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State Auditor's report June 30, 2019

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

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

July 9, 2020

Chief Mark Keel
South Carolina Law Enforcement Division
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Law Enforcement Division (the Division), on the systems, processes and behaviors related to financial activity of the Division for the fiscal year ended June 30, 2019. The Division'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 Division. 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 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.

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. 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 from management an understanding of variations over \$100,000 - General Fund, \$500,000 - Earmarked Fund, \$100,000 - Federal Fund, and 10%.
2. Randomly select ten cash receipts transactions, not relating to South Carolina Enterprise Information System (SCEIS) document type "ID", and inspect supporting documentation to:
 - Ensure supporting documentation for transaction agrees with the general ledger as to amount, date, payor, document number, and account classification.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2019 Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
 - Determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of these procedures.

Cash Disbursements/Non-Payroll Expenditures

3. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations for the contractual services general ledger account series in the General, Earmarked, and Federal Funds.
4. Randomly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Division procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Division procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Division.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

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

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.

Cash Disbursements/Non-Payroll Expenditures (Continued)

5. Haphazardly select ten purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for fiscal year 2019 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.

We found no exceptions as a result of these procedures.

Payroll

6. 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 greater than 10%.
7. 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 changes greater than 10% when the proportion of employer contribution to personal service expenditures also varies at a rate greater than 5% between fiscal years.
8. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Division's policies and procedures, that the employee's last paycheck was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
9. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Division'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 these procedures.

Journal Entries and Transfers

10. Haphazardly select seven journal entries and three transfers for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedure.

Reporting Packages

11. Obtain copies of fiscal year end reporting packages submitted to the 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.

Reporting Packages (Continued)

12. In addition to the procedure above, perform the following:

- **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 Division prepared records.

- **Operating Leases Reporting Package**

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 and (2) the effective dates and future minimum lease payments for two haphazardly selected operating leases. In addition, confirm that the Division submitted copies of all leases to the CG in accordance with the CG's Reporting Package Instructions.

- **Accounts Payable**

Determine if reported payable amounts are reasonable/accurate based on agreement of reporting package totals to the SCEIS Yearend Rptg - Prior Year Payables with Vendor report, SCEIS Inter-Agency Prior Year Payables with Vendor Business Warehouse report, and/or Division prepared records. In addition, haphazardly select five payables to determine if reported amounts were properly identified, classified, and reported on the reporting package.

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

Determine if responses and amounts are reasonable/accurate based on inspection of invoices and/or contractual agreements.

- **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 Division prepared records.

Findings

- Capital Assets Reporting Package** - The Division incorrectly calculated and reported the outstanding construction commitments arising from capital projects. As a result, the reported commitment total was overstated by \$34,839.
- Operating Leases Reporting Package** - Future minimum rental payments for fiscal years 2021-2025 were understated by approximately \$27,500, in total, for one operating lease.
- Miscellaneous Loss Liabilities, Loss Contingencies, and Commitments Reporting Package**
The Division's reported miscellaneous commitments balance included commitments to parties within State government. Per the CG's Reporting Policies and Procedures Manual, commitments should only apply to parties outside of State government.

Reporting Packages (Continued)

Findings (Continued)

- D. **Subsequent Events Questionnaire - Compensated Absences** - The Division responded that it had no late submissions of leave. However, we identified late submissions of leave and late leave cancellations resulting in the Division's compensated absence liability balance being overstated by approximately \$7,750.

Management's Responses

- A. **Capital Assets Reporting Package** - The discrepancy was a result of a payment for \$34,839 that was processed in FY20 and flagged as a prior year payable, therefore showing up in the Accounts Payable closing package. We will ensure the project commitment is adjusted to the final amount in the closing package report.
- B. **Operating Leases Reporting Package** - We will ensure that the future minimum payments will be reported properly in the future.
- C. **Miscellaneous Loss Liabilities, Loss Contingencies, and Commitments Reporting Package** - We have always reported these pass through grants in this way. Going forward we will not report any pass through grants to other state agencies. We will make all efforts to correct this action moving forward.
- D. **Subsequent Events Questionnaire - Compensated Absences** - Apparently the SCEIS report, which can be used to assist in this evaluation, was not executed prior to responding to this question. Employees have since been informed of the actions needed prior to responding to any future audit inquiries. Employees have been trained on how to execute SCEIS reports as sources of information on leave submissions.

Assets and Personal Property

13. Haphazardly select five capital asset acquisitions and inspect supporting documentation, 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.
14. Haphazardly select three capital asset retirements and inspect supporting documentation and the SCEIS Asset History Sheet to determine that each asset was approved for removal and that the asset was properly removed from the Division's books/general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
15. Confirm 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.
16. Inspect the Division's portion of the Summary of Permanent Improvement Projects from the South Carolina 2018 Comprehensive Permanent Improvement Plan for the Plan Years 2019-2023 in accordance with South Carolina Code of Laws Section 2-47-55. Through inquiry, document the status of each project to determine if the plan is an accurate representation of the Division's activities.

We found no exceptions as a result of these procedures.

Governance, Risk and Compliance (GRC) SCEIS Module

17. Select the one control identified through the SCEIS GRC system that was updated during fiscal year 2019 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of the procedure.

Appropriation Act / Division-Specific Provisos

18. Confirm that the Division submitted to the State Human Affairs Commission employment and filled vacancy data by race and sex by October thirty-first of the fiscal year in accordance with Proviso 117.13 of the fiscal year 2019 Appropriation Act.
19. Confirm that the Division has proper approval for their blanket bonds in accordance with South Carolina Code of Laws Section 1-11-180.
20. Confirm that the Division maintains a continuing log of all flights online for public inspection and that aircrafts owned or operated by the Division are used only for official business in accordance with Proviso 117.22 of the fiscal year 2019 Appropriation Act.
21. Confirm compliance with the selected agreed-upon Division-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of these procedures.

Status of Prior Findings

22. Through inquiry and inspection, determine if 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.