

**SOUTH CAROLINA GOVERNOR'S SCHOOL
FOR SCIENCE AND MATHEMATICS
HARTSVILLE, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2008

CONTENTS

	<u>PAGE</u>
I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1
II. ACCOUNTANT'S COMMENTS	
SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS	6
RECEIPT RECORDED IN THE WRONG FISCAL YEAR	7
INCORRECT PAY PERIOD	7
COMPENSATED ABSENCES CLOSING PACKAGE	8
SECTION B - STATUS OF PRIOR FINDINGS	9
MANAGEMENT'S RESPONSE	10

State of South Carolina



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

April 23, 2009

The Honorable Mark Sanford, Governor
and
Members of the Board of Trustees
South Carolina Governor's School
for Science and Mathematics
Hartsville, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Governor's School for Science and Mathematics (the School), and by the management of the South Carolina State Department of Education (the Department), solely to assist you in evaluating the performance of the School for the fiscal year ended June 30, 2008, in the areas addressed. The School's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. **Cash Receipts and Revenues**

- We inspected selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations.
- We inspected selected recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.

- We compared current year recorded revenues at the subfund and object code level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the earmarked, restricted and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$13,500 – earmarked fund, \$7,200 – restricted fund, and \$900 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Receipt Recorded in the Wrong Fiscal Year in the Accountant's Comments section of this report.

2. **Non-Payroll Disbursements and Expenditures**

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations, were bona fide disbursements of the School, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded expenditures were in agreement.
- We compared current year expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$30,300 – general fund, \$9,500 – earmarked fund, \$8,900 – restricted fund, and \$2,900 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

3. **Payroll Disbursements and Expenditures**

- We inspected selected recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements and processed in accordance with the agency's policies and procedures and State regulations.
- We inspected selected payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS.

- We inspected payroll transactions for selected new employees and those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the agency's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement.
- We compared current year payroll expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$30,300 – general fund, \$9,500 – earmarked fund, \$8,900 – restricted fund, and \$2,900 – federal fund) and ± 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of ± 5 percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

The individual transactions selected were chosen randomly. Our finding as a result of these procedures is presented in Incorrect Pay Period in the Accountant's Comments section of this report.

4. **Journal Entries**

- We inspected selected recorded journal entries to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the agency's policies and procedures and State regulations.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

5. **General Ledger and Subsidiary Ledgers**

The School is a separate program within the State Department of Education budgetary unit of the State of South Carolina.

- We inspected selected entries and monthly totals in the subsidiary records of the Department to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and selected entries were processed in accordance with the agency's policies and procedures and State regulations.

The transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

6. **Reconciliations**

The School's accounts are reconciled by the State Department of Education.

- We obtained all monthly reconciliations prepared by the Department for the year ended June 30, 2008, and inspected selected reconciliations of balances in the Department's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if accounts reconciled. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amounts to the Department's general ledger, agreed the applicable amounts to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Department's accounting records and/or in STARS.

The reconciliations selected were chosen randomly. We found no exceptions as a result of the procedures.

7. **Appropriation Act**

- We inspected agency documents, observed processes, and/or made inquiries of agency personnel to determine the Agency's compliance with Appropriation Act general and agency specific provisos.

We found no exceptions as a result of the procedures.

8. **Closing Packages**

The School's data is included in closing packages submitted by the State Department of Education.

- We obtained copies of all closing packages as of and for the year ended June 30, 2008, prepared by the State Department of Education and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements and if the amounts reported in the closing packages agreed with the supporting workpapers and accounting records.

Our finding as a result of these procedures is presented in Compensated Absences Closing Package in the Accountant's Comments section of this report.

9. **Schedule of Federal Financial Assistance**

The School's federal grants are included in the State Department of Education's Schedule of Federal Financial Assistance.

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2008, prepared by the Department and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

10. **Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report for the South Carolina Governor's School for Science and Mathematics resulting from our engagement for the fiscal year ended June 30, 2007, to determine if the School had taken corrective action.

Our finding as a result of these procedures is presented in Incorrect Pay Period and Compensated Absences Closing Package in the Accountant's Comments section of this report.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor and 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.



Richard H. Gilbert, Jr., CPA
Deputy State Auditor

ACCOUNTANT'S COMMENTS

SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

RECEIPT RECORDED IN THE WRONG FISCAL YEAR

We tested eighteen receipt transactions for proper cut-off and noted one receipt was recorded in the wrong fiscal year. The School recorded a check received on July 1, 2008 in fiscal month thirteen of fiscal year 2008. The receipt should have been recorded in fiscal month one of fiscal year 2009.

