

**SOUTH CAROLINA
CRIMINAL JUSTICE ACADEMY
COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2008

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State of South Carolina



Office of the State Auditor

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

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 7, 2008

The Honorable Mark Sanford, Governor
and
Council Members
South Carolina Criminal Justice Academy
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Criminal Justice Academy (the Academy), solely to assist you in evaluating the performance of the Academy for the fiscal year ended June 30, 2008, in the areas addressed. The Academy'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 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 agency's policies and procedures and State regulations.
- We inspected selected fiscal month 12 and 13, fiscal year 2008 and fiscal month 01, fiscal year 2009, 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 minor object code level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$700 – general fund, \$74,700 – earmarked fund, and \$9,700 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Object Code in the Accountant's Comments section of this report.

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 agency's policies and procedures and State regulations, were bona fide disbursements of the Academy, 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 fiscal month 12 and 13, fiscal year 2008 and fiscal month 01, fiscal year 2009 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.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Cut-Off of Expenditures in the Accountant's Comments section of this report.

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 agency'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 all those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the agency'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.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Payroll Calculation in the Accountant's Comments section of this report.

4. **Journal Entries and Interagency Appropriation Transfers**

- We inspected selected recorded journal entries and all interagency 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 agency'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 Academy 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 agency'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 Academy for the year ended June 30, 2008, and inspected selected reconciliations of balances in the Academy'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 Academy'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 the Academy's accounting records and/or in STARS.

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

7. **Appropriation Act**

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

Our finding as a result of these procedures is presented in Authorization for Payments to Private Attorneys in the Accountant's Comments section of this report.

8. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2008, prepared by the Academy 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.

Our findings as a result of these procedures are presented in Object Code and Authorization for Payments to Private Attorneys in the Accountant's Comments section of this report.

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 Academy 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.

Our finding as a result of these procedures is presented in Schedule of Federal Financial Assistance 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 and of the governing body and management of the South Carolina Criminal Justice Academy and is not intended to be and should not be used by anyone other than these specified parties.



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

ACCOUNTANT'S COMMENTS

SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

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 agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

OBJECT CODE

During our test of cash receipts, we found that the Academy posted a transaction to an incorrect object code. The transaction was a refund of a prior year expenditure and should have been posted to object code 3801 - Refund Prior Year Expenditure instead of to the original expenditure object code. In addition, during our review of the litigation closing package, we found that the Academy recorded payments to private attorneys under object code 0221 - Legal Services instead of object code 0240 - Attorney Fees.

A strong system of internal controls requires safeguards to ensure that transactions are properly recorded. Also, the Comptroller General's Policies and Procedures Manual (STARS Manual) provides the object code definitions for the proper recording of transactions.

We recommend that the Academy establish appropriate policies and practices to ensure that personnel responsible for assigning object codes to transactions perform a careful review of the supporting documentation and are knowledgeable of STARS Manual classifications.

CUT-OFF OF EXPENDITURES

During our cut-off test of expenditures, we noted that the Academy used fiscal year 2008 appropriations to pay for goods received in fiscal year 2009 (July 11, 2008). The Academy should have used fiscal year 2009 appropriations.

Section 72.2. of the fiscal year 2007-08 Appropriations Act states, "Subject to the terms and conditions of this act, the sums of money set forth in this part, if so much is necessary are appropriated from the General Fund of the State, the Education Improvement Act Fund, the Highways and Public Transportation Fund, and other applicable funds, to meet the ordinary expenses of the state government for Fiscal Year 2007-08, and for other purposes specifically designated."

We recommend that the Academy perform a careful review to ensure that accounting transactions are recorded in the correct fiscal year.

PAYROLL CALCULATION

During our test of employee termination pay transactions, we noted that one of the seventeen final pay calculations tested was calculated incorrectly resulting in an underpayment of \$68. The employee worked ten of the twelve work days in the pay period. The errors occurred because the Academy paid the salaried employee for a partial pay period by multiplying the hours not worked in the pay period by an hourly rate derived from the number of hours in a work year and then subtracting the result from the employee's semi-monthly pay. The Office should have paid the employee based on the proportion of days worked to the total days available in the pay period.

Generally accepted accounting principles (GAAP) require that transactions be given consistent accounting treatment. Because the number of work days or hours available in each pay period varies, using an annual rate to calculate partial pay produces inconsistent results among pay periods. Accordingly, the Comptroller General's Office has recommended using a proportionate time approach for calculating partial pay.

We recommend the Academy revise its procedures to compute pay for partial pay periods based on the percentage of time worked (days or hours as appropriate) to the total available work time (days or hours) in the pay period.

AUTHORIZATION FOR PAYMENTS TO PRIVATE ATTORNEYS

During our review of the litigation closing package, we found that the Academy did not have authorization from the Attorney General's Office for payments to private attorneys.

Section 32.2. of the fiscal year 2007-08 Appropriations Act states, "No department or agency of the State Government shall engage on a fee basis any attorney at law except upon written approval of the Attorney General and upon such fee as shall be approved by him."

We recommend that the Academy obtain approval from the Attorney General's Office prior to contracting with any attorney as required by law.

SECTION B - OTHER WEAKNESS

The condition described in this section has been identified while performing the agreed-upon procedures but it is not considered a violation of State Laws, Rules or Regulations.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

We tested the Academy's Schedule of Federal Financial Assistance (SFFA) and noted the following errors:

1. The grant title did not agree to the grant award for five grants.
2. The grant number did not agree to the grant award for four grants.
3. Federal receipts did not agree to the STARS CSA467CM report for one grant.
4. The schedule contained a formula error for the ending balance for one grant.

The State Auditor's Office provides a letter of instructions to each State agency for the proper completion of the SFFA.

We recommend that the Academy ensure that the SFFA is prepared and independently reviewed by staff that is knowledgeable of the requirements of the State Auditor's letter of instruction. In addition, the Academy should ensure that review procedures include tracing grant information to the grant awards and dollar amounts to accounting records. The reviewer should also verify the accuracy of calculations on the SFFA.

MANAGEMENT'S RESPONSE



South Carolina Criminal Justice Academy

January 28, 2009

Mr. Richard H. Gilbert, Jr., CPA
Interim State Auditor
Office of the State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201

Re: Auditor of FY2008 for SCCJA

Dear Mr. Gilbert:

South Carolina Criminal Justice Academy staff has completed the review of the FY2008 auditor that was conducted by the State Auditor's Office and I am hereby authorizing the release of the report.

Corrective action being taken by Academy staff:

- Object Code – staff will verify object codes to payment vouchers and receipts to ensure the correct ones are used.
- Cut-Off of Expenditures – staff will verify when item are received to ensure that payments are made to the correct fiscal year.
- Payroll Calculation – payroll staff have been shown the correct calculations to use for payouts to employees to ensure that the correct amount is paid.
- Authorization for Payments to Private Attorneys – staff have been notified to get prior approval from the Attorney General's Office before using private attorneys.
- Schedule of Federal Financial Assistance – staff have been given the web site to get the appropriate grant information to place on the schedule and have been given the directions to complete the forms so that these errors can be eliminated on future reports.

On behalf of the Academy staff, I want to thank your office for their time and assistance to help ensure the accuracy of expenditures, revenue and reporting of the Agency's funds. Enclosed is a current copy of SC CJA Council Members. If you have any questions, please call me at (803) 896-7907.

Sincerely,

Hubert F. Harrell
Director

Enclosure: List of CJA Council Members

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