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State Auditor's report June 30, 2018

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**SOUTH CAROLINA
GOVERNOR'S SCHOOL FOR THE ARTS AND HUMANITIES**

GREENVILLE, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

June 25, 2019

Dr. Cedric Adderley, President
South Carolina Governor's School
for the Arts and Humanities
Greenville, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Governor's School for the Arts and Humanities (the School), on the systems, processes and behaviors related to financial activity of the School for the fiscal year ended June 30, 2018. 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:

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

This report is intended solely for the information and use of the governing body and management of the 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 Governor's School for the Arts and Humanities (H63)**

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 from management an understanding of variations for the following accounts: earmarked fund: insurance claims; restricted fund: allocations - education improvement act; and federal fund: federal grant deposit to grantee.
2. Randomly select eight cash receipts transactions and inspect supporting documentation to:
 - Agree transaction amount, date, payor, document number, and account classification 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.
 - 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

3. 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 for the following account series: general fund: contractual services; and earmarked fund: contractual services, and supplies and materials.
4. Randomly select ten non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by agency procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by agency procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the agency.
 - 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.
5. Haphazardly select five purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for Fiscal Year 2018 and inspect supporting documentation 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

During our inspection of the School's procurement card transactions, we identified a monthly purchase summary that did not have the proper signatures on it. The statement was not signed by a supervisor.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Management Response

SCGSAH will review audit guidelines with staff as stated in the Purchasing Card Program Policy and Procedures document updated May 2019 regarding signing the PCard monthly billing statement each month that charges are made. The SC Department of Education Office of Procurement distributed copies of the Policy and Procedures to SCGSAH card holders and supervisors on June 20, 2019. SCGSAH will comply.

Payroll

6. 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%.
7. 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% when the proportion of employer contributions to personal service expenditures also varies at a rate greater than 5% between fiscal years.
8. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the agency'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.
9. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the agency's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

10. Haphazardly select a total of eight 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 procedure.

The Governor's School for the Arts and Humanities Foundation (the Foundation)

11. Obtain and inspect agreements between the School and the Foundation as well as any applicable background information to determine if there are any areas of noncompliance.
12. Haphazardly select five transactions that occurred between the School and the Foundation to ensure the transactions were properly recorded and in compliance with the agreement between the School and the Foundation.

We found no exceptions as a result of the procedures.

Fiscal Monitoring of Schools

13. Inquire with management regarding any investigation, audit or review associated with the School which was ongoing or completed during the fiscal year. Inspect reports of any completed investigation, audit or review associated with the School.
14. Compare current year trial balance account balances, excluding revenues and expenditures, to those of the prior year. Obtain and document an understanding of variations over \$500,000 and 10%.

Fiscal Monitoring of Schools (Continued)

15. Inspect budget allocations for the previous five years to determine consistent budgeting to support the School.
16. 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 and appropriations.
17. 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.

Appropriation Act

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

We found no exceptions as a result of the procedures.

Minutes

20. Inspect the agency's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork for matters related to our engagement.

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

Status of Prior Finding

21. Through inquiry and inspection, determine if the agency 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.