

**SOUTH CAROLINA DEPARTMENT OF
PROBATION, PAROLE AND PARDON SERVICES**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

May 9, 2018

Mr. Jerry B. Adger, Director
South Carolina Department of Probation,
Parole and Pardon Services
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 Probation, Parole and Pardon Services (the Department) on the systems, processes and behaviors related to financial activity of the Department for the fiscal year ended June 30, 2017. 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:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

This report is intended solely for the information and use of the management the South Carolina Department of Probation, Parole and Pardon Services 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 Probation, Parole and Pardon Services
(N08)**

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 and document an understanding of variations over \$30,000 and 10% for the General Fund, \$120,000 and 10% for the Earmarked Fund, and \$5,000 and 10% for the Federal Fund.
2. Randomly select twenty-five cash receipt transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding to 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.
3. Randomly select twenty-five cash receipts and inspect supporting documentation to 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

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$200,000 and 10% for the General Fund, \$125,000 and 10% for the Earmarked Fund, and \$20,000 and 10% for the Federal Fund.
5. Randomly select twenty non-payroll disbursements and five victim restitution payments to 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, properly coded to the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Clerical accuracy / confirm proper sales/use tax.
6. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Finding:

Two of the disbursement transactions inspected were not paid timely in accordance with Department policy. Both disbursements were to refund offender overpayments associated with cases that were closed in fiscal year 2015, but were not paid until fiscal year 2017.

Management's Response:

The agency will continue to closely review closed offender accounts monthly to ensure refunds packets are submitted to finance timely for processing.

Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$200,000 and 10% for the General Fund, \$125,000 and 10% for the Earmarked Fund, and \$20,000 and 10% for the Federal Fund.

8. Randomly select twenty-five employee payments and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- 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.
- 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:

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

9. Haphazardly select three bonus pay disbursements to determine:

- Employee does not make more than \$100,000 annually.
- Bonuses received during the year did not exceed \$3,000.
- Transaction was appropriately documented and approved.

10. Randomly select fourteen 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.

11. Randomly select nine 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.

Payroll (Continued)

12. 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 over 10%.
13. 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 over 10%.

We found no exceptions as a result of the procedures.

Journal Entries

14. Randomly select twenty-five journal entries for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation and are properly classified.
 - 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 except as described in the applicable finding of the Reporting Packages section.

Appropriation Act

15. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
16. Confirm compliance with Department-specific state provisos by inquiring with management and observing supporting documentation.

Finding:

We were unable to confirm compliance with the Department's requirement to report Public Service Employment set-up fee information as required by fiscal year 2017 Proviso 66.6.

Management's Response:

The Public Service Employment set-up fee will be included in the FY17-18 Accountability report, to be shared with the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee. However, the department will explore changing Proviso 66.6 during the FY 20 Executive Budget Subcommittee Hearing as this information is no longer a requirement by the House Ways and Means or the Senate Finance Committee. This proviso was adopted during the FY 08-09, due to budgetary Constraints at that time.

Reporting Packages

17. 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 responses are reasonable/accurate and the appropriate FY17 reporting package forms were prepared and submitted by the due date established by the CG.

Reporting Packages (Continued)

18. In addition to the procedure above, we will perform the following:

- Grants and Contributions Revenue Reporting Package

Haphazardly select three grants to determine if the reported beginning and ending fund balances, receipts, qualified payments, fund, grant number, and CFDA number agree to the South Carolina Enterprise Information System (SCEIS) general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables to determine accuracy.

- Inventory Reporting Package

Determine if reported amounts agree to the SCEIS Yearend Reporting – Inventory report. In addition, determine if the Department's physical inventory was properly completed by agreeing haphazardly selected amounts to the SCEIS general ledger and/or Department prepared records.

- Prepaid Expenses Reporting Package

Determine if amounts agree to the SCEIS Yearend Reporting - Prepaid Expenses report and/or Department prepared records. In addition, haphazardly select five prepaid expenses to determine if the amounts were properly classified, calculated and reported based on inspection of the SCEIS general ledger and invoices.

- 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

Determine if amounts agree to the SCEIS general ledger, the SCEIS Yearend Reporting Operating Lease Expense with Vendor report and/or Department 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) the effective dates, current expense and future minimum payments of operating leases with a FY16 and later effective date; and (3) one haphazardly selected payments/items included in the remaining rental payment classification (Other Adjustments).

- Litigation Reporting Package

Determine the Department did not have any litigation related expense through inspection of the SCEIS general ledger and the Yearend Reporting – Litigation Expense.

Reporting Packages (Continued)

- 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.

Finding:

Contingent rental payments reported on the Operating Leases Reporting Package were understated due to certain contingent rental payments miscoded as supplies in the general ledger. The inspection of Journal Entries identified a reclassification of some contingent rental payments to supplies and therefore not reported on the reporting package.

Management's Response:

Due to the delayed response related to how to handle the classification of Cost Per Copy payments related to Copier rentals/leases, the agency did not have a chance to reclassify the Journal Entries prior to the year end close period. The Agency is currently classifying the Cost Per Copy entries as required per the Comptroller General's Office guidance.

Internal Audit Reports

19. We will inspect the Department's internal audit reports beginning with the date of the prior year agreed upon procedures report through the end of our fieldwork.

We found no other matters related to our procedures.