

**SOUTH CAROLINA GOVERNOR'S SCHOOL  
FOR SCIENCE AND MATHEMATICS**

**HARTSVILLE, SOUTH CAROLINA**

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING  
AGREED UPON PROCEDURES**

**FOR THE YEAR ENDED JUNE 30, 2012**

*State of South Carolina*



*Office of the State Auditor*

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COLUMBIA, S.C. 29201

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

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June 25, 2013

The Honorable Nikki R. Haley, Governor  
and  
Members of the Board of Trustees  
South Carolina Governor's School  
for Science and Mathematics  
Hartsville, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the South Carolina Governor's School for Science and Mathematics for the year ended June 30, 2012, was issued by Greene, Finney & Horton, LLP, 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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**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 governing body and management of the South Carolina Governor's School for Science and Mathematics (the "School"), by the management of the South Carolina State Department of Education (the "Department"), and by the South Carolina Office of the State Auditor (the "State Auditor"), solely to assist you in evaluating the performance of the School for the fiscal year ended June 30, 2012, in the areas addressed. The School'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 School'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 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 account 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 School's accounting records. The scope was based on agreed upon materiality levels (\$21 – general fund, \$11,000 – earmarked fund, \$0 – restricted fund, and \$4,300 – federal fund) and +/- 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in "Indirect Costs" 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 School's policies and procedures and State regulations, were bona fide disbursements of the School, 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 current year expenditures at the subfund and account 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 School's accounting records. The scope was based on agreed upon materiality levels (\$34,000 – general fund, \$11,000 – earmarked fund, \$7,500 – restricted fund, and \$3,500 – federal fund) and +/- 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 School's policies and procedures and State regulations.
- 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 School'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 current year payroll expenditures at the subfund and account 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 School's accounting records. The scope was based on agreed upon materiality levels (\$34,000 – general fund, \$11,000 – earmarked fund, \$7,500 – restricted fund, and \$3,500 – 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 +/- 10 percent to ensure that payroll expenditures were classified properly in the School's accounting records.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in "Benefits Expenditures Distribution" 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 School's policies and procedures and State regulations.

The individual transactions selected for the journal entry and appropriation transfer testing were chosen randomly. We selected and tested all operating transfers during the fiscal year. Our finding as a result of these procedures is presented in "Travel Journal" in the Accountant's Comments section of this report.

5. **Appropriation Act**

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

We found no exceptions as a result of the procedures.

6. **Reporting Packages**

The School's data is included in reporting packages submitted by the Department.

- We obtained copies of all reporting packages as of and for the year ended June 30, 2012, 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 Reporting Policies and Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records

We found no exceptions as a result of the procedures.

7. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountants' Comments section of the Independent Accountants' Report on Applying Agreed-Upon Procedures on the School for the fiscal year ended June 30, 2011, to determine if School had taken corrective action.

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, the South Carolina Office of the State Auditor, and the governing body and management of the South Carolina Governor's School for Science and Mathematics and is not intended to be and should not be used by anyone other than these specified parties.

*Greene, Finney & Horton LLP*

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Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
June 24, 2013

**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 School 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 a violation of State Laws, Rules or Regulations.

**Indirect Costs**

- Condition: During our revenues analytics, it was noted that no indirect costs were charged in fiscal year 2012 (“FY 2012”) for the South Carolina Gaining Early Awareness and Readiness for Undergraduate Programs (“SC GEAR UP”) grant.
- Cause: There was turnover in personnel responsible for indirect cost accounting transactions, which ultimately led to the indirect costs not being charged to the SC GEAR UP grant in FY 2012.
- Effect: Indirect costs were not allocated to the SC GEAR UP grant, which was closed in FY 2012.
- Criteria: The South Carolina Code of Laws Section 2-65-70(A) states that all agencies receiving federal grants or contracts shall recover the maximum allowable indirect costs on those projects, subject to applicable federal laws and regulations.
- Recommendation: We recommend that the School post indirect costs in full annually to ensure that the maximum allowable indirect costs are charged in order to ensure compliance with the South Carolina Code of Laws.

**Travel Journal**

- Condition: During our journal entry testing, we noted that one travel transaction related to the reimbursement of travel expenses for an out of state interview candidate. The supporting documentation for the disbursement did not contain a formal determination by the agency head that all of the required criteria (see below for details) had been met.
- Cause: The School performed an informal determination of the requirements listed above, but did not formally document the determination.
- Effect: The School was not fully compliant with the South Carolina Code of Laws section 8-11-200.

