

**South Carolina
Department of Corrections
Columbia, South Carolina**

State Auditor's Report

For the Fiscal Year Ended June 30, 2024

and

**Selected Procedures
For the Fiscal Year Ended June 30, 2023**



Independent Accountant's Report on Applying Agreed Upon Procedures

August 30, 2024

Mr. Bryan P. Stirling, Director
South Carolina Department of Corrections
4444 Broad River Road
Columbia, South Carolina 29210
State of 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 Corrections (the Department) for the fiscal year ended June 30, 2024 and selected procedures for the fiscal year ended June 30, 2023. 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 engagement periods. 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 Corrections, 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
State Auditor

**South Carolina Office of the State Auditor
Agreed - Upon Procedures Related to the Department of Corrections (N040)**

The following procedures were performed for the fiscal year ended June 30, 2024:

Cash Receipts/Revenues

1. Haphazardly selected ten cash receipts and inspected invoices and checks and observed that:
 - Receipts agreed with the general ledger as to amount, date, payor, and account classification.
 - Receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2024 Appropriation Act.
 - Both revenue collections and amounts charged were properly authorized by South Carolina Code of Laws Sections 24-1252, 14-1-212, 11-35-3820, and Proviso 65.1.
 - Receipts were recorded in the proper fiscal year.

We found no exceptions as a result of the procedure.

Non-Payroll Disbursements

2. Haphazardly selected ten non-payroll disbursements and inspected invoices and observed that:
 - Disbursement's invoices agreed to the general ledger as to vendor, amount, date, and account classification.
 - Disbursement approval was performed by an individual, with proper authority, other than the preparer.
 - Disbursement was a valid expenditure of the Department.
 - Disbursement was recorded in the proper fiscal year.

For procurements over \$10,000, inspected invoices, bid documentation, and solicitations and observed that:

- Disbursement complied with South Carolina Code of Laws Sections 11-35-1524 (E) (2), 11-35-1560, 11-35-710, and 11-35-1524 (E) (5).
3. Haphazardly selected ten purchasing card transactions from the Office of Comptroller General (CG) listing of purchasing card transactions and inspected monthly purchase summaries and applicable receipts and observed that:
 - The cardholder was an authorized user and individual credit limits have been properly approved in accordance with Department policies and procedures.
 - The purchase was a valid expenditure.
 - The monthly purchase summary was submitted along with applicable receipts and signed by the cardholder and appropriate reviewer.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.
 - The purchase did not exceed the procurement code's small purchase, no competition limit set forth in Section 11-35-1550(2)(a).

We found no exceptions as a result of the procedures.

Payroll

4. Haphazardly selected ten employees who terminated employment and observed that they were removed from the payroll in accordance with the best practices established by the South Carolina Human Resources Division, and that their last paycheck, including any leave payout or comp time, was properly calculated.
5. Haphazardly selected ten employees hired and observed that they were added to the payroll in accordance with the best practices established by the South Carolina Human Resources Division and that their first paycheck was properly calculated.
6. Haphazardly selected five bonus payments and observed that:
 - The bonuses received during the year did not exceed \$3,000.
 - The payment amount agreed to the bonus justification form and the bonus was given in accordance with Department policy.
 - The bonus pay was approved by the appropriate supervisor.
7. Haphazardly selected ten inmate payments and inspected the Present Industry Payroll Report and timesheets and observed that:
 - These selected payroll disbursements were properly described, classified, and distributed in the accounting record.
 - The payee was a valid inmate.
 - The gross pay was supported by time or production records.
 - The withholdings were made in accordance with South Carolina Code of Laws Section 24-3-40 for items such as room and board, child support, restitution, victim's compensation fund, taxes, or purchase of incidentals.
 - The payroll disbursements were properly authorized and in accordance with existing legal requirements.
 - The payroll disbursements were processed in accordance with the Department's policies and procedures and State regulations.

Finding

One out of the ten employees inspected was not removed from the payroll system in accordance with best practices by the South Carolina Human Resources Division. Additionally, two employees were overpaid on their last paycheck.

Management Response

Management has reviewed the finding and concurs with the findings. With respect to one of the previous employees, the amount owed was cancelled by the South Carolina State Treasurer's Office and resolved within the fiscal year. Management will initiate corrective measures to include communication reminding Division Human Resources liaisons to run weekly SCEIS "missing time" reports to resolve time omissions resulting in over payments. Additionally, Management will recommend liaisons run SCEIS "wage type reporter" reports once each payroll cycle to indicate payroll amount variances and eliminate over payments. The Division of Human Resources is sending emailed instructions each payroll cycle with transaction deadlines for personnel actions to be completed by Division Human Resource liaisons, which ensures employees are removed from the payroll system timely.

