

**SOUTH CAROLINA WIL LOU GRAY OPPORTUNITY SCHOOL**

**WEST COLUMBIA, SOUTH CAROLINA**

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

**FOR THE YEAR ENDED JUNE 30, 2013**



*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

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June 4, 2014

The Honorable Nikki R. Haley, Governor  
and  
Members of the Board of Trustees  
Wil Lou Gray Opportunity School  
West Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the Wil Lou Gray Opportunity School for the fiscal year ended June 30, 2013, 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/trb



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# Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## 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 Wil Lou Gray Opportunity School (the "School") 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, 2013, 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 (\$10 – general fund, \$7,500 – earmarked fund, \$9,700 – restricted fund, and \$3,600 – federal fund) and +/- 10 percent.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented as "Revenue/Expenditure Recognition" 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 (\$3,000 – general fund, \$4,900 – earmarked fund, \$9,000 – restricted fund, and \$3,600 – 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 (\$3,000 – general fund, \$4,900 – earmarked fund, \$9,000 – restricted fund, and \$3,600 – 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. 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, 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 were chosen randomly. We found no exceptions as a result of the procedures.

5. **General Ledger and Subsidiary Ledgers**

- We inquired of the School about any general ledgers and/or subsidiary ledgers kept outside of the SCEIS system and they stated that they did not have any ledgers outside of the SCEIS system. This step is not applicable for the School.

6. **Composite Reservoir Accounts**

*Reconciliations*

- We obtained all monthly reconciliations prepared by the School for the year ended June 30, 2013, and inspected selected reconciliations of balances in the School's accounting records to those reflected on the State Treasurer's Office monthly 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 School's general ledger, agreed the applicable amounts to the State Treasurer's Office monthly reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the School's accounting records.

*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 obtained all monthly reconciliations prepared by the School.

*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.

6. **Composite Reservoir Accounts (continued)**

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented as “Composite Reservoir Account” in the Accountant’s Comments section of this report.

7. **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.

8. **Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2013, prepared by the School 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.

9. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2013, prepared by the School 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 findings reported in the Accountant’s Comments section of the State Auditor’s Report on the School resulting from Agreed-Upon Procedures engagement for the fiscal year ended June 30, 2011, to determine if School had taken corrective action. We applied no procedures to the School’s accounting records and internal controls for the year ended June 30, 2012.

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 governing body and management of the School and the State Auditor 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  
May 15, 2014

**ACCOUNTANT'S COMMENTS**

## **SECTION A – OTHER WEAKNESSES**

Management of the 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 while performing the agreed-upon procedures but they are not considered violations of State Laws, Rules or Regulations.

### **Composite Reservoir Account**

**Condition:** During our review of composite reservoir bank reconciliations, we noted that several bank reconciliations tested were not completed in a timely manner. There were six months where the reconciliations were not completed within thirty days of month end.

**Cause:** The bank reconciliations were not completed timely due to the School waiting until several reconciliations were ready to be completed at once to be as efficient as possible.

**Effect:** This could lead to undetected or untimely detection and correction of errors which could lead to poor and/or inaccurate financial information.

**Criteria:** It is best practice to complete bank reconciliations within thirty days of month end to properly account for any needed adjustments and/or investigate any questions when performing the bank reconciliation. This will lead to more accurate and timely financial information.

**Recommendation:** We recommend that all bank reconciliations be completed in a timely manner, generally within thirty days of month end.

### **Revenue/Expenditure Recognition**

**Condition:** There was one reimbursement grant where the expenditures were split between fiscal year 2012 and fiscal year 2013 but the revenue was all recorded in fiscal year 2013.

**Cause:** The revenue was not recorded until the cash was received and no receivable was recorded for the portion of revenue that related to fiscal 2012.

**Effect:** Revenue was understated in fiscal year 2012 and overstated in fiscal year 2013. This results in inaccurate financial information.

**Criteria:** Proper accounting principles requires that revenue and expenditures need to match in the year that they relate to each other regardless of whether the cash was actually received by year end.

Recommendation: We recommend that revenues be matched with expenditures in the proper fiscal year and recording a receivable for any revenue that has not been received by year end.

## **SECTION B – 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 Accountant's Comments section of the Independent Accountant's Report on Applying Agreed-Upon Procedures on the School for the fiscal year ended June 30, 2011, dated May 15, 2012. We applied no procedures to the School's accounting records and internal controls for the year ended June 30, 2012. We determined that the School has taken adequate corrective action on each of the findings.

**MANAGEMENT'S RESPONSE**

# *Wil Lou Gray Opportunity School*

WEST CAMPUS ROAD • WEST COLUMBIA, SOUTH CAROLINA 29170 • (803) 896-6480 FAX (803) 896-6490

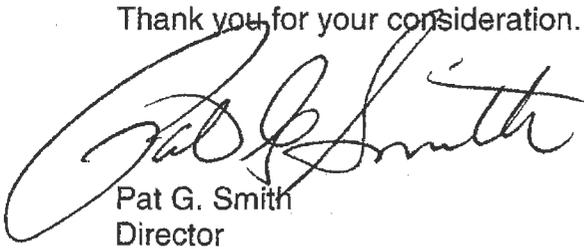
May 13, 2014

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

Dear Mr. Gilbert:

We have reviewed the agreed upon procedures report for the Fiscal Year ending June 30, 2013. We concur with the findings and will take corrective action in the future.

Thank you for your consideration.



Pat G. Smith  
Director



1. First School Of Its Kind
2. Classes That Fit Every Pupil
3. Serving "At Risk" Youth 16 to 18 Years of Age

4. Fully Accredited
5. Individual Development
6. A State Agency