

**WIL LOU GRAY OPPORTUNITY SCHOOL
WEST COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

October 15, 2018

Mr. Pat G. Smith, Director
and
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), on the systems, processes and behaviors related to financial activity of the School for the fiscal year ended June 30, 2017. The School's management is responsible for the systems, processes and behaviors related to financial activity. 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 either for the purpose for 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 related to financial activity 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 the 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 \$10,000 and 10% for the Earmarked Fund.
2. Randomly select ten 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, in accordance with Proviso 117 .1 of the Appropriation Act.
 - 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 \$120,000 and 10% for the General Fund, \$60,000 and 10% for the Earmarked Fund, \$6,000 and 10% for the Restricted Fund, and \$30,000 and 10% for the Federal Fund.
5. Randomly select twenty-five 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 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 / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures, 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 twenty non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Finding

Two transactions for expenditures incurred in fiscal year 2017 were posted to fiscal year 2018. Both invoices were received before the Comptroller General's cutoff date to post transactions in fiscal year 2017. In addition, one invoice was not stamped with the date it was received; therefore, we were unable to determine if the expenditures were posted in the correct fiscal year.

Management's Response

The Finance Staff review transactions very carefully to ensure proper classification. However, these items obviously slipped through our inspection. The staff will continue to monitor invoices closely to avoid recurrence.

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 \$120,000 and 10% for the General Fund, \$60,000 and 10% for the Earmarked Fund, \$6,000 and 10% for the Restricted Fund, and \$30,000 and 10% for the Federal Fund.
8. Randomly select twenty-five 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.
9. Haphazardly select ten 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. Haphazardly 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.
11. Haphazardly 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.
12. 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 greater than 10%.

Payroll (Continued)

13. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.

Finding

One employee out of the five new hires inspected was underpaid \$250. The employee was a teacher and was paid using the incorrect salary for her experience level during fiscal year 2017.

Management's Response

The employee's pay was based on information provided by the employee during in processing. We had no way of knowing that the information was incorrect until later. The situation has been corrected in the current year.

Journal Entries and Transfers

14. Randomly select four journal entries and one transfer 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

15. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
16. Confirm compliance with the selected agreed-upon School-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

Findings

See **Payroll** section for finding regarding payment of employees.

The School was unable to provide documentation that a year-end inventory of equipment was completed during fiscal year 2017.

Management's Response

As part of the risk mitigation process through SCEIS, we have reorganized the fixed asset duties. Finance now handles the annual inventory. In June/July of 2018, asset sheets were provided to the department heads. They were responsible for completing their areas inventory and returning the sheets to Finance.

Reporting Packages

17. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package 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.

Reporting Packages (Continued)

18. In addition to the procedure above, perform the following:

- Cash and Investments Reporting Package

Determine if responses are reasonable/accurate based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend 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.

- Grants and Contributions Revenue Reporting Package

Haphazardly select four grants to determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the SCEIS general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue to determine accuracy.

- 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.

- Litigation Reporting Package

Determine if the School obtained approval from the Attorney General's Office to hire attorneys and ensure proper coding of legal and attorney payments based on inspection of the SCEIS general ledger and the Yearend Reporting - Litigation Expense. Haphazardly select four transactions to inspect for proper approval, amounts charged within approved limits, and service date range.

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or School prepared records. Compare the Annual Leave, Holiday Leave, and Compensation Time balances for each employee from the Comptroller General's Office's Compensated Absence Report, to the 6/30/2017 balances in SCEIS to determine if the School had any late submissions of leave.

Findings

The School responded on the Capital Assets Questionnaire that its acquisitions plus transfers-in and retirements plus transfers-out equaled the debit and credit balances in SCEIS, respectively. However, we observed a variance of \$21,056 between these balances which should have prompted the School to report this information on "Reconciliation of SCEIS Asset History Sheet to General Ledger Activity" (Form 3.08.5).

See **Appropriation Act** section for finding regarding year-end inventory count documentation.

Management's Response

The variance had no effect on the Comprehensive Annual Financial Report for the State of South Carolina. While we understand the importance of completing the information in accordance with the forms, there was no substantive error. However, we will continue to review closing packages for completeness.

Capital Assets

19. Haphazardly select five capital asset acquisitions and inspect supporting documentation to determine the asset purchased was properly capitalized and posted to the general ledger as to amount and account, assigned the proper useful life in accordance with State policy and complied with applicable State laws.
20. Haphazardly select three capital asset retirements and inspect supporting documentation to determine the asset was originally recorded in the proper asset class, properly removed from the School's books and the disposal was properly approved.

We found no exceptions as a result of these procedures.

Composite Reservoir Accounts

21. Obtain a listing of the School's composite reservoir accounts and confirm with the School's management that the listing is complete.
22. Obtain fiscal year monthly reconciliations for each composite reservoir account and for the year end reconciliation, perform the following procedures:
 - Determine that selected reconciliations were timely performed, reviewed, 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 and inspect five 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, and that any retention or remittance of revenue is supported by law.
24. Haphazardly select and inspect 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.
25. For its composite reservoir accounts, determine the School either submitted a report to the State Fiscal Accountability Authority or obtained an exemption in accordance with Proviso 117.83 (Bank Account Transparency and Accountability).

We found no exceptions as a result of the procedures.

Minutes

26. Inspect the School's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

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

Procurement Card Transactions

27. Haphazardly select fifteen procurement card transactions from the Comptroller General's listing of procurement card transactions to determine:
- The cardholder is an authorized user.
 - The purchase is authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

Finding

We observed two monthly purchase summary statements were not signed by a supervisor.

Management's Response

The audit for Fiscal Year 2015-2016 did not take place until after Fiscal Year 2016-2017 had closed. Therefore we did not have an opportunity to correct it until Fiscal Year 2017-2018. The Fiscal Technician is now reviewing all statements to ensure signatures are obtained.

Housing Agreements

28. Obtain a listing of the School's housing agreements with its employees. For the one employee who pays monthly rent, inspect the rental agreement and ensure payments were accurate and timely. For two employees who do not pay monthly rent (on-call employees), inspect the rental agreements and confirm in SCEIS that the rent is correctly reported as a taxable benefit.

We found no exceptions as a result of the procedures.

Fiscal Monitoring of Schools

29. Inquire of management regarding any investigation, audit or review associated with the School which was ongoing or completed during the year. Inspect reports of any completed investigation, audit, or review associated with the School.
30. Compare current year trial balance account balances, excluding revenues and expenditures, to those of the prior year. Obtain and document an understanding of variances over \$300,000 and 10%.
31. Inspect budget allocations for the previous five years to determine consistent budgeting to support the School.
32. Compare total revenues to total expenditures for the current year and each of the previous four fiscal years and obtain an explanation from management for any year in which the School's expenditures exceeded revenues.
33. Through inquiry with management, determine and document the School's reserves/funding to maintain school operations if an emergency or budget shortfall should occur.

We found no exceptions as a result of the procedures.

Status of Prior Findings

34. Through inquiry and inspection, determine if the School has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found similar exceptions regarding the capital assets reporting package and procurement card purchases. See findings in **Reporting Packages** and **Procurement Card Transactions**.