Criteria: The South Carolina Code of Laws Section 8-11-200 states that travel reimbursements for out of state interview candidates must be accompanied by a specific, formal determination by the agency head that all of the following criteria apply: the significance of the position to be filled is such that it warrants incurring the costs, the costs do not exceed the expense of conducting the interview at the interviewee's home area or elsewhere and qualified candidates residing in South Carolina were considered before candidates from other states were sought. If the position to be filled was that of the agency head, the determination must be made by the chairman of the board or commission of the interviewing agency.

Recommendation: We recommend that the School prepare a formal determination of the requirements for travel reimbursements for out of state interview candidates as required by the South Carolina Code of Laws.

**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.

<b>Benefits Expenditures Distribution</b>
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- Condition: During our payroll and benefit expenditure analytics, we noted that the retirement expenditures appeared overstated and social security and health insurance expenditures appeared to be understated in the Restricted Fund.
  
- Cause: The School recorded a journal entry reclassifying salaries and benefits expenditures from the General Fund to the Restricted Fund; however, the benefits expenditures were not reclassified at the appropriate percentages from the General Fund to the Restricted Fund.
  
- Effect: Benefits expenditures charged to the Restricted Fund were understated and benefits expenditures charged to the General Fund were overstated.
  
- Criteria: Benefits expenditures should be charged in proportion to the salaries charged to the fund.
  
- Recommendation: We recommend that salaries and benefits expenditures be charged originally and/or through subsequent reclassifying journal entries to each fund at the appropriate percentages/amounts.

## **SECTION C – STATUS OF PRIOR AUDIT FINDINGS**

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountants' Comments section of Independent Accountants' Report on the Governor's School for Science and Mathematics for the fiscal year ended June 30, 2011, dated June 6, 2012. We determined that the School has taken adequate corrective action on each of the findings.

**MANAGEMENT'S RESPONSE**



SOUTH CAROLINA  
GOVERNORS SCHOOL  
FOR SCIENCE  
& MATHEMATICS

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

Re: GSSM Management Response to Accountants' Report for Year ended  
June 30, 2012

Dear Mr. Gilbert:

Thank you and your staff for this important audit process. We are pleased with the review and always find improvements through the process.

In summary, under Section A, eight procedure categories were included and GSSM had four with "No exceptions." Of the four with exceptions, as described in the auditors' comments, three are attributable to actions via finance operations in Columbia. The State Department of Education serves as GSSM's fiscal agent and we will work even more closely with Columbia to help prevent re-occurrences in the future. This reveals the complexity of our Agency systems and relationships.

The one remaining exception describes a weakness at GSSM – not knowing and thus failing to have the Agency Head confirm in writing long-distance travel of prospective employees during interviews. We are now aware of this requirement and will comply.

Detailed responses to all items are attached and are being addressed as described.

Again, thank you for your time and please call me if you have additional questions.

Sincerely,



Ernie L. Boyd, Jr.

Vice President for Operations/CFO

Cc: Dr. Murray Brockman, GSSM President  
Mr. Rick Ott, GSSM Board Finance Chair

**GSSM State Audit Management's Response  
For the Year ended June 30, 2012**

Governor's School for Science & Mathematics (GSSM)  
State Audit for 2010-2011 to 2011-2012

GSSM appreciates the work and support of the State Auditor and the State Department of Education in providing oversight and key fiscal functions for our school. We understand and acknowledge all issues raised and will work to make improvements going forward – with explanation and actions indicated in the responses below. The audit findings below reflect the complexity of our systems and working between different areas. Please contact GSSM if additional information or clarification is needed.

State Audit Management Response

A. Report Item #1: Cash receipts and Revenues  
Summary #1 & #2 and responses:

Comment	Applicable AUP Step	Workpaper Reference	Commentary Finding Type
1. One of the seven cash receipts tested did not originally have supporting documentation attached in SCEIS. The supporting documentation was later provided. We recommend that all supporting documentation be scanned at the time of the receipt to lower the risk of loss, error, etc.	1. Cash Receipts and Revenues	B-01 ^	Oral Comment ^

GSSM sends hard-copy supporting documents, cash transmittal receipt(s) and bank deposit slips to Columbia (SDE Finance) where it is entered into SCEIS. We will work with Columbia more closely to help insure this documentation placed into system early.

2. There were no indirect costs posted in FY 2012 for the SC GEAR UP grant due to a transition in who would be making the indirect cost postings (leading to the posting not occurring). As a result, the full amount of the indirect costs was not charged to the grant (which was closed in FY 2012) which is a violation of the SC Code of Laws Section 2-65-70(A). This section in the SC Code of Laws states that all agencies receiving federal grants or contracts shall recover the maximum allowable indirect costs on those projects, subject to applicable federal laws and regulations.	1. Cash Receipts and Revenues	B-02 ^	Reported as a Violation ^ "Indirect Costs"
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GSSM does not enter/post Indirect Costs, this being a function done in Columbia before being loaded into a GSSM account. For the future, we will work more closely with Finance to help confirm compliance.

