

**SOUTH CAROLINA
EDUCATION OVERSIGHT COMMITTEE**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

February 25, 2019

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, 2018. 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:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

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 from management an understanding of variations in the 502- G/L Account in the Restricted Fund.
2. Randomly select fifteen non-payroll operating disbursements and haphazardly select ten disbursements authorized by certain specific provisos 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 are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Committee.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
 - Determine that disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.
3. 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.

Finding

Upon our inspection of cash disbursements, we identified two payments of \$10,000 each to the Charleston Youth Leadership Council, Inc. for the My Brother's Keeper program and the Beaux Affair "Rites of Passage" program. The Committee made these payments under Proviso 1A.43 of the 2018 Appropriations Act which states:

(SDE-EIA: EOC Partnerships for Innovation) Of the funds appropriated or carried forward from the prior fiscal year, the Education Oversight Committee is directed to participate in public-private partnerships to promote innovative ways to transform the assessment of public education in South Carolina that support increased student achievement in reading and college and career readiness. The Education Oversight Committee may provide financial support to districts and to public-private partnerships for planning and support to implement, sustain and evaluate the innovation and to develop a matrix and measurements of student academic success based on evidence-based models. These funds may also be used to support the innovative delivery of science, technology, and genetic education and exposure to career opportunities in science, including mobile science laboratory programs, to students enrolled in the Abbeville equity school districts and students in high poverty schools. These funds may also focus on creating public-private literacy partnerships utilizing a 2:1 matching funds provision when the initiative employs research-based methods, has demonstrated success in increasing reading proficiency of struggling readers, and works directly with high poverty schools and districts.

We were unable to obtain documentation or other information which indicated that this payment was made to an organization or program which met the requirements of Proviso 1A.43.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Management's Response

The expenditure of funds was a directive of a member of the General Assembly. The Education Oversight Committee had no discretion in how these funds were expended.

In the Innovation Report adopted by the Education Oversight Committee at the December 11, 2017 meeting and forwarded to the General Assembly the Education Oversight Committee recommended that there must be a rigorous review process of prospective providers and courses and a strong system to monitor student achievement.

Payroll

4. 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%.
5. Haphazardly 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.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

6. Haphazardly 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.

Reporting Packages

7. 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.

We found no exceptions as a result of the procedures.

Minutes

8. 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.

Appropriation Act

9. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
10. 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.

Findings

During our confirmation of the Committee's compliance with South Carolina Procurement Regulation 19-445-2025, we noted an insurance premium payment for tort liability insurance totaling \$8,154 was recorded in G/L Account 5021490000 (Audit, Acct, Finance) instead of G/L Account 5040510000 (Insurance – State).

We further identified noncompliance with Proviso 1A.43 of the 2018 Appropriations Act. See finding at **Cash Disbursements/Non-Payroll Expenditures**.

Management's Response

The tort liability insurance payment to the State Insurance Reserve was processed through IDT in SCEIS. This is a one-time annual payment made at the beginning of each fiscal year and the G/L account used was the same G/L account used in previous years and was not blocked for posting in SCEIS as many G/L accounts are when changes are made. When informed by the State Auditor's Office of the change along with the correct G/L account EOC staff has documented the change and ensured that the correct G/L account has been used for FY 2018-19.

Status of Prior Finding

11. Through inquiry and inspection, determine if the Committee has taken appropriate corrective action on the finding reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedures.