

**SOUTH CAROLINA GOVERNOR'S SCHOOL
FOR SCIENCE AND MATHEMATICS**

HARTSVILLE, 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

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RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

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April 25, 2014

The Honorable Nikki R. Haley, Governor
and
Members of the Board of Trustees
South Carolina Governor's School
for Science and Mathematics
Hartsville, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain internal controls and accounting records of the South Carolina Governor's School for Science and Mathematics for the 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/cwc

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**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 Governor's School for Science and Mathematics (the "School"), by the management of the South Carolina State Department of Education (the "Department"), 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 (\$72 – general fund, \$13,000 – earmarked fund, \$0 – restricted fund, and \$1,300 – federal fund) and +/- 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in "Indirect Costs Recording" 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 (\$51,000 – general fund, \$9,700 – earmarked fund, \$3,800 – restricted fund, and \$1,400 – federal fund) and +/- 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in "Grant Recording" 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 (\$51,000 – general fund, \$9,700 – earmarked fund, \$3,800 – restricted fund, and \$1,400 – 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 for the journal entry and appropriation transfer testing were chosen randomly. We selected and tested all operating transfers during the fiscal year. Our finding as a result of these procedures is presented in "Operating Transfers Recording and Balances" in the Accountant's Comments section of this report.

5. **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.

6. **Reporting Packages**

- The School's data is included in reporting packages submitted by the Department. We obtained copies of all reporting packages as of and for the year ended June 30, 2013, prepared by the Department 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.

7. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountants' Comments section of the Independent Accountants' Report on Applying Agreed-Upon Procedures on the School for the fiscal year ended June 30, 2012, to determine if School had taken corrective action.

Our finding as a result of these procedures is presented in "Indirect Costs Recording" in the Accountant's Comments section of this report.

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 South Carolina Office of the State Auditor, management of the South Carolina State Department of Education, and the governing body and management of the South Carolina Governor's School for Science and Mathematics and is not intended to be and should not be used by anyone other than these specified parties.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP

Mauldin, South Carolina

April 25, 2014

ACCOUNTANT'S COMMENTS

SECTION A – OTHER WEAKNESSES

The conditions described in this section have been identified while performing the agreed-upon procedures but they are not considered a violation of State Laws, Rules or Regulations.

Indirect Costs Recording

- Condition:** During our revenues analytics, it was noted that indirect costs revenues increased approximately \$1,700 in fiscal year 2013 (“FY 2013”) while federal revenues decreased \$146,000. Based on inquiries, it was determined that no indirect costs were charged in the fiscal year 2012 (“FY 2012”) for the South Carolina Gaining Early Awareness and Readiness for Undergraduate Programs (“SC GEAR UP”) grant; thus, the indirect costs charged in FY 2013 included the unclaimed indirect costs from FY 2012.
- Cause:** There was turnover in personnel responsible for indirect cost accounting transactions, which ultimately led to the indirect costs not being charged to the SC GEAR UP grant in FY 2012.
- Effect:** Indirect costs were understated in FY 2012 and overstated in FY 2013; however, it appears that indirect costs were ultimately fully claimed.
- Criteria:** Indirect costs should be recognized and recorded in the year earned.
- Recommendation:** We recommend that indirect costs be charged and posted in full each fiscal year to allow for proper matching and for ease of tracking and re-calculation of indirect costs.

Grant Recording

- Condition:** During our non-payroll expenditure analytics, it was noted that one federal expenditure account had a credit balance. Based on our inquiries, it was determined that the College Access Challenge Grant was over expended in FY 2012. As a result, a journal entry was prepared in FY 2013 zeroing the grant out which resulted in a credit balance in this expenditure account.
- Cause:** There was turnover in personnel responsible for these grants which resulted in the over expenditure.
- Effect:** Federal grant expenditures were overstated in FY 2012 and understated in FY 2013. In addition, General Fund expenditures were understated in FY 2012 and overstated in FY 2013.
- Criteria:** Grant expenditures should be monitored to ensure that grants are within budget (when possible) and that they are accounted for in the appropriate period.
- Recommendation:** We recommend that grants be monitored on a periodic basis to ensure that the expenditures are within the budget (when possible) and that any difference is accounted for in the appropriate period.

SECTION A – OTHER WEAKNESSES (CONTINUED)

Operating Transfers Recording and Balances

- Condition: During our operating transfers testing, it was noted that the only operating transfer during FY 2013 was recorded to an incorrect general ledger account/commitment item as the entries recording the transfers debited operating transfers in and credited operating transfers out (when the opposite should have occurred). This also resulted in inappropriate balances in the operating transfer accounts.
- Cause: The entries recording the operating transfers were recorded to an incorrect account.
- Effect: There were inappropriate balances in the operating transfers in and operating transfers out accounts; however, the net effect of the error did not result in a misstatement.
- Criteria: Transactions should be recorded to the correct general ledger account/commitment item.
- Recommendation: We recommend that a thorough review of operating transfers be performed to ensure that the amounts are being recorded to the appropriate accounts. In addition, we recommend that the School follow the transfer policy issued by the Comptroller General issued January 17, 2014, but effective July 1, 2013.

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 Independent Accountant's Report on the Governor's School for Science and Mathematics for the fiscal year ended June 30, 2012, dated June 24, 2013. We determined that the School has taken adequate corrective action on each of the findings except we have repeated the finding titled "Indirect Costs" listed in the Accountant's Comments section of this report.

MANAGEMENT'S RESPONSE

April 25, 2014

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

Re: Governor's School Audit Findings for period ending June 30, 2013

Dear Mr. Gilbert:

Please accept this letter as the Governor's School for Science and Mathematics' response to the Summary of Comments/Findings, June 30, 2013, by Greene Finney & Horton.

Three (3) items were listed on the Summary as follows:

1. Indirect Costs: Indirect costs, posted by SDE for GSSM, were not charged in FY12, but were ultimately fully claimed. In the future, GSSM will monitor more closely with SDE Finance to ensure that indirect costs are charged and posted in full each fiscal year.
2. Grant Recording: Incorrect Account Balance: Federal Grant – Gear UP – GSSM will review all grants received on a periodic basis and work more closely with SDE to ensure that grants are within budget and not over-expended, even temporarily.
3. Operating Transfers: GSSM will review with SDE all operating transfers to make sure that they are recorded properly to the appropriate accounts. GSSM will follow the transfer policy issued by the Comptroller General. Transfer policy changed by Comptroller General after occurrence.

If you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,



Ernie L. Boyd, Jr.
CFO and VP for Operations

cc: Dr. Murray Brockman, President
Dr. Leroy Davis, GSSM Board Chair
Mr. Art Tompkins, GSSM Finance Committee Chair

