

SOUTH CAROLINA JOHN DE LA HOWE SCHOOL

MCCORMICK, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2016



**South Carolina
Office of the State Auditor**

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

June 19, 2017

Members of the Board of Trustees
John de la Howe School
McCormick, South Carolina

This report on the application of agreed-upon procedures to the accounting records and internal controls of the John de la Howe School for the fiscal year ended June 30, 2016, 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/cwc



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

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

We have performed the procedures described in Attachment 1, which were agreed to by the 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 systems, processes and behaviors of the School for the 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. The State Auditor and management of the School have agreed that the following deficiencies will not be included in the Auditor's Report on Applying Agreed-Up on Procedures:

- Clerical errors of less than \$100 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten 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 ten percent or more of the accounting transactions tested 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 of Trustees, management of the South Carolina John De La Howe School, and the State Auditor 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.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
June 19, 2017

Attachment 1

Agreed Upon Procedures Related to John De La Howe School (L120)

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 \$1,400 and 10% (General Fund), \$3,600 and 10% (Earmarked Fund), \$8,200 and 10% (Restricted Fund), and \$1,300 and 10% (Federal Fund).
2. Randomly select nine 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 nine 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 \$3,800 and 10% (General Fund), \$7,500 and 10% (Earmarked Fund), \$10,000 and 10% (Restricted Fund), and \$970 and 10% (Federal Fund).
5. Randomly select 25 non-payroll disbursements 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 all State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Clerical accuracy / verify proper sales/use tax.

Cash Disbursements/Non-payroll Expenditures (Continued)

For 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 25 non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Payroll

7. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain an understanding of variations over \$3,800 and 10% (General Fund), \$7,500 and 10% (Earmarked Fund), \$10,000 and 10% (Restricted Fund), and \$970 and 10% (Federal Fund).

8. Randomly select 25 employees and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and scan 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 noting all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Obtain and scan 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.

9. Selected all 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.

10. Selected all bonus pay disbursements authorized by the 2015-2016 Supplemental Appropriations to determine:

- Employee is a permanent state employee in a full-time equivalent positions 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.

Payroll (Continued)

11. 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.
12. Randomly select six 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.
13. Compare the percentage change in personnel service expenditures to the percentage change in employer contributions. Obtain explanation of changes of +/- 10%.
14. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution or recorded personnel service expenditures by fund source. Obtain explanation of changes of +/- 10%.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

15. Randomly select five non-recurring journal entries and six 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.

Finding

During our Transfer testing, we noted one instance when the transfer tested did not have proper supporting documentation.

Management Response

The School has strengthened its internal controls to ensure all supporting documentation for transfer transactions are maintained and made available. With the addition of the new finance director, internal controls are being addressed in all areas.

Appropriation Act

16. Complete the Appropriation Act work program provided to management noting areas of noncompliance, if any.
17. Obtain School-specific state provisos and inspect for compliance through inquiry and observation.

We found no exceptions as a result of the procedures.

Reporting Packages

18. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General. Inspect the following reporting packages, Other Payroll Liabilities Reporting Package, Master Reporting Checklist, Cash and Investments Reporting Package, Litigation Reporting Package, Receivables and Deferred Revenue Reporting Package, Inventory Reporting Package, Fund Balance Reporting Package, Accounts Payable Reporting Package, Grants and Contributions Revenue Reporting Package, Capital Assets Reporting Package, and Subsequent Events Reporting Package to:
 - Determine if preparation was in accordance with Comptroller General Office requirements.
 - Determine if amounts reported in the reporting packages agree with the supporting workpapers and accounting records.

Finding

As a result of our procedures, it was noted the School did not perform an annual inventory of its capital assets for fiscal year 2016. The School was not fully compliant with South Carolina Code of Laws section 10-1-140.

Management Response

The School has completed an annual inventory in fiscal year 2017 upon the arrival of the new finance director. This will be completed every year going forward.

Finding

It was noted during our reporting package testing there were four reporting packages (Other Payroll Liabilities Reporting Package, Cash and Investments Reporting Package, Receivables and Deferred Revenue Reporting Package, and Inventory Reporting Package) that were not submitted timely based on deadlines provided by the Comptroller General.

Management Response

The School acknowledges these reports were late due to the School not having a finance director at the time the packages were due. With the addition of the new finance director, these packages will be submitted timely going forward.

Composite Reservoir Accounts

19. Obtain from the State Auditor a listing of School composite reservoir accounts and confirm with School management that the listing is complete.
20. Obtain fiscal year monthly reconciliations for each composite reservoir account and for all of the reconciliations, perform the following procedures:
 - Determine the selected reconciliations were timely performed and properly documented in accordance with State regulations, and are mathematically correct.

Composite Reservoir Accounts (Continued)

- Agree applicable amounts from reconciliations to 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.
 - Obtain a reconciliation of applicable composite reservoir account balances to the liability for assets held in custody for others and determine mathematical accuracy.
 - Agree the reconciled balance of the liability for assets held in custody for others per the reconciliation to the general ledger.
21. Inspect six 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.
22. Determine revenue collection and retention or remittance is supported by law.
23. Inspect twenty four 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.

Status of Prior Findings

24. Inquire about the status of findings reported in the Accountant's Comments section of the engagement for the prior fiscal year to determine if the School has taken the appropriate corrective action.

See findings noted in Reporting Packages. These are repeat findings from the prior fiscal year.

Minutes

25. We will inspect the School's approved minutes beginning with the end date of the prior year fieldwork through the end of our fieldwork.

We found no other matters related to our agreed-upon procedures.