

**SOUTH CAROLINA SCHOOL FOR THE  
DEAF AND THE BLIND**

**SPARTANBURG, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2015**



**South Carolina  
Office of the State Auditor**

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

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June 17, 2016

The Honorable Nikki R. Haley, Governor  
and  
Members of the Board of Commissioners  
South Carolina School for the Deaf and the Blind  
Spartanburg, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the South Carolina School for the Deaf and the Blind for the fiscal year ended June 30, 2015, was issued by Elliott Davis Decosimo, LLC, 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

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 17, 2016

Mr. George L. Kennedy, III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the management of the South Carolina School for the Deaf and the Blind (the "Agency") and the South Carolina Office of the State Auditor, solely to assist you in evaluating the performance of the Agency for the fiscal year ended June 30, 2015, in the areas addressed. The Agency'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 twenty-five (25) selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Agency's policies and procedures and State regulations.
- We inspected sixteen (16) 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 fiscal year recorded revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior fiscal year. We investigated changes in the earmarked, restricted and federal funds to ensure that revenue was classified properly in the Agency's accounting records. The scope was based on agreed-upon materiality levels (\$122,000 – earmarked fund, \$118,000 – restricted fund, and \$14,000 – federal fund) and  $\pm 10$  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 twenty-five (25) selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Agency's policies and procedures and State regulations, were bona fide disbursements of Agency, 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 seventeen (17) selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared current fiscal year expenditures at the subfund and account level to those of the prior fiscal year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the Agency's accounting records. The scope was based on agreed-upon materiality levels (\$237,000 – general fund, \$85,000 – earmarked fund, \$108,000 – restricted fund, and \$29,000 – federal 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 fifty (50) 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; and payroll transactions 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 payroll transactions for twenty-five (25) selected new employees and twenty-five (25) individuals 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 current fiscal year payroll expenditures at the subfund and account level to those of the prior fiscal year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the Agency's accounting records. The scope was based on agreed-upon materiality levels (\$237,000 – general fund, \$85,000 – earmarked fund, \$108,000 – restricted fund, and \$29,000 – federal fund) and  $\pm 10$  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  $\pm 5$  percent to ensure that payroll expenditures were classified properly in the Agency's accounting records.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Personnel Action Request Forms in the Accountant's Comments section of this report.

**4. Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected twenty-five (25) selected recorded journal entries, twenty-five (25) operating transfers, and twenty-five (25) 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 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.

**5. General Ledger and Subsidiary Ledgers**

- We obtained the cash receipts journal and cash disbursements journal and determined if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; entries 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. Composite Reservoir Accounts**

*Reconciliations*

- We obtained all monthly reconciliations prepared by the Agency for the fiscal year ended June 30, 2015, and inspected two (2) selected reconciliations of balances in the Agency'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 Agency'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 Agency's accounting records.

*Cash Receipts and Revenues*

- We inspected twenty-five (25) selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Agency's policies and procedures and State regulations.
- We inspected five (5) 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 Agency.

*Non-Payroll Disbursements and Expenditures*

- We inspected twenty-five (25) selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Agency's policies and procedures and State regulations, were bona fide disbursements of the Agency, 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 five (5) selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.

The reconciliations and individual transactions 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 Agency's compliance with Appropriation Act general provisos as listed in the Appropriation Act work program, and Agency specific provisos, if applicable.

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 fiscal year ended June 30, 2015, prepared by the Agency 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 closing 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 fiscal year ended June 30, 2015, prepared by the Agency 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 Agency resulting from our engagement for the fiscal year ended June 30, 2013, to determine if the Agency had taken corrective action. We applied no procedures to the Agency's accounting records and internal controls for the fiscal year ended June 30, 2014.

We found no exceptions as a result of the procedures.

