

**SOUTH CAROLINA SCHOOL FOR
THE DEAF AND THE BLIND
SPARTANBURG, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2018



Independent Accountant's Report on Applying Agreed-Upon Procedures

March 5, 2019

Dr. Page B. McCraw, President
and
Members of the Board
Spartanburg, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina School for the Deaf and the Blind (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.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the governing body and management of the South Carolina School for the Deaf and the Blind 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 School for the Deaf and the Blind (H75)**

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: Earmarked Fund: G/L Accounts 4890080000 (fund 35410300) and 4300060000; Restricted Fund: G/L Account 4890080000 (fund 49730585); and Federal Fund: G/L Account 4890080000.
2. Haphazardly select ten cash receipts transactions, excluding transactions from G/L Accounts inspected during the prior year engagement, 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 fiscal year 2018 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 these 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 the variation for the following: Federal Fund: 502- accounts.
4. Haphazardly select fifteen non-payroll disbursements, excluding disbursements from G/L Accounts inspected during the prior year engagement, and inspect supporting documentation to determine:
 - The 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.
 - The transaction is properly classified in the general ledger.
 - The disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - The disbursement is recorded in the proper fiscal year.
 - 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.

Cash Disbursements/Non-Payroll Expenditures (Continued)

Finding

The purchase of an asset totaling \$40,069 was improperly expensed by the School. Since the cost of the asset exceeded the State's capitalization threshold of \$5,000, it should have been capitalized and coded to an 18- GL Account accordingly.

Management's Response

The School acknowledges this finding and will continue to work to ensure capitalization encompasses all components of any asset to include shipping costs, installation costs, software costs, and any other related charges. This matter will be reviewed with staff to communicate the importance of requiring itemized quotes to allow for increased accuracy with asset capitalization and general ledger coding.

Payroll

5. 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%.
6. 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%.
7. Haphazardly select ten 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.
8. 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.

We found no exceptions a result of these procedures.

Journal Entries and Transfers

9. Haphazardly select eight journal entries and two 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 this procedure.

Reporting Packages

10. 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)

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

- Grants and Contributions Revenue Reporting Package

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

- Other Receivables Reporting Package

Determine if reported amounts are accurate based on inspection of the SCEIS general ledger, the SCEIS Yearend Rptg - Accounts Receivable Current with Customer report and/or School prepared records.

- Accounts Payable Reporting Package

Determine if reported totals are accurate based on the inspection of the SCEIS general ledger, SCEIS Yearend Rptg – Prior Year Payables with Vendor report and/or School prepared records. In addition, haphazardly select five payables to determine if the amounts were properly classified and calculated.

- 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. In addition, compare the Annual Leave, Holiday Leave, and Compensatory Leave balances for each employee from the CG's Compensated Absences Report to the balances reflected in SCEIS as of June 30, 2018 to determine if the School had any unreported late submissions of leave.

Finding

The Capital Assets Reporting Package and Subsequent Events Questionnaire were not submitted to the Office of the Comptroller General by the due dates established by the CG's Reporting Policies and Procedures Manual. The packages were both submitted one business day late.

Management's Response

The School acknowledges and agrees to this finding. The matter of late reporting will be reviewed and documented with staff. Continued late reporting will include corrective action to ensure accurate and timely reporting in the future.

The South Carolina School for the Deaf and the Blind Foundation

12. Obtain and inspect applicable contractual agreements to determine if individuals employed by both the School and the Foundation are being compensated in accordance with the agreement.

We found no exceptions as a result of this procedure.

Fiscal Monitoring of Schools

13. Inquire of 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%.
15. Inspect budget allocations for the previous five fiscal years to determine consistent budgeting to support the School.
16. Compare total revenues to total expenditures for the current fiscal 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.
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 these procedures.

Governance, Risk and Compliance (GRC) SCEIS Module

18. Select all (four) controls identified through the SCEIS GRC system that were in place during fiscal year 2018 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of this procedure.

Appropriation Act

19. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.
20. 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 these procedures.

Minutes

21. Inspect the Board's approved minutes beginning with the last date inspected during the prior year through the end of our fieldwork.

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

Status of Prior Findings

22. Through inquiry and inspection, determine if the School took appropriate corrective action on the findings reported during the prior year engagement before the end of fiscal year 2018. For instances where correction was not implemented prior to year-end, document the current status of the School's corrective action.

Observations

Per discussion with School personnel and through inspection and observation we determined two prior year findings were corrected before the end of fiscal year 2018: (1) Personal Property Inventory and (2) Subsequent Events Questionnaire. We also identified the following prior year findings still existed: (1) Disbursement Account Coding; (2) Cash and Investments Reporting Package; (3) Capital Assets Reporting Package; (4) Operating Leases Reporting Package; (5) Composite Account Reconciliations; (6) Procurement Cards; and (7) Information Technology Procurement. These issues were not corrected prior to year-end because the timing of the prior engagement did not allow adequate time to correct the issues. However, we observed the School has implemented corrective measures for each of these findings. Further, we identified a similar finding related to Asset Capitalization so that finding will be repeated. See finding at **Cash Disbursements/Non-Payroll Expenditures**.