

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

May 30, 2006

The Honorable Mark Sanford, Governor
and
Mr. William R. Byars, Jr., Director
South Carolina Department of Juvenile Justice
Columbia, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records and internal controls of the South Carolina Department of Juvenile Justice for the fiscal year ended June 30, 2005, was issued by Scott McElveen, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tom Wagner".

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

South Carolina Department of Juvenile Justice

Independent Accountants' Report on

Applying Agreed-Upon Procedures

for the year ended June 30, 2005

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Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Mark Sanford, Governor
and
Mr. William R. Byars, Jr., Director
South Carolina Department of Juvenile Justice
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina Department of Juvenile Justice (the "Department") and the South Carolina Office of the State Auditor (the "State Auditor"), solely to assist you in evaluating the accounting records of the Department for the fiscal year ended June 30, 2005, in the areas addressed. The Department's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the State Auditor. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Cash Receipts and Revenues

- We inspected selected recorded receipts to determine if these receipts were properly described and classified in the accounting records and internal controls over the selected receipt transactions were adequate to detect errors and/or irregularities.
- We inspected selected recorded receipts to determine if the receipts were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system ("STARS") as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.
- We compared current year recorded revenues to those of the prior year and we used estimations and other procedures to evaluate the reasonableness of collected and recorded amounts by revenue account.

We found no exceptions as a result of the procedures.

2. Non-Payroll Disbursements and Expenditures

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records, were bona fide disbursements of the Department, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations; and if internal controls over the selected disbursement transactions were adequate to detect errors and/or irregularities.
- We inspected selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded expenditures were in agreement.
- We compared current year expenditures to those of the prior year to determine the reasonableness of amounts paid and recorded by expenditure account.

We found no exceptions as a result of the procedures.

3. Payroll Disbursements and Expenditures

- We inspected selected recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements; and internal controls over the selected payroll transactions were adequate to detect errors and/or irregularities.
- We inspected selected recorded payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS.
- We inspected payroll transactions for selected new employees and those who terminated employment and tested internal controls over these transactions.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement.
- We compared current year recorded payroll expenditures to those of the prior year; and compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source to determine if recorded payroll and fringe benefit expenditures were reasonable by expenditure account.

We found no exceptions as a result of the procedures.

4. Journal Entries, Operating Transfers and Appropriation Transfers

- We inspected selected recorded journal entries, operating transfers, and appropriation transfers to determine if these transactions were properly described and classified in the accounting records, they agreed with the supporting documentation, were adequately documented and explained, were properly approved, and were mathematically correct; and the internal controls over these transactions were adequate to detect errors and/or irregularities.

We found no exceptions as a result of the procedures.

5. General Ledger and Subsidiary Ledgers

- We inspected selected entries and monthly totals in the subsidiary records of the Department to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger, and the internal controls over the selected transactions were adequate to detect errors and/or irregularities.

We found no exceptions as a result of the procedures.

6. Reconciliations

- We obtained all monthly reconciliations prepared by the Department for the year ended June 30, 2005, and inspected selected reconciliations of balances in the Department's accounting record to those in STARS as reflected on the Comptroller General's reports to determine if they were accurate and complete. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amount to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Department's accounting records and/or in STARS.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented in Section A in the Accountants' Comments section of this report.

7. Compliance

- We confirmed through inspection of payroll and non-payroll disbursement vouchers, cash receipts and other documents, inquiry of Department personnel and or observation of Department personnel performing their assigned duties, the Department's compliance with all applicable financial provisions of the South Carolina Code of Laws, Appropriations Act, and other laws, rules, and regulations for fiscal year 2005.

We found no exceptions as a result of the procedures.

8. Closing Packages

- We obtained copies of all purported closing packages as of and for the year ended June 30, 2005, prepared by the Department and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

9. Schedule of Federal Financial Assistance

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2005, prepared by the Department and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts were reasonable; and if they agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

10. Status of Prior Findings

- We inquired about the status of the deficiencies described in the findings reported in the Accountant's Comments section of the State Auditor's Report on the Department resulting from our engagement for the fiscal year ended June 30, 2004, to determine if adequate corrective action has been taken.