Journal Entries and Transfers

8. Haphazardly selected ten journal entries and two transfers and inspected journal entry forms and observed that the journal entries and transfers were valid and approved by someone with proper authority and different from the preparer.

We found no exceptions as a result of the procedure.

Composite Reservoir Accounts

9. Obtained a listing of Department composite reservoir accounts and inquired with Department management whether the listing was complete.
10. Obtained fiscal year monthly reconciliations for each composite reservoir account, haphazardly selected three reconciliations, and perform the following procedures:
 - Recalculated selected reconciliations and observed that they were timely performed, reviewed, and properly documented in accordance with Department procedures.
 - Agreed month end balances from reconciliations to the general ledger.
 - Agreed month end balances from reconciliations to the State Treasurer's Office monthly reports.
 - Observed that reconciling differences were explained and resolved.
 - Observed that adjusting entries were made in the accounting records.
 - Obtained and recalculated the reconciliation of applicable composite reservoir account balances to the liability for assets held in custody for others.
 - Agreed the reconciled balance of the liability for assets held in custody for others to the general ledger.
11. Haphazardly selected and inspected ten composite reservoir account receipts and observed that they were properly described and classified in the accounting records, consistent with the purpose of the account, and recorded in the proper fiscal year.
12. Haphazardly selected and inspected ten composite reservoir account disbursements and observed that they were properly classified in the accounting records, were valid disbursements consistent with the purpose of the account, and that goods or services were procured in accordance with Department procedures.

We found no exceptions as a result of the procedures.

Assets and Personal Property

13. Haphazardly selected five capital asset acquisitions and inspected invoices and observed that each asset was properly capitalized and posted to the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
14. Haphazardly selected five capital asset retirements and inspected Surplus Property documents and observed that each asset was approved for removal and removed from the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
15. Inspected the inventory of personal property, excluding expendables, provided by the Department, and observed that it was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

Finding

Three out of the five capital asset acquisitions inspected were improperly capitalized and posted to the general ledger as set forth by the CG's Reporting Policies and Procedures Manual.

Management Response

Management has reviewed the finding and concurs with the improper capitalization. Management will amend procedures to confirm that Purchase Orders and Asset Shells in SCEIS are prepared utilizing general ledger coding that enables an all-inclusive capitalization of the asset valuation.

The following procedures were performed for the fiscal year ended June 30, 2023:

Palmetto Unified School District

16. Inquired of management regarding any investigation, audit or review associated with the Department's school district which was ongoing or completed during the fiscal year. Inspected reports of any completed investigation, audit or review associated with the Department's school district.

Palmetto Unified School District (Continued)

17. Obtained the Department's fiscal year 2023 school district financial schedules submitted through the South Carolina Department of Education (SCDE) online system. Agreed the account balances on the schedules to South Carolina Enterprise Information System (SCEIS) and haphazardly selected four of the balances and observed that the balances were properly recorded, described, and classified on the schedule.
18. Inspected budget allocations for the current year and the prior year to confirm consistent budgeting to support the Department's school district.
19. Compared school district total revenue to total expenditures for the current fiscal year and obtained an explanation from management if school district expenditures exceeded revenues and appropriations.
20. Through inquiry of management, observed and documented the Department's reserves/funding to maintain school district operations if an emergency or budget shortfall should occur.

We found no exceptions as a result of the procedures.

Reporting Packages

21. Inspected fiscal year end reporting packages submitted to the CG. Compared responses on the Master Reporting Package Checklist and any required supplemental information to the SCEIS general ledger and Department prepared records.
22. In addition to the procedure above, perform the following:
 - Prepaid Expenses Reporting Package

Agreed amounts to the Department prepared records. Haphazardly selected ten prepaid expenses and observed that the amounts were properly classified, calculated, and reported.
 - Accounts Payable Reporting Package

Agreed amounts to the SCEIS general ledger and Department prepared records. In addition, haphazardly selected ten payables from the Account Payable Summary Form and observed that the amounts were properly classified, calculated, and reported.
 - Lease Reporting Package

Haphazardly selected two leased assets and observed that:

 - The payment schedule in the reporting package agreed to the lease calculator provided by the Department.
 - The lease calculator agreed to information from the lease agreement, and the interest rate aligns with CG's guidance.
 - The principal amount for each leased asset agreed to the asset's value on the SCEIS *Asset History Sheet*.
 - The Department accurately recorded the principal and interest payments reported on the payment schedule for each selected lease in the general ledger as to the amount and account for the fiscal year.
 - Subsequent Events Questionnaire

Compared responses and any required supplemental information to the SCEIS general ledger and Department prepared records.

We found no exceptions as a result of the procedures.

Status of Prior Findings

23. Through inquiry of management and inspection of the Prepaid Expenses and Lease Reporting Packages, observed that the Department has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We observed that the Department took appropriate corrective action on all prior year findings.