

**South Carolina
Department of Juvenile Justice**

Columbia, South Carolina

State Auditor's Report

For the Period July 1, 2022 to April 30, 2023

and

Selected Procedures

For the Fiscal Year Ended June 30, 2022



Independent Accountant's Report on Applying Agreed Upon Procedures

August 29, 2023

Ms. L. Eden Hendrick, Executive Director
South Carolina Department of Juvenile Justice
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 Juvenile Justice (the Department) for the fiscal year ended June 30, 2022, and the period July 1, 2022 to April 30, 2023. 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 engagement periods. 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-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 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 Juvenile Justice, 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 Juvenile Justice (N12)**

The following procedures were performed for the period July 1, 2022 to April 30, 2023:

Cash Receipts/Revenues

1. Haphazardly select fifteen cash receipts and inspect check logs, customer invoices, deposit slips, and wire transfers to determine:
 - Receipts agree with the general ledger as to amount, date, payor, and account classification.
 - Receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2023 Appropriation Act.
 - Both revenue collections and amounts charged are properly authorized by South Carolina Code of Laws Sections 63-19-1610, 63-19-450, Proviso 67.12, or Proviso 117.44.
 - Receipts are recorded in the proper fiscal year.

Recommendation

We recommend the Department enhance their current record keeping process for credit card sales transactions at the Store of Hope to ensure transaction details are retained and available at the Department for reconciliation to the accounting system and for efficient inventory management purposes.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select fifteen non-payroll disbursements and inspect invoices and approvals to determine:
 - The name of the vendor, amount, and date on the invoices agree with the general ledger.
 - 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.

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 ten purchasing card transactions from reports of the banking institution and inspect monthly purchase summaries and applicable receipts to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Department policies and procedures.
 - The purchase is a valid expenditure.
 - 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).

Cash Disbursements/Non-Payroll Expenditures (Continued)

Finding

One purchasing card transaction exceeded the single transaction limit without prior approval. Additionally, for one monthly purchase summary, the supervisor's approval signature was after the date the purchasing card balance had been paid for the month. A similar finding was reported in the prior year State Auditor's Report.

Management's Response

We will meet with all divisions to ensure proper controls are in place for purchasing card transactions. Each division will be provided with approval sheets, which will be used when seeking prior approval for purchases exceeding the single transaction limit. We will communicate with division managers to ensure a clear understanding of the approval process. In addition, documentation will be attached to transactions so that those unfamiliar with the purchase can easily view the details of the expense.

Payroll

4. Haphazardly select ten employees who terminated employment during the period 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.
5. Haphazardly select ten employees hired during the period 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.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

6. Haphazardly select eight journal entries and two transfers and inspect journal entry and transfer forms, original document numbers, and invoices 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.

Composite Reservoir Accounts

7. Obtain a listing of Department composite reservoir accounts and inquire of Department management that the listing is complete.
8. Obtain fiscal year monthly reconciliations for each composite reservoir account. For 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 accounting records.
 - 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.
9. 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.
10. 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

11. Haphazardly select five capital asset acquisitions and inspect invoices to determine that each asset was properly capitalized and posted to the general ledger in accordance with the Office of the State Comptroller General's (CG) Reporting Policies and Procedures Manual.
12. Haphazardly select five capital asset retirements and inspect asset retirement forms 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.

Findings

Capital Asset Acquisitions - The following discrepancies were identified in our inspection:

- The Department did not pay use taxes on three capital asset acquisitions. Therefore, use tax was not properly included in the book value for those three assets.
- For one capital asset acquisition, the Department improperly excluded installation and component equipment costs which should have been included in the capitalization value.

Capital Asset Retirements – The Department's asset retirement form requires signatures from both the inventory custodian and division manager. One form had no approvals documented, and the remaining four forms lacked a division manager's signature.

Management's Response

We will ensure that assets are properly capitalized, and all required signatures will be applied to the asset retirement form. To support this effort, training will be provided to staff members on the proper application of use tax and adherence to asset procedures. For our recent new hires, part of their transition into our agency will include trainings on how to properly record capital asset acquisitions in the accounting system.

The following procedures were performed for the fiscal year ended June 30, 2022:

Reporting Packages

13. 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, 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.
14. In addition to the procedure above, inspect the Subsequent Events Questionnaire by comparing responses and any required supplemental information to the SCEIS general ledger or Department prepared records.

We found no exceptions as a result of the procedures.

Personal Property

15. Inspect the inventory of personal property, excluding expendables, provided by the Department to determine that it was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

Finding

Similar to the finding reported in the prior year, the Department did not complete an inventory of personal property as required by South Carolina Code of Laws Section 10-1-140.

Personal Property (Continued)

Management's Response

The annual inventory was completed by hand by a previous employee and all inventory documentation could not be located. To ensure the inventory process is properly documented and completed, we will properly plan the annual inventory. Also, an additional team member, along with our asset coordinator, will be included in the inventory process. This will provide extra assistance and help identify any potential oversight.

Fiscal Monitoring of Schools

16. 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.
17. Obtain a trial balance for the Department's school district for the current and prior fiscal year. Haphazardly select three balances from the trial balances and inspect invoices or purchases orders to determine that the balance is properly recorded and classified on the trial balance.
18. Inspect budget allocations for the current year and the prior year to determine consistent budgeting to support the Department's school district.
19. 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.
20. 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

21. Through inquiry of management and inspection of invoices, monthly purchase summaries, lease agreements, and the subsequent events reporting package, 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 has taken adequate corrective action on the findings, except as described in the Cash Disbursements/Non-payroll Expenditures and Personal Property sections above. Additionally, we are repeating the finding reported in the Lease Reporting section of the prior year report because corrective action is still on-going.