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 Agency 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 \$100 related to processing cash receipts and cash disbursements transactions unless the errors occur in 10 percent or more of the transaction class tested.
- Clerical errors of less than \$100 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that 10 percent or more of the accounting transactions tested were found to be in error.
- Reporting packages which are submitted less than 3 business days after the due date unless it is determined that more than two of the reporting packages were submitted late.
- Submission of the Schedule of Federal Financial Assistance less than 3 business days late.

We were not engaged to and did not conduct an examination, 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, management of the South Carolina School for the Deaf and the Blind, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



**ACCOUNTANT'S COMMENTS**

Mr. George L. Kennedy, III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
June 17, 2016

## **SECTION A - OTHER WEAKNESS**

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 while performing the agreed-upon procedures, but it is not considered a violation of State Laws, Rules or Regulations.

Mr. George L. Kennedy, III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
June 17, 2016

### **ITEM 2015-001: PERSONNEL ACTION REQUEST FORMS**

**Condition:** A Personnel Action Request Form was not signed by the Chief Financial Officer for four (4) employees. Also, a Personnel Action Request Form was not signed by the Human Resources Director for two (2) separate employees.

**Criteria:** A Personnel Action Request Form is required to be signed by the Division Director, Chief Financial Officer, Human Resources Director, and the Agency's President for each new hire as a means to provide evidence that the hiring of the new employee, including his or her position and pay rate was authorized.

**Cause:** These Personnel Action Request Forms were not signed by all authorized personnel due to lack of management oversight. The four (4) that were not signed by the Chief Financial Officer reflected signatures from the Division Director, Human Resources Director, and President. The two (2) that were not signed by the Human Resources Director reflected signatures from the Division Director, Chief Financial Officer, and President.

**Effect:** It is important for each Personnel Action Request Form to be approved and signed by all responsible officials in order to mitigate the risk associated with hiring an unauthorized employee or paying an employee an unauthorized salary or hourly rate.

**Recommendation:** We recommend that the Agency implement internal controls to ensure that all levels of approval are documented prior to an employee being hired, and that all Agency hiring policies are followed.

Mr. George L. Kennedy, III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
June 17, 2016

## **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 Agency for the fiscal year ended June 30, 2013, and dated May 16, 2014. We applied no procedures to the Agency's accounting records and internal controls for the fiscal year ended June 30, 2014. In response to our inquiries, we were told that the Agency has developed and implemented procedures to correct the weaknesses reported for the fiscal year ended June 30, 2013.

**MANAGEMENT'S RESPONSE**



**Vision Statement**  
To be the statewide leader in education  
and accessibility for individuals who are  
deaf, blind or multi-sensory disabled

June 17, 2016

Mr. George L. Kennedy, III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
Columbia, South Carolina

Mr. Kennedy:

The South Carolina School for the Deaf and the Blind is pleased to have participated in a review of this agency's application of Agreed-Upon Procedures for the fiscal year ended June 30, 2015. The results of this procedure are a testament to the professionalism of the members of the Procurement, Finance and Payroll sections. While we are pleased with the results, we are aware that there are areas of concern to address.

**Item 2015 -001: Personnel Action Request Forms**

**Condition:** A Personnel Action Request Form was not signed by the Chief Financial Officer for four (4) employees. Also, a Personnel Action Request Form was not signed by the Human Resources Director for two (2) separate employees.

**Management Response:**

Often signatures are omitted from Personnel Action Request forms due to the absence of key personnel. While it is not uncommon for "PAF's" to be approved by the Agency Head without all required signatures, no PAF can be approved without the knowledge and signature of the Agency Head. In order to ensure all necessary signatures are obtained prior to the Agency Head's approval, SCSDB will implement internal controls consisting of maintaining documentation of electronic consent as well as reviewing the possibility of appointing key personnel with signatory authority in the absence of the Division Director, CFO, or Director of Human Resources.

Respectfully Submitted,

Ben Riddle  
Chief Financial Officer

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**Accreditations**

South Carolina Department of Education • Conference of Educational Administrators of Schools and Programs for the Deaf •  
Southern Association of Colleges and Schools Council on Accreditation and School Improvement • A Palmetto Gold School