
South Carolina Department of Public Safety

Columbia, South Carolina

Independent Accountant's Report on Applying Agreed-Upon
Procedures for the year ended June 30, 2008

State of South Carolina



Office of the State Auditor

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December 15, 2008

The Honorable Mark Sanford, Governor
and
Mr. Mark A. Keel, Director
South Carolina Department of Public Safety
Columbia, South Carolina

This report on the application of agreed-upon procedures to the accounting records and internal controls of the South Carolina Department of Public Safety for the fiscal year ended June 30, 2008, was issued by Brown CPA, LLC, 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 "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/cwc

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BROWN CPA, LLC

Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Office of State Auditor and management of South Carolina Department of Public Safety (the "Department"), solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2008, in the areas addressed. The Department 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 specified parties in this report. 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 in accordance with the Department's policies and procedures and State regulations.
- We inspected selected recorded receipts to determine if these 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 at the subfund and object code level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that revenue was classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels \$20,000 – general fund, \$170,000 – earmarked fund, \$35,000 – restricted fund, and \$130,000 – federal fund and ± 10 percent.
- We made inquiries of management pertaining to the Department's policies for accountability and security over permits, licenses, and other documents issued for money. We observed Department personnel performing their duties to determine if they understood and followed the described policies.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

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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 in accordance with the Department's policies and procedures and State regulations, 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.
- 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 at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels \$370,000 – general fund, \$140,000 – earmarked fund, \$22,000 – restricted fund, and \$130,000 – federal fund and ± 10 percent.

The individual transactions selected were chosen systematically. 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 processed in accordance with the Department's policies and procedures and State regulations.
- We inspected selected 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 to determine if the employees were added and/or removed from the payroll in accordance with the Department's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
- 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 at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels \$370,000 – general fund, \$140,000 – earmarked fund, \$22,000 – restricted fund, and \$130,000 – federal fund and ± 10 percent.

- We 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. We investigated changes of ± 15 percent to ensure that payroll expenditures were classified properly in the Department's accounting records. The individual transactions selected were chosen systematically. Our finding as a result of these procedures is presented in the Accountant's Comments section of this report.

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, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the Department's policies and procedures and State regulations. The individual transactions selected were chosen randomly. 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 selected entries were processed in accordance with the Department's policies and procedures and State regulations. The transactions selected were chosen randomly. 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, 2008, and inspected selected reconciliations of balances in the Department's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if accounts reconciled. 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 amounts to the Department's general ledger, agreed the applicable amounts to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in Department's accounting records and/or in STARS. The reconciliations selected were chosen systematically. We found no exceptions as a result of the procedures.

7. Appropriation Act

- We inspected documents, observed processes, and/or made inquiries of Department personnel to determine the Department's compliance with Appropriation Act general and Department specific provisos.

We found no exceptions as a result of the procedures

8. Closing Packages

- We obtained copies of all closing packages as of and for the year ended June 30, 2008 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; and if the amounts reported in the closing packages 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, 2008, 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 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 finding reported in the Accountant's Comments section from the Department's previous agreed-upon procedures report for the fiscal year ended June 30, 2007, to determine if the Department had taken adequate corrective action.

Our finding as a result of these procedures is presented in the Accountant's 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 elements, 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, the South Carolina Office of the State Auditor, and the Director and management of the Department of Public Safety and is not intended to be and should not be used by anyone other than these specified parties.

BROWN CPA, L.L.C.

Irmo, South Carolina
December 5, 2008

ACCOUNTANT'S COMMENTS

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the Department require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

SECTION A – VIOLATION OF STATE LAWS, RULES OR REGULATIONS

The condition described in this section has been identified as a violation of State Laws, Rules or Regulations.

Payroll Disbursements and Expenditures

During the testing of employee final pay it was determined that the final pay for two out of ten employees tested was miscalculated. It was determined that the two individuals were each overpaid by approximately \$42 due to a miscalculation of the number of days worked during the final pay period. Section 8-11-30 of the 1976 South Carolina Code of Laws, as amended, states that it is unlawful for anyone to receive a salary from the State which is not due or for anyone employed by the State to pay salaries or monies that are not due.

We recommend that the Department more closely supervise and review the initial and final pay calculations for those employees being hired and terminated.

SECTION B – STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments Section of the Independent Accountant's Report on Applying Agreed-Upon Procedures at the Department of Public Safety for the fiscal year ended June 30, 2007, and dated December 11, 2007. The following is the status of each prior year comment.

Prior Year Comment

CLOSING PACKAGE REPORTING OF COMMITMENTS

Status

Corrective Action Taken

Section 59.2 of the 2007 State Appropriations Act specifies that the Comptroller General is given full power and authority to issue accounting policy directives to state agencies in order to comply with Generally Accepted Accounting Principles ("GAAP"). Section 3.16 of the Office of the Comptroller General GAAP Closing Procedures Manual states that agencies should report "commitments for which contracts were signed or promises were made on or before June 30 of the current fiscal year and the unperformed amounts of all commitments for the agency at June 30 totaled more than \$2 million". The South Carolina Department of Public Safety has numerous grants with entities outside of state government which were not reported as provided by the instructions of the Comptroller General.

CLOSING PACKAGE REPORTING OF CAPITAL ASSETS

Corrective Action Taken

Section 59.2 of the 2007 State Appropriations Act specifies that the Comptroller General is given full power and authority to issue accounting policy directives to state agencies in order to comply with Generally Accepted Accounting Principles (“GAAP”). Section 3.9 of the Office of the Comptroller General GAAP Closing Procedures Manual states that agencies should report assets whose cost is in excess of the defined capitalization thresholds including those which have been acquired through the use of federal funds. During the year ended June 30, 2007 the Department made certain land improvements to a firing range with funds provided by the FBI. These improvements were not reported as an addition on the capital assets summary form as required by the closing package manual instructions.

DISCREPANCIE IN EMPLOYEE FINAL PAY CALCULATION

See similar comment in the current year.

Our testing of employee terminations during the year disclosed a discrepancy in the final pay calculation for one of the nine employees tested. We determined the final pay calculation for one employee was understated \$148. Upon notification of this underpayment the Department corrected this oversight as part of the December 1, 2007 payroll.

ATTACHMENT A

**South Carolina Department of Public Safety
Response to Finding
December 11, 2008**

Payroll Disbursements and Expenditures

We concur with the recommendation related to the finding. We have met with the payroll staff to discuss this finding, and emphasized the need for accuracy in payout calculations. We are also implementing an enhanced review procedure that will involve another level of review for all payouts. This should enhance our overall control of the process, and greatly reduce the risk of similar errors in the future.