

**SOUTH CAROLINA
LAW ENFORCEMENT DIVISION
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2020



Independent Accountant's Report on Applying Agreed-Upon Procedures

July 16, 2021

Chief Mark Keel
South Carolina Law Enforcement Division
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 Law Enforcement Division (the Division) for the fiscal year ended June 30, 2020. The Division's management is responsible for the systems, processes and behaviors related to financial activity.

The Division'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 Division 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 Division 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 Division's management. Management of the Division 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 Division 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 Division, 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 Related to the South Carolina Law Enforcement Division (D10)**

Cash Receipts/Revenues

1. Haphazardly select five cash receipts transactions, not relating to South Carolina Enterprise Information System (SCEIS) "ID" document type, and inspect supporting documentation to determine:
 - Supporting documentation for transaction agrees with the general ledger as to amount, date, payor, and account classification.
 - Revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2020 Appropriations 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 this procedure.

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 Division procedures, and invoice(s) agree(s) with general ledger as to vendor, amount, and date.
 - All supporting documents and approvals required by Division procedures are present and agree with the invoice.
 - The transaction is an expenditure of the Division.
 - The transaction is properly classified in the general ledger.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy.

For federally funded cash disbursements/non-payroll expenditures, 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. Haphazardly select five purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for fiscal year 2020 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Division policies.
 - The purchase is authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Finding

We identified improper general ledger account codings for two of the five disbursement transactions inspected. A payment for a service was miscoded as a payment for medical, scientific, and laboratory supplies. Additionally, a purchase of laboratory equipment was miscoded as rental of medical, scientific, and laboratory equipment.

Management Response

We agree with the finding. Corrective action has been taken to assign asset numbers for the purchase order. Procurement personnel have been advised to be diligent with checking for appropriate general ledger codes.

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 paycheck and leave payout were properly calculated.
5. Haphazardly select five employees hired during the fiscal year to determine if their start dates were added to the payroll correctly and that their first paycheck was properly calculated.

We found no exceptions as a result of these 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.

We found no exceptions as a result of this procedure.

Reporting Packages

7. Inspect fiscal year end reporting packages submitted to the CG. Compare responses in the Master Reporting Package Checklist and any required supplemental information to year end reporting packages submitted to the CG, amounts in SCEIS, and Department prepared records. Additionally, compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual.
8. In addition to the procedure above, perform the following:
 - Capital Assets Reporting Package

Compare responses and reported amounts to the SCEIS general ledger, the SCEIS asset history sheet and Division prepared records.

Reporting Packages (Continued)

- Operating Leases Reporting Package

Agree amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting Operating Lease Expense with Vendor* report and Division prepared records. In addition, based on inspection of invoices and lease agreements, determine that rental payments were properly classified, coded, and calculated by inspecting and recalculating the following reported amounts: (1) seven haphazardly selected vendor rental payments and (2) the effective dates and future minimum lease payments for three haphazardly selected operating leases. If applicable, obtain copies of the leases submitted to the CG to determine if all required leases were included.

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

Compare responses and amounts to invoices and contractual agreements inspected. In addition, inspect ten haphazardly selected commitments and agree them to reported amounts on the reporting package.

- Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and Division prepared records.

Findings

Operating Leases Reporting Package – Future minimum lease payments were understated by \$793,024, in total, for two operating leases. Additionally, the Division did not report a total of \$38,936 in future minimum lease payments related to operating leases that were omitted from the reporting package.

Subsequent Events Questionnaire – Payments Due to Employees – The Division responded that payments were made to employees after the July 16th payroll. However, the Division did not submit the required supplemental information as directed by the questionnaire.

Management Response

Operating Leases Reporting Package – We will ensure that the future minimum lease payments will be reported properly through additional review.

Subsequent Events Questionnaire – Payments Due to Employees – Regarding payments made after the July 16th payroll, this issue was the result of a lengthy settlement action involving retroactive payroll actions and two state agencies. It was a unique situation that once completed, the documentation was filed away in payroll records. Measures are now in place to ensure that payroll maintains an active record of any exceptions that is readily accessible and reviewed by payroll and human resources at the time the subsequent events questionnaire is prepared to ensure that events are accurately reported.

Composite Reservoir Accounts

9. Obtain a listing of Division composite reservoir accounts and inquire of Division management that the listing is complete.

Composite Reservoir Accounts (Continued)

10. Obtain fiscal year monthly reconciliations for each composite reservoir account and, for a total of two of the reconciliations, perform the following procedures:
 - Recalculate selected reconciliations and determine that they were timely performed, reviewed, and properly documented in accordance with Division 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.
11. Haphazardly select and inspect five 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.
12. Haphazardly select and inspect five composite reservoir account disbursements to determine that they were properly classified in the accounting records, were actual disbursements of the Division, and that goods and/or services were procured in accordance with Division procedures.

We found no exceptions as a result of these procedures.

Assets and Personal Property

13. Haphazardly select five capital asset acquisitions and inspect supporting documentation and agree to the SCEIS general ledger and the SCEIS asset history sheet. Determine that each asset was properly capitalized and posted to the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
14. Through inquiry of management and inspection of supporting documentation, determine that an inventory of Division property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

We found no exceptions as a result of these procedures.

Aircraft

15. Inspect the Division's log of all flights, available online for public inspection, and determine that any aircraft owned or operated by the Division is used only for official business in compliance with Proviso 117.22 of the fiscal year 2020 Appropriations Act.
16. Through inquiry of management and inspection of supporting documentation, determine that the Division acquired proper approval before purchasing aircraft in accordance with South Carolina Code of Laws Section 1-11-405. In addition, determine that the aircraft was properly recorded in the Department's general ledger.

We found no exceptions as a result of these procedures.

Appropriation Act Provisos

17. Determine compliance with the selected agreed-upon Division-specific state provisos (62.1 - Special Account Carry Forward, 62.6 - Witness Fee, 62.11 - Private Detective Fees Criminal History Checks, 62.12 - Concealable Weapons Permit Instructors Certification, and 62.17 - Criminal Record Search Fees) by inquiring with management and observing supporting documentation, where applicable.

Appropriation Act Provisos (Continued)

18. Through inquiry of management and inspection of supporting documentation, determine that the Division complied with Proviso 118.16 of the fiscal year 2020 Appropriations Act regarding non-recurring revenue received during the fiscal year.

We found no exceptions as a result of these procedures.

Status of Prior Findings

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

We determined that the Division has taken adequate corrective action on the findings reported during the engagement for the prior fiscal year, except for the operating lease reporting package finding above.