

**SOUTH CAROLINA JOHN DE LA HOWE SCHOOL**

**MCCORMICK, SOUTH CAROLINA**

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

**FOR THE YEAR ENDED JUNE 30, 2015**





**South Carolina  
Office of the State Auditor**

**George L. Kennedy, III, CPA  
State Auditor**

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May 9, 2016

The Honorable Nikki R. Haley, Governor  
and  
Members of the Board of Trustees  
John de la Howe School  
McCormick, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the John de la Howe School for the fiscal year ended June 30, 2015, 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 blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA  
State Auditor

GLKIII/trb



## TABLE OF CONTENTS

	<u>Page</u>
Independent Accountant’s Report on Applying Agreed-Upon Procedures	1
Accountant’s Comments	
Section A – Violations of State Laws, Rules or Regulations	7
Section B – Other Weaknesses	8
Section C – Status of Prior Findings	8
Management’s Response	10





# Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

Mr. George Kennedy, CPA  
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 John De La Howe 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, 2015, 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 (\$180 – general fund, \$3,200 – earmarked fund, \$7,300 – restricted fund, and \$1,400 – federal fund) and +/- 10 percent.

The individual transactions selected were chosen randomly. 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 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 (\$3,800 – general fund, \$2,000 – earmarked fund, \$7,200 – restricted fund, and \$1,800 – federal fund) and +/- 10 percent.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented as “Non-Payroll Disbursements and 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 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 (\$3,800 – general fund, \$2,000 – earmarked fund, \$7,200 – restricted fund, and \$1,800 – 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 inspected selected entries and monthly totals in the subsidiary records of the School 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 individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

6. **Composite Reservoir Accounts**

*Reconciliations*

- We obtained all monthly reconciliations prepared by the School for the year ended June 30, 2015, 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.

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

*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 found no exceptions as a result of the procedures.

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, 2015, 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

Our findings as a result of these procedures are presented as "Reporting Packages and Capital Asset Inventory" 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, 2015, 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 Applying Agreed-Upon Procedures on the School resulting from the State Auditor's engagement for the fiscal year ended June 30, 2013, 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, 2014.

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.



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Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
May 9, 2016

**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 violations of State Laws, Rules or Regulations.

**Reporting Packages**

- Condition: It was noted during our reporting package testing there were two reporting packages that were not submitted in a timely manner based on deadlines provided by the Comptroller General.
- Cause: The reporting packages were not submitted timely due to an employee in the finance department being out with surgery.
- Effect: The School is not submitting timely financial information which could delay the timely completion and issuance of the State’s financial statements.
- Criteria: Reporting packages should be submitted in accordance with the Comptroller General’s Office reporting package submission schedule.
- Recommendation: We recommend that reporting packages be submitted in a timely manner based on the deadlines provided by the Comptroller General.

**Capital Asset Inventory**

- Condition: The School did not perform an annual inventory of its capital assets.
- Cause: The inventory was not completed because of significant turnover in the finance department and because the School could not produce a current listing of its capital assets inventory.
- Effect: The Department was not fully compliant with South Carolina Code of Laws section 10-1-140.
- Criteria: South Carolina Code of Laws section 10-1-140 states the head of each department, agency, or institution of this State is responsible for all personal property under his supervision and each fiscal year shall make an inventory of all property under his supervision, except expendables.
- Recommendation: We recommend the School ensure its capital asset listing is current and implement procedures to ensure that it conducts an annual inventory of its capital assets.

**SECTION B – OTHER WEAKNESSES**

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.

<b>Non-Payroll Disbursements and Expenditures</b>
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Condition: During our Non-Payroll Disbursements and Expenditure testing, we selected several disbursements to review and noted 2 out of 25 disbursements tested did not have proper supporting procurement documentation.

Cause: Supporting documentation was not kept with the disbursement records and could not be found.

Effect: The School is not able to follow procurement policies without the proper support.

Criteria: Proper supporting documentation should be maintained for all disbursements.

Recommendation: We recommend that all disbursements have proper supporting procurement documentation attached with the disbursement records or the location of the supporting documentation should be annotated on the disbursement document.

**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 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, 2013, dated May 15, 2014. We applied no procedures to the School’s accounting records and internal controls for the year ended June 30, 2014. We determined that the School has taken adequate corrective action on each of the findings except the ones that relate to the reporting packages and the payroll disbursement fringe allocations, all of which are noted above again as findings for June 30, 2015.

**MANAGEMENT'S RESPONSE**



# JOHN DE LA HOWE SCHOOL

*"Providing a Safe Haven for Children  
to heal, grow and make a lasting change"*



**Dr. Danny R. Webb**  
President

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April 15, 2016

Mr. George L. Kennedy III, CPA  
State Auditor  
Office of State Auditor  
1401 Main Street, Suite 1200  
Columbia, South Carolina 29201

Dear Mr. Kennedy:

We have reviewed the preliminary draft of the report, dated April 15, 2016, resulting from your performance of agreed-upon procedures to the accounting records of John de la Howe School (the Agency) as conducted by the State of South Carolina Office of the State Auditor for the fiscal year ended June 30, 2015.

Prior to responding to the specific matters contained in the above-referenced report, management would like to note, for informational purposes only, that the Agency is still in a growth period with staff turnover still an issue. However, we were still able to reduce our findings of 5 in FY 2013 to 3 in FY 2015. This shows the Agency working diligently to move in the right direction.

Nevertheless, detailed response by management of John de la Howe School to such matters as discussed in the Accountant's Comments is attached for inclusion in the final report. Please accept this letter as authorization to release the report; as amended to include our enclosed written response.

Sincerely,

Dr. Danny R. Webb  
President

Viola Robinson Faust  
Director of Finance and Business Operations

## MANAGEMENT'S RESPONSE

Following are management's responses regarding the Accountant's Comments included in the report resulting from performance of agreed-upon-procedures to the accounting records of the John De La Howe School for the fiscal year ended June 30, 2015.

### 1. Reporting Packages – Timely Submissions

The delayed submission of the reporting packages to the Office of the Comptroller General was the direct result of the staff person responsible being out due to having had surgery. Other reports for that period were submitted on time. The Agency has taken the necessary steps to ensure timely submission of the reports.

### 2. Capital Asset Inventory

The Agency fully appreciates the importance of the requirement that a personal property inventory be conducted on an annual basis and has developed and is currently implementing a plan to comply with Section 10-1-140 of the South Carolina Code of Laws as amended for fiscal year 2012. This will be a major undertaking but steps have been taken to address this issue.

### 3. Non-Payroll Disbursements and Expenditures

The School has strengthened its internal controls to ensure all expenditure transactions are adequately supported and that the procurement of all goods and services is properly documented and in compliance with all prevailing laws and regulations. However, this position still is experiencing a high turnover rate. Staff members who performed these duties had not yet fully comprehended the requirements after having been trained.