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**SOUTH CAROLINA
COMMISSION ON INDIGENT DEFENSE**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

August 21, 2018

Mr. J. Hugh Ryan, III, Executive Director
South Carolina Commission on Indigent Defense
1330 Lady Street, Suite 401
Columbia, South Carolina 29201

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Commission on Indigent Defense (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2017. The Commission'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 Commission. 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 Commission 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 management of the Commission 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 Commission on Indigent Defense (E23)

Cash Receipts/Revenues

1. Compared current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtained and documented an understanding of variations over \$5,000 – General Fund, \$60,000 – Restricted and Federal Funds and 10%.
2. Haphazardly selected fifteen cash receipts transactions and inspected supporting documentation to:
 - Agreed transaction amount, date, payor, document number, and account coding to the general ledger.
 - Determined that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensured that both revenue collections and amounts charged were properly authorized by law.
3. In addition to procedure 2 above, haphazardly selected ten cash receipt transactions from the following revenue accounts; five transactions from Conviction Surcharge and five transactions from Civil Action Application Fee, inspected against the same attributes.
4. Randomly selected five cash receipts and inspected supporting documentation to determine that receipts were recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

5. Compared current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtained and documented an understanding of variations over \$1,000,000 – General Fund, \$10,000 – Earmarked Fund, \$500,000 – Restricted Fund, \$10,000 – Federal Fund and 10%.
6. Haphazardly selected fifteen non-payroll disbursements and inspected supporting documentation to determine:
 - Transaction was properly completed as required by Commission procedures; invoice(s) agreed with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Commission procedures were present and agreed with the invoice.
 - The transaction was a bona fide expenditure of the Commission, 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 / confirmed proper sales/use tax.

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

- Charges were 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)

7. In addition to procedure 6 above, haphazardly selected ten non-payroll disbursements from the following expenditure accounts; five transactions from Attorney Fees-Defense of Indigents and five transactions from Aid to Counties-Defense of Indigents, inspected against the same attributes.
8. Randomly selected twenty non-payroll disbursements and inspected supporting documentation to determine that disbursements were recorded in the proper fiscal year.

Finding

During our inspection of disbursements, it was revealed that one transaction for \$2,400 was not properly identified and reported as a prior year payable for fiscal year 2016, resulting in overstating the fiscal year 2017 expenditures for Other Contractual Services.

Management's Response

The identified transaction was invoiced on 7/1/2016 and was paid as a current year expenditure, FY17 and should have been paid as a prior year expenditure since the work was done in May and June of 2016. The agency has expanded our review process of year end transactions to better identify prior year payables to accurately process payments in the correct fiscal year.

Procurement Card Transactions

9. Haphazardly selected ten purchasing card disbursements from the Comptroller General's listings of purchasing card transactions for fiscal year 2017 to determine:
 - The cardholder was authorized.
 - The purchase was 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.

Finding

During our inspection of procurement card transactions, it was revealed that the Commission did not include the cardholder and supervisory signatures on the monthly procurement card activity statements.

Management's Response

In FY16-17, SCCID's Comptroller was reviewing the procurement card monthly statements but did not provide a signature on those documents. The Comptroller approved the payment of the monthly statements through SCEIS. In FY17-18, SCCID instituted new policies which require the signature of the card holder to verify the purchase activity of the card for which they are listed as cardholder and the agency's Comptroller to verify that the purchases were reviewed and approved prior to the monthly statement being paid. The Comptroller will also approve all purchase transactions through SCEIS.

Payroll

10. Compared current year payroll expenditures at the subfund and account level to those of the prior year. Obtained an understanding of variations over \$1,000,000 – General Fund, \$10,000 – Earmarked Fund, \$500,000 – Restricted Fund, \$10,000 – Federal Fund and 10%.

Payroll (Continued)

11. Randomly selected nine employees and inspected supporting documentation during the fiscal year to:
 - Obtained and inspected the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person was a bona fide employee of the Commission.
 - Agreed gross pay to supporting documentation confirming all changes to gross salary for the year. Determined that all changes were properly approved.
12. Haphazardly selected five employees hired during the fiscal year and determined that they were added to the payroll in accordance with the Commission's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
13. Haphazardly selected five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Commission'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.
14. Haphazardly selected five employees from the Expense Allowance expenditure account and:
 - Determined that the employee is eligible for receiving an expense allowance.
 - Determined that the total allowance received did not exceed the allowed amount.
15. Compared 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. Obtained an explanation of changes greater than 10%.
16. Computed the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtained an explanation of variations greater than 10%.

Finding

During our inspections of payroll, it was revealed that for seven of the eighteen employees inspected, the Commission did not include approval signatures in the employee files properly supporting authorizations for salaries paid to the employees.

Management's Response

SCCID has placed in all agency employee personnel files an authorization letter signed by the agency's Executive Director, which shows the employee's authorized salary on the effective date of 7/1/2017.

Journal Entries and/or Transfers

17. Haphazardly selected twenty journal entries and/or transfers for the fiscal year and:
 - Traced postings to the general ledger, confirmed amounts agree with supporting documentation.
 - Confirmed transaction was properly approved.
 - Inspected supporting documentation to confirm the purpose of the transaction.

Journal Entries and/or Transfers (Continued)

18. In addition to procedure 17 above, haphazardly selected five transfers from the Court Fine Revenue account and inspected against the same attributes.

We found no exceptions as a result of the procedures.

Appropriation Act

19. Inspected the Appropriation Act work program, provided to and completed by management, confirmed areas of noncompliance, if any.
20. Confirmed compliance with the selected agreed-upon Commission-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

21. Obtained copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspected the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
22. In addition to the procedure above, we performed the following:

- Accounts Payable

Determined that responses and reported amounts were reasonable/accurate based on the inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, SCEIS Yearend Reporting - Prior Year Payables with Vendor and/or Commission prepared records. Haphazardly selected ten prior year payable transactions to determine if the amounts were properly classified, calculated and reported on the reporting package.

- Subsequent Events Questionnaire

Determined that responses were reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Commission prepared records.

Finding

During our inspection of reporting packages, it was revealed that the grants and contribution revenues reporting package was submitted after the CG's due date. This reporting package was submitted approximately twenty-nine business days late.

Management's Response

In 2017 SCCID, was told by the Comptroller General's Office that we were not required to submit a grants package due to the fact that we were the sub-grantee. SCCID was informed that the SC Department of Public Safety's Grant Package would include our sub-grant information. After verifying this information with SCDPS, SCCID found out that their grant package did not include our sub-grant information. SCCID immediately contacted the Comptroller General's Office and submitted the grant package at that time.

Minutes

23. Inspected the Commission'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.

Mitigating Controls – SCEIS GRC Module

24. Selected all five controls from the Mitigation Controls Report and walkthroughs completed by management to confirm the controls were operating as designed.

We found no exceptions as a result of the procedures.

Status of Prior Findings

25. Through inquiry and inspection, determined the Commission 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.