

**SOUTH CAROLINA  
EDUCATION OVERSIGHT COMMITTEE**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2012**

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# State of South Carolina



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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 27, 2014

The Honorable Nikki R. Haley, Governor  
and  
Members of the South Carolina Education Oversight Committee  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Education Oversight Committee (the Committee), solely to assist you in evaluating the performance of the Committee for the fiscal year ended June 30, 2012, in the areas addressed. The Committee 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 all recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Committee's policies and procedures and State regulations.
- We compared amounts recorded in the general ledger 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 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 restricted fund to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels of \$13,200 – restricted fund and  $\pm$  10 percent.

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 in accordance with the Committee's policies and procedures and State regulations, were bona fide disbursements of the Committee, 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 restricted fund to ensure that expenditures were classified properly in the Committee's accounting records. The scope was based on agreed upon materiality levels \$12,300 – restricted fund and  $\pm$  10 percent.

The individual transactions selected were chosen randomly. 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 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 all new employees and 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.
- We compared current year payroll expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the restricted fund to ensure that expenditures were classified properly in the Committee's accounting records. The scope was based on agreed upon materiality levels \$12,300 – restricted fund and  $\pm$  10 percent.

- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions. We investigated changes of  $\pm 5$  percent to ensure that payroll expenditures were classified properly in the Committee's accounting records.

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

4. **Journal Entries**

- We inspected selected recorded journal entries and all 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 Committee'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 records of the Committee 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 Committee for the year ended June 30, 2012, and inspected selected reconciliations of balances in the Committee'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 Committee'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 Committee's 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 Committee's compliance with Appropriation Act general and agency specific provisos.

We found no exceptions as a result of the procedures.

8. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2012, prepared by the Committee and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's Reporting Policies and Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records.

Our finding as a result of these procedures is presented in Interfund Payables in the Accountant's Comments section of this report.

9. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Committee resulting from our engagement for the fiscal year ended June 30, 2009, to determine if the Committee had taken corrective action. We applied no procedures to the Committee's accounting records and internal controls for the year ended June 30, 2010 and 2011.

We found no exceptions as a result of the procedures.

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 Education Oversight Committee 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 - VIOLATION 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 condition described in this section has been identified as a violation of State Laws, Rules or Regulations.

## **INTERFUND PAYABLES**

During our testing of expenditures it was noted that an expenditure recorded in fiscal year 2013 related to services provided by the Budget and Control Board in fiscal year 2012. The expenditure was not paid until fiscal year 2013 because the Budget and Control Board did not have updated contact information. The Committee processed the transaction promptly when notification was received, however they failed to report the transaction on their Interfund Payables Reporting Package.

Section 3.18 of the Comptroller General's Reporting Policies and Procedures Manual states, an Interfund Payable should be reported at June 30 if it is owed to an agency within the State's financial reporting entity and paid through a Disbursement Voucher in the new fiscal year.

We recommend the Committee develop and implement procedures to ensure that reporting packages are completed in accordance with the Comptroller Generals Policies and Procedures Manual.

## **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 State Auditor's Report on the Committee for the fiscal year ended June 30, 2009, and dated June 16, 2010. We applied no procedures to the Committee's accounting records and internal controls for the year ended June 30, 2010 and 2011. We determined that the Committee has taken adequate corrective action on each of the findings.

**MANAGEMENT'S RESPONSE**



April 10, 2014

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

Dear Mr. Gilbert;

On behalf of the members and staff of the Education Oversight Committee (EOC), I thank you for the detailed audit of the Fiscal Year 2012 accounting transactions and records. Our staff aspires to adhere to State Laws, rules or regulations for financial management; therefore, we are concerned about any exceptions discovered in the audit.

With respect to the Accountant's finding the EOC has taken corrective action to maintain updated contact information between other agencies and as of June 2, 2013 the EOC went on SCEIS and PEBA automatically debits the EOC for monthly health and dental employer share premiums.

Should you have other issues that we should discuss or remedy, please call upon me at your convenience.

Sincerely,

Melanie D. Barton

c: Sue Moss  
Lisa Nichols

David Whittemore  
CHAIR

Ernie B. March  
VICE CHAIR

Phillip Bowers

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EXECUTIVE DIRECTOR

4 copies of this document were published at an estimated printing cost of \$1.40 each, and a total printing cost of \$5.60. Section 1-11-425 of the South Carolina Code of Laws, as amended, requires this information on printing costs be added to the document.