B. Report Item 2: Non-Payroll Disbursements and Expenditures: No Exceptions

C. Report Item 3 Payroll Disbursements and Expenditures

Summary Item #5.

<p>5. The payroll benefits charged to the Restricted Fund were understated primarily due to the following: Document #690007103 moved \$232,937.76 in salaries, \$57,056.28 in Retirement (24%), \$4,752.10 (2%) in Social Security, and \$0 in Health Insurance from the General Fund to the Restricted Fund. The benefits were not moved in proportion with the salaries as the retirement percentage would typically be 13-14%, the social security would typically be 7-8%, and the Health Insurance would typically be approx. 10%. This caused retirement to be overstated and social security/health insurance to be understated in proportion to salaries (but netted in total).</p>	<p>3. Payroll Disbursements and Expenditures</p>	<p>D-04, D-05 ^</p>	<p>Reported as an Other Weakness ^ "Benefits Expenditures Distribution"</p>
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This is EIA-TSS (Teacher Salary Supplement) where 100% is assigned to support GSSM faculty pay increases and associated fringe. The assignment and transfer of these funds is assigned via Columbia. GSSM will work more closely with SDE Finance to correct this weakness going forward.

D. Report Item 4. Journal Entries, Operating Transfers and Appropriation Transfers

Summary Listing #3

<p>3 One of the eleven journal entries tested was a reimbursement of travel expenses for an out of state interview candidate. Per section 8-11-200 of the SC Code of Laws, this type of travel reimbursement must be accompanied by a specific, formal determination by the agency head that all of the following apply: the significance of the position to be filled is such that it warrants incurring the costs, the costs do not exceed the expense of conducting the interview at the interviewee's home area or elsewhere, and qualified candidates residing in South Carolina were considered before candidates from other states were sought. If the position to be filled was that of the agency head, the determination must be made by the chairman of the board or commission of the interviewing agency. Per inquiry of GSSM personnel, the requirements were met; however, there was no formal documentation. We recommend that the GSSM be familiar with and follow state law regarding reimbursement of unique and/or unusual transactions, including the reimbursement of out-of-state interview candidates.</p>	<p>4. Journal Entries</p>	<p>E-01 A</p>	<p>reported as a Violation A "Travel Journal"</p>
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The criteria listed were met - but GSSM did not complete the specific and formal determination by the agency head. We are now aware of this requirement and will complete in the future.

GSSM's VP for Operations/Finance does confirm the following apply to travel invites:

- the significance of the position to be filled is such that it warrants incurring the costs,
- the costs do not exceed the expense of conducting the interview at the interviewee's home area or elsewhere and
- qualified candidates residing in South Carolina were considered before candidates from other states were sought.

Working with the GSSM Personnel Recommendation Committee for each position, GSSM identifies 4-5 top candidates. During this segment of the identification process, the VP Operations/Finance looks at "feasibility," including cost of invite to interview. Then, for long-distance top candidates we do a phone interview(s) before inviting to Hartsville.

Interviewing at a candidate's home is not a viable option - our personnel recommendation committees have 5-6 members - a representative from each functional area to include Academics, Student Services, Outreach, Administration and a Chair from the direct area of employment.

Also, it is critical, for a 24/7 residential school to have candidates come to Hartsville to see the environment and whenever possible to meet our students (we get student input on candidates).

In order to comply in the future, GSSM, through the VP for Operations/Finance, will put required determinations per above requirements into a letter format, review with our Agency Head and receive his written approval to include for Audit reporting.

D continued: Report Item 4. Journal Entries, Operating Transfers and Appropriation Transfers

Summary Item #4:

<p>4. Supporting documentation for two of the five appropriation transfers tested did not contain the amount of the transfers; however, the documentation was later provided. Per inquiry of State Department of Education ("SDE") personnel, the Comptroller General does not require that supporting documentation containing the amount be attached in SCEIS; however, the SDE maintains the hard copies of the supporting documentation.</p>	<p>4. Appropriation Transfers.</p>	<p>E-03 ^</p>	<p>Oral Comment ^</p>
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For the future, GSSM will work more closely with SDE Finance to help clarify documentation requirements.

E. Report item #5: Appropriation Act. No exceptions

F. Report item #6. Closing Packages. No exceptions

G. Status of Prior Findings: No Exceptions