

**SOUTH CAROLINA
DEPARTMENT OF PUBLIC SAFETY
BLYTHEWOOD, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2020



Independent Accountant's Report on Applying Agreed-Upon Procedures

May 17, 2021

Mr. Robert G. Woods, IV, Director
South Carolina Department of Public Safety
Blythewood, 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 Department of Public Safety (the Department) for the fiscal year ended June 30, 2020. The Department's management is responsible for the systems, processes and behaviors related to financial activity.

The Department'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 Department 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 Department for the year ended June 30, 2020. 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 Department's management. 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.

We are required to be independent of the Department 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 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. Haphazardly select five cash receipts transactions and inspect supporting documentation to determine:
 - Supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, and account classification.
 - Revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2020 Appropriation Act.
 - Both revenue collections and amounts charged are properly authorized by law and that any fee increases are in accordance with Proviso 117.7 of the fiscal year 2020 Appropriations Act.
 - Receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select five 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, invoice number, and date.
 - All supporting documents and approvals required by Department procedures are present and agree with the invoice.
 - The transaction is an expenditure of the Department.
 - The transaction is properly classified in the general ledger.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy and proper sales tax have been calculated.

For federally funded cash disbursements/non-payroll expenditures selected, inspect supporting documentation to determine:

- Charges are in accordance with the requirements of the program, incurred during the approved grant period, and applied uniformly to both federally assisted and other activities of the recipient.
3. Inspect all local law enforcement grant disbursement transactions made during the fiscal year and determine whether documentation supports that each of the payments were made in accordance with instructions provided to the Department.

Finding

One distribution of state appropriated funds was miscoded as a distribution of other than state appropriated funds.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Management's Response

We acknowledge and hereby agree with this finding. Consistent with normal business practices, the Department distributed multiple local law grant disbursements during the fiscal year. Although similar disbursements were coded accurately, the general ledger code for the transaction in question was erroneously written on the direct payment form. Based on this occurrence, financial staff members have been reminded to review transactions to ensure they are properly coded before being released by the Department.

Payroll

4. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll and that the employee's last pay check and leave payout were properly calculated.
5. Haphazardly select five employees hired during the fiscal year to determine if their start state was correctly added to the payroll and that their first paycheck was properly calculated.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

6. Haphazardly select three journal entries and two transfers for the fiscal year and:
 - Trace postings to the general ledger and supporting documentation.
 - Determine transaction is properly approved.
 - Inspect supporting documentation to determine the purpose of the transaction.

Findings

A discrepancy was identified within the supporting documentation of one of the transactions selected for inspection. The support included an agreement with an explanation of the base to be used for the calculation of indirect cost. The explanation on the agreement did not match the base used in the calculation. The Department was in process of resolving the wording discrepancy during our fieldwork, and a new agreement has been received that matches the base used in the Department's calculations.

A journal entry to record federal grant revenue was mistakenly coded and classified as unrestricted instead of restricted.

Management's Response

We hereby acknowledge the indirect cost finding and offer the following response for your consideration. The Department informed the Office of the State Auditor staff that our FY 2020 Indirect Cost Proposal was being reviewed by the Department of Justice (DOJ) and an amendment to the language on the Provisional Indirect Cost agreement had been requested. On May 14, 2021, the Department received the approved negotiated agreement from DOJ which includes the updated language that corresponds with the actual calculation utilized by the agency.

We acknowledge and concur with the grant revenue finding. Based on the occurrence, financial staff members have been reminded to thoroughly review journal entries to ensure they are properly coded before being released by the Department.

Reporting Packages

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

8. 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 Department prepared records. In addition, determine if amounts agree to State Treasurer's Office Composite Bank Account reports and year end reconciliations.

- Other Receivables Reporting Package

Haphazardly select three receivables to determine if reported amounts are accurate based on inspection of the SCEIS general ledger, the SCEIS *Yearend Reporting - Accounts Receivable Current with Customer* report and Department prepared records. Recalculate reported amounts.

- Inventory Reporting Package

Agree amounts to the SCEIS *Yearend Reporting - Inventory* report and Department inventory records. Recalculate supporting records to include haphazardly selecting five inventory items for recalculation.

- Litigation Reporting Package

Haphazardly select five transactions from the SCEIS *Yearend Reporting - Litigation Expense* report to inspect for proper approval, amounts charged within approved limits, and service date range.

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

Determine if responses and amounts are reasonable/accurate based on inspection of Department records and/or applicable agreements.

- Subsequent Events Questionnaire

Compare responses and required supplemental information to the SCEIS general ledger and 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, reported, and excluded from the original Accounts Payable Reporting Package submission.

We found no exceptions as a result of the procedures.

Composite Reservoir Accounts

9. Obtain a listing of Department composite reservoir accounts and inquire of Department management that the listing is complete.
10. Confirm compliance with the Bank Account Transparency and Accountability proviso of the fiscal year 2020 Appropriation Act.
11. Obtain fiscal year monthly reconciliations for each composite reservoir account. For two haphazardly selected reconciliations, perform the following procedures:
 - Recalculate reconciliations and determine that they were timely performed, reviewed, and properly documented in accordance with Department procedures.
 - 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 explained and resolved.
 - Determine if adjusting entries were made in the accounting records.
12. Haphazardly select and inspect three composite reservoir account receipts to determine that they were properly described and classified in the accounting records and that they were recorded in the proper fiscal year.
13. Haphazardly select and inspect three composite reservoir account disbursements to determine if these disbursements were properly classified in the accounting records, were disbursements of the Department, and that goods and/or services were procured in accordance with Department procedures.

We found no exceptions as a result of the procedures.

Assets and Personal Property

14. Through inquiry of management and inspection of supporting documentation, determine 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.
15. Haphazardly select three capital asset acquisitions and inspect supporting documentation and agree to 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.
16. Select three capital asset retirements and inspect supporting documentation and agree to 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 general ledger in accordance with the CG's Reporting Policies and Procedures Manual.

Finding

The book value of one of the capital asset acquisitions inspected was understated by approximately \$3,000 due to the inadvertent exclusion of related sales tax.

Assets and Personal Property (Continued)

Management's Response

We acknowledge and hereby agree with this finding. The Department believes this is an isolated incident; however, a corrective action plan has been identified to enhance the departmental review and the new process will be implemented during the current fiscal year.

Status of Prior Findings

17. Through inquiry of management and inspection of supporting documentation, determine if the Department has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures.