INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 5, 2017

Members of the Board of Trustees
Wil Lou Gray Opportunity School
West Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the Wil Lou Gray Opportunity School (the School), solely to assist you in evaluating the systems, processes and behaviors of the School for the fiscal year ended June 30, 2016. 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 in Attachment 1 for the purpose of which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors of the School. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the School has agreed that the following deficiencies will not be included in the State Auditor’s Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than $1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class inspected.
- Clerical errors of less than $1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

This report is intended solely for the information and use of the Board and management of the Wil Lou Gray Opportunity School and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor  
Agreed Upon Procedures Related to Wil Lou Gray Opportunity School (H71)

**Cash Receipts/Revenues**

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain and document an understanding of variations over $500 in General Funds, $15,000 in Earmarked Funds, $10,000 in Restricted Funds, and $5,000 in Federal Funds and 10%.

2. Randomly select eight cash receipts transactions and inspect supporting documentation to:
   - Agree transaction amount, date, payor, document number, and account coding to the general ledger.
   - Determine that revenues/receipts were deposited in a timely manner.
   - Ensure that both revenue collections and amounts charged are properly authorized by law.

3. Randomly select five cash receipts and inspect supporting documentation to determine that receipts are recorded in the proper fiscal year.

   We found no exceptions as a result of the procedures.

**Cash Disbursements/Non-Payroll Expenditures**

4. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain and document an understanding of variations over $50,000 in General Funds, $25,000 in Earmarked Funds, $10,000 in Restricted Funds, and $5,000 in Federal Funds and 10%.

5. Randomly select twenty-five non-payroll disbursements and haphazardly select one travel disbursement and inspect supporting documentation to determine:
   - Transaction is properly completed as required by School procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
   - All supporting documents and approvals required by School procedures and good business practice are present and agree with the invoice.
   - The transaction is a bona fide expenditure of the School, properly coded to the general ledger.
   - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
   - Clerical accuracy / verify proper sales/use tax.

   For selected federally funded cash disbursements/non-payroll expenditures we will inspect supporting documentation to determine:

   - Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.

6. Randomly select eighteen non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.
Cash Disbursements/Non-Payroll Expenditures (Continued)

7. Haphazardly select ten procurement card purchases and inspect supporting documentation to determine:
   - The cardholder is an authorized user.
   - The purchase is reasonable based on the cardholder’s position.
   - The monthly purchase summary was submitted along with applicable receipts and signed by both the cardholder and supervisor.
   - The transaction did not exceed the single transaction limit or the individual credit card limit and there was no indication of transaction splitting.

Finding

The School could not locate a signed monthly purchase summary for one employee selected in our inspection of procurement card purchases. This summary is used as a part of the School’s reconciliation process.

Management’s Response

The School does make sure all receipts are attached to the statements. The receipts would have been compared to the overall bill that includes all charges by employee. We now use the CentreSuite site for Bank of America bills. We can access most statements if an employee should misplace the statement or not receive one.

Payroll

8. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over $50,000 in General Funds, $25,000 in Earmarked Funds, $10,000 in Restricted Funds, and $5,000 in Federal Funds and 10%.

9. Randomly select twelve employees and inspect supporting documentation during the fiscal year to:

   For Salaried Employees:
   - Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the School.
   - Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

   For Hourly Employees:
   - Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the School.
   - Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

10. Randomly select seven bonus pay disbursements to determine:

   - Employee does not make more than $100,000 annually.
   - Bonuses received during the year did not exceed $3,000.
   - Transaction was appropriately documented and approved.
Payroll (Continued)

11. Randomly select eight bonus pay disbursements authorized by the 2015-2016 Supplemental Appropriations to determine:
   
   • Employee is a permanent state employee in a full-time equivalent position who has been in continuous state service for at least six months prior to July 1, 2015.
   • Employee does not make more than $100,000 annually.
   • Bonus pay was split between funds according to the ratio of the employee’s base salary.

12. Randomly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the School’s policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

13. Randomly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the School’s policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.

14. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes of +/- 10%.

15. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the distribution of recorded personal service expenditures by fund source. Obtain an explanation of changes of +/- 10%.

   We found no exceptions as a result of the procedures.

Journal Entries and Transfers

16. Randomly select two journal entries and four transfers for the fiscal year to:
   
   • Trace postings to the general ledger, confirming amounts agree with supporting documentation.
   • Confirm transaction is properly approved.
   • Inspect supporting documentation to confirm the purpose of the transaction.

   We found no exceptions as a result of the procedures.

Appropriation Act

17. Inspect the Appropriation Act work program provided to and completed by management, noting areas of noncompliance, if any.

18. Confirm compliance with School-specific state provisos by inquiring with management and observing supporting documentation.

   We found no exceptions as a result of the procedures.
Reporting Packages

19. Obtain copies of fiscal year-end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG’s Reporting Policies and Procedures Manual.

20. In addition to the above procedure, we will perform the following:

- Cash and Investments Reporting Package
  - Determine if responses are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Year-end Reporting – Cash and Investments report and/or School prepared records. In addition, determine if amounts agree to State Treasurer’s Office Composite Bank Account reports and year-end reconciliations.

- Capital Assets Reporting Package
  - Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet and/or School prepared records.

- Operating Leases Reporting Package
  - Determine if amounts agree to the SCEIS general ledger, the SCEIS Year-end Reporting – Operating Lease Expense with Vendor report and/or School prepared records. In addition, based on inspection of invoices, determine if rental payments were properly classified, coded and calculated by inspecting and recalculating the following reported amounts: (1) Three haphazardly selected contingent rental payments; (2) One haphazardly selected payment for each vendor included in the One Time Rental Payments classification; (3) All costs of property leased to others under operating leases; and (4) All future rental payments to be received for property leased to others.

- Accounts Payable Reporting Package
  - Haphazardly select three payables to determine if the amounts were properly classified, calculated and reported based on inspection of the SCEIS General Ledger, SCEIS Year-end Reporting – Prior Year Payables with Vendor report and/or School prepared records.

- Other Payroll Liabilities Reporting Package
  - Determine if reported amounts agree to the SCEIS Compensated Absences report and/or School prepared records.

- Litigation Reporting Package
  - Determine if responses were reasonable/accurate based on inspection of the SCEIS general ledger and/or School prepared records.
  - Determine if amounts paid to all attorneys used during the fiscal year were made to authorized attorneys and that the total did not exceed the authorized total amount.
Findings

Three reporting packages were submitted after the due date established by the CG’s Reporting Policies and Procedures Manual: Grants and Contributions Revenue, Accounts Payable, and Subsequent Events Questionnaire. All were submitted one business day late.

Other Payroll Liabilities Reporting Package – The School understated the total reported General Fund leave liability by $1000 on the Compensated Absences Summary Form.

Capital Assets Reporting Package – The School responded on the Capital Assets Questionnaire that its acquisitions plus transfers-in and retirements plus transfers-out equal the debit and credit balances reflected in SCEIS, respectively. However, we noted a variance of $25,610 between these balances which should have prompted the School to report updated information to the preparers of the financial statements.

Management’s Response

The School makes every effort to ensure that reports are done in a timely manner and correctly. For fiscal years 2015 and 2016 our State has experienced a State of Emergency during the timeframe to complete reporting packages. Since 2016 we have implemented practices to overcome barriers and help ensure meeting of due dates.

Composite Reservoir Accounts

21. We confirmed with the School their use of the composite reservoir account.

22. Obtain fiscal year monthly reconciliations for the composite reservoir account and for the year-end reconciliation, perform the following procedures:
   • Determine the selected reconciliations were timely performed and properly documented in accordance with State regulations, and are mathematically correct.
   • Agree applicable amounts from reconciliations to the general ledger.
   • Agree applicable amounts from reconciliations to the State Treasurer’s Office monthly reports.
   • Determine if reconciling differences were adequately explained and properly resolved.
   • Determine if necessary adjusting entries were made in the accounting records.

23. Haphazardly select four composite reservoir account receipts to determine that they were properly described and classified in the accounting records in accordance with the School’s policies and procedures and State regulations and that they were recorded in the proper fiscal year.

24. Haphazardly select five composite reservoir account 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 were paid in conformity with State laws and regulations and that goods and/or services were procured in accordance with applicable laws and regulations.

We found no exceptions as a result of the procedures.
Capital Assets

25. Select three (100%) capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine the asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the Office of the Comptroller General’s Reporting Policies and Procedures Manual.

Findings

The School capitalized an asset totaling $1,283 in the SCEIS General Ledger and SCEIS asset system. The CG’s Reporting Policies and Procedures Manual requires moveable assets with a value greater than $1,000 but less than $5,000 be tagged and tracked in SCEIS as a low value asset rather than a capital asset.

Additionally, in our prior engagement we recommended the School make the appropriate adjustment for an asset that was capitalized at an incorrect amount. Per observation of the School’s fiscal year 2017 Asset History Sheet, we determined the School has not yet made the adjustment.

Management’s Response

In response to these findings, we have split up the asset duties to allow more time and a more detailed approach to the inventory process.

Minutes

26. We will inspect the School’s approved Board minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no exceptions as a result of the procedures.

Status of Prior Findings

27. Through inquiry and inspection, determine if the School has taken appropriate corrective action on the findings reported in the Accountant's Comments section of the engagement for the prior fiscal year.

We found similar exceptions regarding procurement code purchases, the capital assets reporting package and capitalization of assets. See findings in Cash Disbursements/Non-Payroll Expenditures, Reporting Packages and Capital Assets.