Our findings as a result of these procedures are presented in Section B in the Accountants' Comments section of this report.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified areas, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor, management, and the South Carolina Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Scott McElveen, L.L.P.

Columbia, South Carolina
May 8, 2006

Accountants' Comments

Section A – Weakness Not Considered Material

The procedures agreed to by the Department require that we plan and perform the engagement to obtain reasonable assurance about whether noncompliance with the requirements of State Laws, Rules, or Regulations occurred and whether internal accounting controls over certain transactions were in place. Management of the entity is responsible for establishing internal controls. A material weakness is a condition in which the design or operation of one of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Therefore, the presence of a material weakness or violation will preclude management from asserting that the entity has effective internal controls.

The condition described below has been identified as a weakness subject to correction or improvement but it is not considered a material weakness or a violation of State Laws, Rules, or Regulations.

Reconciliations With Unresolved Differences

One of our procedures was to agree the amounts per the Department reconciliations to the Comptroller General reports. In the area of expenditures, we noted several months in which the expenditures per the reconciliations did not agree to the expenditures per the Comptroller General reports. This was due to a formula error in the reconciliations in which new accounts were not being included in the totals. Department personnel became aware of this error while performing the May of 2005 reconciliation and the error was corrected. Therefore, the cumulative expenditures per the reconciliation of June 2005, did agree to the Comptroller General expenditures for the same period.

Section B – Status of Prior Findings

There was one finding for the year ended June 30, 2004, the last year for which an agreed-upon procedure report was issued for South Carolina Department of Juvenile Justice. This finding pertained to monthly reconciliations. Unresolved differences were identified in the cash, expenditure, and revenue reconciliations. For example, reconciling items in cash with sub-fund 1001 remained unresolved for fiscal months 2 through 5, reconciling items of expenditures with the mini code 6740 and sub fund 3528 remained unresolved throughout the year, and the revenue reconciliation with sub fund 1001 remained unresolved for the months September thru December 2003. In addition, in an effort to review the cash amounts in the reconciliations summary sheet for fiscal months 1 through 12, we were unable to trace some amounts on the reconciliations summary sheet to the SABARS or Comptroller General's records because this data was being pulled from incorrect fields in the supporting sheets. Based upon our follow-up review of the prior year finding, the Department corrected the unresolved issues in 2005. However, there was a different finding relating to expenditure reconciliations which is described above in Section A.



South Carolina
Department of
Juvenile Justice

Bill Byars, Director

P.O. Box 21069
Columbia, SC 29221-1069
www.state.sc.us/djj



Mark Sanford
Governor
State of South Carolina

May 24, 2006

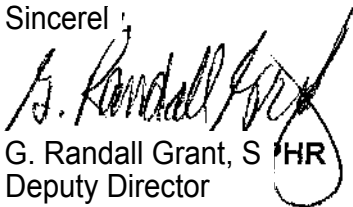
Mr. Randy Scott
Scott McElveen, L.L.P.
Post Office Box 8388 29201
1441 Main Street, Suite 1200
Columbia, SC 29202

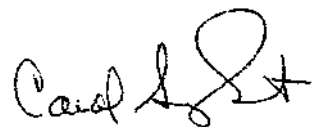
Dear Mr. Scott:

We have received and discussed your Independent Accountants' Report on Applying Agreed-Upon Procedures. We agree that there were some unresolved differences in the reconciliations that were not corrected for several months; however, they were resolved by our fiscal yearend.

Our reconciliation process is evolving to ensure that we use updated electronic files in order to ensure efficiency and accuracy. We will continue to look for ways to improve this process. We appreciate your help in identifying this weakness and look forward to eliminating this from your report in the future years.

Sincerely,


G. Randall Grant, S^{HR}
Deputy Director


Carol Seawright, MPA
Fiscal Affairs Administrator

Administrative Services Division
4900 Broad River Road, Goldsmith Building, Suite 123
Columbia, South Carolina 29212-3521
Telephone (803) 896-9744 Fax (803) 896-9767