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Independent accountant's report on applying agreed-upon procedures

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**SOUTH CAROLINA
CRIMINAL JUSTICE ACADEMY
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

June 6, 2018

Mr. Lewis J. Swindler, Director
and
Members of the Law Enforcement Training Council
South Carolina Criminal Justice Academy
5400 Broad River Road
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Criminal Justice Academy (the Academy), on the systems, processes and behaviors related to financial activity of the Academy for the fiscal year ended June 30, 2017. The Academy'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 Academy. 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 Academy has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

This report is intended solely for the information and use of the governing body and management of the South Carolina Criminal Justice Academy 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 Criminal Justice Academy (N20)**

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 and document an understanding of variations over \$5,000 and 10% for the General Fund, \$100,000 and 10% for the Earmarked Fund, and \$100,000 and 10% for the Federal Fund.
2. Randomly select fifteen cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
3. Randomly select ten cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over \$400,000 and 10% for the General Fund, \$400,000 and 10% for the Earmarked Fund, and \$10,000 and 10% for the Federal Fund.
5. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Academy procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Academy procedures and good business practice are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Academy, properly coded to the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures we will 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.
6. Randomly select twenty-five non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Finding:

One employee was reimbursed for lodging at a rate which exceeded the U.S. General Services Administration's (GSA) maximum lodging rate. The employee was reimbursed \$119/night; however, the GSA rate was \$91/night. In addition, the Academy did not complete the "Approval for Exceeding Travel Expense Limits" form to justify approval for the rate.

Management's Response:

This occurred with a hotel that normally reduces its rates to the GSA rate for our employees and this was overlooked on this occasion. The process has now been changed to require an employee to attach a copy of the GSA rates for the area of travel to their travel reimbursement request.

Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$400,000 and 10% for the General Fund, \$400,000 and 10% for the Earmarked Fund, and \$10,000 and 10% for the Federal Fund.
8. Randomly select twenty-five employees, including five general fund employees, and inspect supporting documentation during the fiscal year to:
 - Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Academy.
 - Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.
9. Select one bonus pay disbursement to determine:
 - Employee does not make more than \$100,000 annually.
 - Bonuses received during the year did not exceed \$3,000.
 - Transaction was appropriately documented and approved.
10. Randomly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Academy's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
11. Randomly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Academy's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
12. 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%.
13. 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 changes greater than 10%.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

14. Randomly select fifteen journal entries and 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 procedures.

Appropriation Act

15. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
16. Confirm compliance with the selected agreed-upon Academy-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.

Reporting Packages

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

18. In addition to the procedure above, we will perform the following:

- Capital Assets Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Asset History Sheet and/or Academy prepared records.

- Other Receivables Reporting Package

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/or Academy prepared records.

In addition, haphazardly select up to five receivables to determine if the amounts were properly classified, calculated and reported.

- 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 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.

We found no exceptions as a result of the procedures.

Capital Assets

19. Haphazardly select six capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine the 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.
20. Haphazardly select three capital asset retirements and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine if the asset was properly removed from the Academy's books and the disposal was properly approved.

Finding:

The Academy capitalized a computer server with a useful life of 10 years. The CG's Reporting Policies and Procedures Manual requires computer equipment (hardware) to be given a useful life between 3-7 years.

Management's Response:

Due to the description of this item, it was misidentified and set up under the asset class of SCEIS - Other Equipment instead of Data Processing equipment. In the future there will be additional research to determine the appropriate asset class to prevent a recurrence.

Procurement Card Transactions

21. Haphazardly select ten procurement card purchases and inspect supporting documentation to determine:
 - The cardholder is an authorized user.
 - The purchase is reasonable based on the cardholder's position.
 - The monthly purchase statement was submitted along with applicable receipts and signed by both the cardholder and supervisor.
 - The transaction did not exceed the single transaction limit or the individual credit card limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedures.

Minutes

22. We will inspect the Academy's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.

Status of Prior Findings

23. Through inquiry and inspection, determine if the Academy 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.