# South Carolina
# Administrative Law Court

## Columbia, South Carolina

## State Auditor's Report

## For the Fiscal Year ended June 30, 2023

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
1401 Main Street, Suite 1200 • Columbia, SC 29201

Independent Accountant's Report on Applying Agreed Upon Procedures

August 7, 2023

The Honorable Ralph K. Anderson, III
Chief Administrative Law Judge
Columbia, South Carolina

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the South Carolina Administrative Law Court (the Court) for the fiscal year ended June 30, 2023. The Court's management is responsible for the systems, processes and behaviors related to financial activity.

The Court's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of understanding the systems, processes and behaviors related to financial activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the Court to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Court for the engagement period described above. Accordingly, we do not express such 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 Court's management. Management of the Court 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 non-payroll procedures.

We are required to be independent of the Court and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the management of the Court, 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

George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor**
**Agreed - Upon Procedures – South Carolina Administrative Law Court (C05)**

**Cash Receipts**

1. Haphazardly select ten cash receipts and inspect deposit receipts, accounting records, invoices, and cash collection reports to determine:

    - Receipt agrees with the general ledger as to amount, date, payor, and account classification.
    - Receipt was deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2023 Appropriations Act.
    - Both revenue collections and amounts charged were properly authorized by Proviso 58.1 and South Carolina Code of Laws sections 11-35-3820 and 56-5-2952.
    - Receipt was recorded in the proper fiscal year.

    We found no exceptions as a result of the procedure.

**Non-Payroll Cash Disbursements**

2. Haphazardly select fifteen non-payroll cash disbursements and inspect invoices to determine:

    - Disbursement agrees to the general ledger as to vendor, amount, date, and account classification.
    - Disbursement was approved by the Chief Judge.
    - Disbursement was a valid expenditure of the Court.
    - Disbursement was recorded in the proper fiscal year.

3. Haphazardly select ten purchasing card transactions and inspect the credit limits report, bank statements, and receipts to determine:

    - Cardholder was an authorized user and individual credit limits have been properly approved in accordance with South Carolina Division of Procurement Services' *Purchasing Card Policy and Procedure Manual*.
    - Bank statement was submitted along with applicable receipts and signed by the cardholder and approved by the supervisor.
    - Purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.
    - Purchase did not exceed the procurement code's small purchase, no competition limit set forth in South Carolina Code of Laws section 11-35-1550(2)(a).

**Findings**

Six disbursements were not classified in the proper accounts within the general ledger. Additionally, five of those six disbursements related to the development of a case management information system. Those five disbursements should have been capitalized as an asset in accordance with the Office of the Comptroller General's (CG) *Policies and Procedures Manual*.

**Management's Response**

The Court misclassified the disbursements within the general ledger. We will continue to review account classifications for disbursements posted to the general ledger. Additionally, we will contact the CG to verify disbursements are properly classified when necessary.

An asset for the case management information system will be created in the South Carolina Enterprise Information System (SCEIS). Disbursements associated with the information system will be transferred to the asset in SCEIS.

**Payroll**

4. Haphazardly select ten employee payments to determine:

    - Payee was a valid employee of the Court.
    - Payment was properly calculated using the employee's approved salary or hourly rate.

5. Select all four employees who terminated employment to determine if they were removed from the payroll system in accordance with the best practices established by the South Carolina Human Resources Division, and that their last paycheck, including any leave payout, was properly calculated.

6. Select all five employees hired to determine if they were added to the payroll system in accordance with the best practices established by the South Carolina Human Resources Division and that their first paycheck was properly calculated.

7. Haphazardly select ten bonus payments to determine:

    - Employee does not make more than $100,000 annually.
    - Bonus payments received by the employee during the period of July 1, 2022, through May 31, 2023, did not exceed $3,000.
    - Bonus payment agrees to Bonus Payroll Request Form.
    - Bonus payment was approved by the appropriate supervisor.

    We found no exceptions as a result of these procedures.

**Journal Entries and Transfers**

8. Haphazardly select nine journal entries and one transfer and inspect the journal entry and journal voucher forms to determine that the journal entries and transfer were valid and approved by someone with the proper authority and different from the preparer.

    We found no exceptions as a result of the procedure.

**Assets and Personal Property**

9. Inspect the inventory of personal property, excluding expendables, provided by the Court to determine that it was completed during the fiscal year as required by South Carolina Code of Laws section 10-1-140.

10. Haphazardly select ten assets from the SCEIS Asset History Report and observe their existence and agree them to the Court's fiscal year 2023 inventory of personal property, excluding expendables.

**Findings**

Three assets selected for observation were retired prior to July 1, 2022, but the Court failed to properly remove the assets from SCEIS by June 30, 2023, as required by the CG's *Reporting Policies and Procedures Manual*. Additionally, another asset observed on site was not included in the Court's fiscal year 2023 inventory of personal property.

**Management's Responses**

The assets were retired prior to July 1, 2022, and were not removed from SCEIS in a timely manner. We will modify our current procedures and processes to ensure the Court's assets are properly tracked and accounted for on site. The modified procedures and processes will include confirming all assets in SCEIS are on site, adding physical identifying tags to each asset on site, updating inventory logs, and logging the location of each asset on site. Lastly, we will ensure assets are retired in accordance with the CG's *Reporting Policies and Procedures Manual*.