

**SOUTH CAROLINA
EDUCATION OVERSIGHT COMMITTEE**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2017



Independent Accountant's Report on Applying Agreed-Upon Procedures

March 27, 2018

Ms. Melanie Barton, Executive Director
and
Members of the Committee
South Carolina Education Oversight Committee
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Education Oversight Committee (the Committee), on the systems, processes and behaviors related to financial activity of the Committee for the fiscal year ended June 30, 2017. The Committee'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 Committee. 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 Committee 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.

Ms. Melanie Barton, Executive Director
and
Members of the Committee
South Carolina Education Oversight Committee
March 27, 2018

This report is intended solely for the information and use of the Committee and management of the South Carolina Education Oversight Committee 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 South Carolina Education Oversight Committee (A85)

Cash Disbursements/Non-Payroll Expenditures

1. 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 in 502- GL Accounts in both the General and Restricted Funds.
2. Randomly select fifteen non-payroll disbursements and ten disbursements required by provisos related to Partnerships for Innovation and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Committee procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Committee procedures and good business practice are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Committee, properly coded to the general ledger.
 - Disbursement complied with applicable State laws, rules, provisos, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
 - Clerical accuracy / confirm proper sales/use tax.
3. Randomly select five non-payroll disbursements and inspect supporting documentation to determine that disbursements are recorded in the proper fiscal year.
4. Haphazardly select one month during the fiscal year and determine if the procurement card monthly purchase summary was submitted along with applicable receipts and signed by both the cardholder and supervisor.

We found no exceptions as a result of the procedures.

Payroll

5. Randomly select 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 Committee.
- 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 Committee.
- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

6. Select the sole employee hired during the fiscal year to determine if the employee was added to the payroll in accordance with the Committee's policies and procedures and that the employee's first pay check was properly calculated in accordance with applicable State law.

Payroll (Continued)

7. Select the two employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Committee'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.
8. 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%.

Finding

One employee who terminated employment during the fiscal year was not removed from the SCEIS payroll system after termination. We noted the Committee does not have a policy in place regarding termination of employment.

Management's Response

The Committee employed an hourly employee during the summer of 2016. This employee whose compensation was determined through the submission of timesheets is the only hourly employee of the Committee since the Committee's implementation of SCEIS in 2012. The last payment to the hourly employee was made on 9/1/2016 for time worked 8/2/2016 through 8/16/2016. The Committee staff responsible for payroll believed that the employee was terminated correctly in SCEIS and another SCEIS authorized staff member has verified that no unauthorized payments were made. Staff contacted SCEIS for assistance in successfully permanently terminating the hourly employee. SCEIS has provided the Committee staff with tutorial instructions on separation from service and contact information for assistance in the future. A separation of service checkoff list and SCEIS procedures will be created and maintained in the Committee's procedures file.

Journal Entries and Transfers

9. Randomly select five journal entries and 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

10. Inspect the Appropriation Act work program provided to and completed by management, confirming areas of noncompliance, if any.
11. For provisos specific to the Education Oversight Committee, we will inspect documentation to confirm compliance and ensure allocated funds adequately met the purpose of the proviso.

We found no exceptions as a result of the procedures.

Reporting Packages

12. 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 CG's Reporting Policies and Procedures Manual.

We found no exceptions as a result of the procedures.

Minutes

13. We will inspect the Committee'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.