State Treasurers year end close-out procedures require that revenue be recorded in the same fiscal year that the receipt occurs.

We recommend the School follow procedures to ensure that receipts are recorded in proper fiscal year.

INCORRECT PAY PERIOD

We tested all employees hired during fiscal year 2008. We noted that two of the thirteen employees tested were paid in the incorrect pay period. The first paycheck received by the two employees included pay earned over two pay periods. The error occurred because the School did not submit paperwork to the Department of Education payroll department in a timely manner.

Section 8-11-35 of the 1976 Code of Laws states in part, "To provide a regular and permanent schedule for payment of employees, the payroll period begins on June 2 of the prior fiscal year with the first pay period ending on June 16 of the prior fiscal year. The payroll period continues there after on a twice monthly schedule as established by the State Budget and Control Board."

We recommend the School implement procedures to ensure that payroll support documents are approved and submitted to the Department for processing in accordance with the State's pay schedule.

COMPENSATED ABSENCES CLOSING PACKAGE

We randomly selected five employees from the School's compensated absences closing package. Based on our sample we determined that the School reported an incorrect leave balance for one of the employees. We determined that the School inadvertently used the prior year leave balance instead of the individual's leave balance at June 30, 2008.

Section 3.17 of the Comptroller General's Office GAAP Closing Procedures Manual states, "The accumulated unused annual leave earned by employees at June 30 is the actual annual leave balance in the agency's records for each employee."

We recommend the School implement procedures to ensure that amounts reported on the compensated absences closing package are supported by the School's accounting records and that the School have someone independently review the closing package to ensure that the calculations are accurate and supported by the School's accounting records.

SECTION B - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Governor's School for Science and Mathematics for the fiscal year ended June 30, 2007, and dated May 13, 2008. We have repeated the finding Incorrect Pay Period and Compensated Absences Closing Package in the Accountant's Comment's section of this report.

MANAGEMENT'S RESPONSE

July 29, 2009

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
1401 Main Street, Suite 1200
Columbia, SC 29201



SOUTH CAROLINA
GOVERNOR'S SCHOOL
FOR SCIENCE
& MATHEMATICS

Re: Report Release Authorization, Management Response

Dear Mr. Gilbert:

Thank you for forwarding the preliminary draft copy of the report on the performance procedures to the accounting records of the South Carolina Governor's School for Science and Mathematics (GSSM) for the fiscal year ended June 30, 2008.

Mr. Ernie Boyd, GSSM's VP for Finance, and I have reviewed the draft and I hereby authorize its release. Attached is a current list of GSSM Board members and their mailing and email addresses.

We respect your findings and are taking affirmative steps to address the three issues identified in the Auditor's Comments section:

1) Receipt recorded in wrong fiscal year. This was final installment of a personnel grant payment received on July 1, 2008 and coded for the previous fiscal year when the services were rendered. GSSM has discussed correct procedures with Auditor and will in the future always code in the fiscal year in which payment is received.

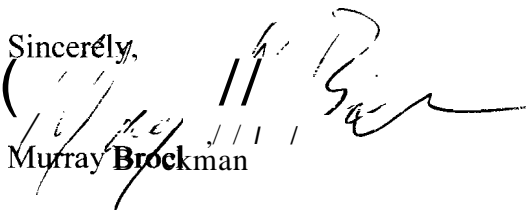
2) Incorrect pay period. GSSM provides paperwork in a timely manner. GSSM does not submit paperwork to the Department of Education's Payroll Department - all payroll paperwork is processed through the Department of Education's Personnel Department. However, because processing through Columbia was delayed, a new employee and an hourly consultant received payment for two pay periods as a necessary corrective measure.

Timely processing of personnel actions by SDE Personnel Department is an ongoing issue and GSSM continues to work with SDE Personnel to correct. GSSM provides SDE with extraordinary additional lead time for processing where possible and we seek to obtain from SDE Personnel both timely processing and notification of items that might delay processing of personnel items.

3) Incorrect leave balance reported for one person. GSSM made a transcription error, entering the number from the previous FY's column. We'll double-check in future.

I appreciate the work of you and your staff and we look forward to continuing reviews and improvements in the future.

Sincerely,


Murray Brockman

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