts Payable Summary Form.

- Inventory Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS Yearend Reporting - Inventory report and/or Department prepared records.

- Fund Balance Reporting Package

Determine if responses and any related supplemental information are reasonable/accurate based on inspection of the SCEIS general ledger, invoices, and/or Department prepared reports/spreadsheets.

- 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.

Finding

Similar to the finding reported in the prior year, amounts pertaining to payments made after July 16 to employees who terminated employment were reported in error with the Subsequent Events Questionnaire.

Management's Response

Management concurs with this finding. The State Auditor's Office has provided guidance to the Department regarding proper reporting.

Composite Reservoir Accounts

13. Obtain a listing of Department composite reservoir accounts and confirm with Department management that the listing is complete.

Composite Reservoir Accounts (Continued)

14. Obtain four haphazardly selected monthly reconciliations and 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.
15. Haphazardly select and inspect four 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.
16. Haphazardly select and inspect four 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

17. 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.
18. Haphazardly select three 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.
19. Confirm that an inventory of Department property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.
20. Confirm proper monitoring and reporting of the Department's permanent improvement activity through inspection of the State of South Carolina Comprehensive Permanent Improvement Plan, Summary of Permanent Improvement Projects applicable to the Department, and management inquiry.

Finding

Similar to the finding reported in the prior year, two low value assets were improperly capitalized due to their costs being combined and recorded as one asset in the accounting system.

Management's Response

We acknowledge and hereby agree with this finding. Additional training is being provided to staff.

Fiscal Monitoring of Schools

21. Inquire of management regarding any investigation, audit or review associated with the Department's school district which was ongoing or completed during the fiscal year. Inspect reports of any completed investigation, audit or review associated with the Department's school district to determine impact on our agreed upon procedures.
22. Obtain a trial balance for the Department's school district for the current and prior fiscal year. Haphazardly select four balances from the trial balances and inspect supporting documentation to determine that the balance is properly recorded and/or described and classified on the trial balance.
23. Compare current year school district trial balance account balances to those of the prior year. Obtain and document an understanding of variations over \$500,000 and 10%.
24. Inspect budget allocations for the current year and the prior year to determine consistent budgeting to support the Department's school district.
25. Compare school district total revenues to total expenditures for the current fiscal year and obtain an explanation from management if school district expenditures exceeded revenues and appropriations.
26. Through inquiry with management, determine and document the Department's reserves/funding to maintain school district operations if an emergency or budget shortfall should occur.

Finding

Inspection of balances from the school district trial balance revealed one \$12,000 non-federal grant receipt miscoded to a federal grant revenue G/L account and one \$8,500 expenditure unrelated to the school district. In addition, comparison of account balances to the prior year revealed approximately \$466,000 of fiscal year 2019 salary expenditures for unclassified positions inadvertently miscoded as classified positions.

Management's Response

We acknowledge and hereby agree with this finding. Additional training is being provided to staff.

Appropriation Act / Department-Specific Provisos

27. 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.
28. Confirm compliance with six haphazardly selected Department-specific state provisos by inquiring with management and observing supporting documentation, where applicable.
29. Confirm compliance with Proviso 118.15 (26) and determine whether documentation supports that payment was made in accordance with instructions provided to the Department.

We found no exceptions as a result of the procedures.

Status of Prior Findings

30. Through inquiry and/or 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 the findings, except where noted in the Reporting Packages and Assets and Personal Property findings above.