

**SOUTH CAROLINA  
DEPARTMENT OF JUVENILE JUSTICE**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2020**



Independent Accountant's Report on Applying Agreed Upon Procedures

June 22, 2021

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

**Payroll**

1. 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 and that their last paycheck, including any leave payout, was properly calculated in accordance with applicable State law.
2. 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 paycheck was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedures.

**Journal Entries and Transfers**

3. Haphazardly select three journal entries and two transfers and inspect supporting documentation to determine:
  - Postings in the general ledger agree to supporting documentation.
  - Transaction is properly approved.
  - The purpose of the transaction.

**Finding**

The general ledger account posting of one journal entry did not agree to supporting documentation, resulting in misclassified court fine revenues.

**Management's Response**

We concur with this finding. The error was in keying and has been brought to the employee's attention. While we review general ledger accounts via our month end checklist, sometimes these errors go undetected. We added a step in our review process for the accounts payable lead approving these documents to more closely verify general ledger accounts for accuracy.

**Reporting Packages**

4. 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.
5. In addition to the procedure above, perform the following:
  - Grants and Contributions Revenue Reporting Package

Haphazardly select five grants and agree the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number to the South Carolina Enterprise Information System (SCEIS) general ledger and SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue.

## Reporting Packages (Continued)

- Other Receivables Reporting Package

Haphazardly select five other receivables and agree them to the SCEIS general ledger, the SCEIS *Yearend Reporting - Accounts Receivable Current with Customer* report and Department prepared records.

- Litigation Reporting Package

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

- Inventory Reporting Package

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

- 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, and reported and excluded from the original Accounts Payable Reporting Package submission.

## Finding

One litigation payment included service charges for an attorney not included on the Attorney General's Office approval.

## Management's Response

We concur with this finding. In this instance, the law firm and a partner in the firm were approved by the Attorney General's Office. The partner utilized an associate for some of the approved work. The Division of Legal Services has been advised that every attorney billed must be included on the approval. The Division of Legal Services will make sure all attorneys billed for services are included on the approval. This will be completed prior to submitting an invoice to Accounts Payable for processing.

## Composite Reservoir Accounts

6. Obtain a listing of Department composite reservoir accounts and inquire of Department management that the listing is complete.
7. Obtain three haphazardly selected monthly reconciliations from all composite reservoir account reconciliations and perform the following procedures:
  - Recalculate selected 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.

## **Composite Reservoir Accounts (Continued)**

- Determine if reconciling differences were explained and resolved.
  - Determine if adjusting entries were made in the accounting records.
8. Haphazardly select and inspect four composite reservoir account receipts to determine that they were properly described and classified in the accounting records in compliance with the Department's policies and procedures and that they were recorded in the proper fiscal year.
  9. Haphazardly select and inspect four composite reservoir account disbursements to determine that they were properly classified in the accounting records, were true 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**

10. Haphazardly select three capital asset acquisitions and inspect supporting documentation to determine that each asset was properly capitalized and posted to the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
11. Haphazardly select three capital asset retirements and inspect supporting documentation to determine that each asset was approved for removal and removed from the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
12. 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.

## **Finding**

The Department did not complete the property inventory required by South Carolina Code of Laws Section 10-1-140.

## **Management's Response**

The consequences of travel restrictions, and facility site restrictions of the COVID-19 pandemic minimized the opportunity to perform the property inventory required by South Carolina Code of Laws Section 10-1-140. Being a correctional facility, some COVID-19 restrictions are still in place, however inventory sheets are being sent to asset custodians to review and validate. Normal process will return once all COVID-19 restrictions are lifted.

## **Fiscal Monitoring of Schools**

13. 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.
14. Obtain a trial balance for the Department's school district for the current and prior fiscal year. Haphazardly select four balances from the trial balance and inspect supporting documentation to determine that the balance is properly recorded and/or described and classified on the trial balance.

## **Fiscal Monitoring of Schools (Continued)**

15. Inspect budget allocations for the current year and the prior year to determine consistent budgeting to support the Department's school district.
16. 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.
17. Through inquiry of management, determine and document the Department's reserves/funding to maintain school district operations if an emergency or budget shortfall should occur.

### **Finding**

Similar to the finding reported in the prior year, a \$30,000 non-federal grant receipt was miscoded as federal grant revenue.

### **Management's Response**

We concur with this finding. The error in keying has been brought to the employee's attention. Additionally, we have updated our month end check list to review revenue general ledger accounts on both federal and non-federal grants for detection of errors.

### **Appropriation Act / Department-Specific Provisos**

18. Determine compliance with three haphazardly selected Department-specific state 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**

19. 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 determined that the Department has taken adequate corrective action on the findings, except as described in the finding in the Fiscal Monitoring of Schools section above.