

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

**State Auditor's Report**

**For the Fiscal Year Ended June 30, 2022**



Independent Accountant's Report on Applying Agreed Upon Procedures

August 17, 2023

Mr. Bryan P. Stirling, Director  
South Carolina Department of Corrections  
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 Corrections (the Department) for the fiscal year ended June 30, 2022. 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 fiscal year ended June 30, 2022. 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-Up on 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, CPA  
State Auditor

**South Carolina Office of the State Auditor  
Agreed - Upon Procedures Related to the South Carolina Department of Corrections (N04)**

**Cash Receipts/Revenues**

1. Haphazardly select fifteen cash receipts and inspect check logs, canteen ledger detail reports, checks, deposit slips, and invoices to determine:
  - Receipt agrees with the general ledger as to amount, date, payor, and account classification.
  - Receipt was deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2022 Appropriation Act.
  - Both revenue collections and amounts charged are properly authorized by South Carolina Code of Laws Section 24-3-40, 24-3-400, 24-3-430(B), 24-3-430(H), Proviso 65.1, Proviso 65.7, or Proviso 117.44.
  - Receipt was recorded in the proper fiscal year.

We found no exceptions as a result of the procedure.

**Cash Disbursements/Non-Payroll Expenditures**

2. Haphazardly select fifteen non-payroll disbursements and inspect invoices and approvals to determine:
  - Invoices agree with general ledger as to vendor, amount, and date.
  - The disbursement approval was performed by an individual, with proper authority, other than the preparer.
  - The disbursement is a valid expenditure of the Department.
  - The disbursement is properly classified in the general ledger.
  - The disbursement is recorded in the proper fiscal year.
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For federally funded cash disbursements/non-payroll expenditures, inspect invoices and approvals to determine:

- Disbursements 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 fifteen purchasing card transactions and inspect monthly purchase summaries and invoices to determine:
    - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Division of Procurement Services' South Carolina Purchasing Card Policy and Procedures.
    - The monthly purchase summary was submitted along with applicable receipts and signed by the cardholder and approved by the supervisor.
    - 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 South Carolina 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 select ten employees who terminated employment during the fiscal year to determine if 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, was properly calculated.

## Payroll (Continued)

5. Haphazardly select ten employees hired during the fiscal year to determine if 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 select ten inmate payments and inspect signed job descriptions, payroll reports, and timesheets to determine:
  - The payroll disbursements were properly described, classified, and distributed in the accounting records.
  - The payee was a valid inmate.
  - The gross pay was supported by time or production records.
  - The withholdings were made in accordance with 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 24-3-430.
  - The payroll disbursements were processed in accordance with the Department's policies and procedures.

We found no exceptions as a result of the procedures.

## Journal Entries and Transfers

7. Haphazardly select ten journal entries and two transfers and inspect journal entry and transfer forms to determine that the journal entries and transfers are valid and approved by someone with proper authority and different from the preparer.

We found no exceptions as a result of the procedure.

## Reporting Packages

8. Inspect fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Compare responses in the Master Reporting Package Checklist and any required supplemental information to year end reporting packages submitted to the CG, the South Carolina Enterprise Information System (SCEIS) or Department prepared records. Additionally, compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual.

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

- Prepaid Expenses Reporting Package

Agree amounts to the *SCEIS Yearend Reporting - Prepaid Expenses* report or Department prepared records. Haphazardly select eight prepaid expenses and determine if the amounts were properly classified, calculated, and reported.

- Accounts Payable Reporting Package

Agree amounts to the SCEIS general ledger, *SCEIS Yearend Reporting - Prior Year Payables with Vendor* report or Department prepared records. In addition, haphazardly select ten payables from the Accounts Payable Summary Form and determine if the amounts were properly identified, classified, and reported on the reporting package.

- Subsequent Events Questionnaire

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

## Reporting Packages (Continued)

### Findings

**Prepaid Expenses Reporting Package** – One prepaid transaction was incorrectly reported on the Prepaid Expenses Summary Form which caused current prepaid expenses to be understated by \$22,107 and the expensed column to be overstated by \$22,107.

**Accounts Payable Reporting Package** – Total payables were understated by \$10,650 due to the omission of one contract retention payable from the Department's prepared records.

### Management Responses

**Prepaid Expenses Reporting Package-** Management reviewed the invoice paid and concurs that the prepaid portion for FY2022 was reported incorrectly. The Finance Division flags invoices that include prepaid periods and tracks the prepaid periods and amounts on an annual basis using an electronic spreadsheet. Corrective action will include management's quarterly review of the spreadsheet with verification of the invoice and accuracy of the spreadsheet in preparation for fiscal year close-out and the Prepaid Expense Reporting Package.

**Accounts Payable Reporting Package** – Management concurs with the finding. The Finance Division receives retention payables information from another division within the agency. Corrective action will include the Finance Division coordinating with Facilities Management to develop an electronic spreadsheet to track by invoice the retainage data. The spreadsheet will be reviewed quarterly by the Finance Division for accuracy in preparation for fiscal year close-out and the Accounts Payable Reporting Package.

### Composite Reservoir Accounts

10. Obtain a listing of Department composite reservoir accounts and inquire of Department management that the listing is complete.
11. Obtain fiscal year monthly reconciliations for each composite reservoir account, and for a total of four reconciliations, perform the following procedures:
  - Recalculate selected reconciliations and determine that they were properly performed, reviewed, and documented in accordance with Department procedures.
  - Agree month end balances from reconciliations to the general ledger.
  - Agree month end balances 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.
  - Obtain and recalculate the reconciliation of applicable composite reservoir account balances to the liability for assets held in custody for others.
  - Agree the reconciled balance of the liability for assets held in custody for others to the general ledger.
12. Haphazardly select and inspect ten composite reservoir account receipts to determine 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.
13. Haphazardly select and inspect ten composite reservoir account disbursements to determine 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

14. Haphazardly select ten capital asset acquisitions and inspect related invoices 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.

### **Assets and Personal Property (Continued)**

15. Haphazardly select five capital asset retirements and inspect the South Carolina State Surplus Property Turn-In Document 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.
16. Inspect the inventory of personal property, excluding expendables, provided by the Department to determine that it was completed as required by South Carolina Code of Laws Section 10-1-140.

We found no exceptions as a result of the procedures.

### **Palmetto Unified School District**

17. 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.
18. Obtain the Department's fiscal year June 30, 2022 school district financial schedules submitted through the South Carolina Department of Education (SCDE) online system. Agree the account balances on the schedules to SCEIS and haphazardly select four of the balances and inspect invoices, journal entry forms, and the final letter of Education Finance Act allocations to determine that the balance is properly recorded, described, and classified on the schedule.
19. Inspect budget allocations for the current year and the prior year to determine consistent budgeting to support the Department's school district.
20. 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.
21. 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.

We found no exceptions as a result of the procedures.

### **Status of Prior Findings**

22. Through inquiry of management and inspection of the personal property inventory and personnel files, determine the Department has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

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