



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

February 5, 2021

The Board of Trustees
Spartanburg County School District Three
Glendale, South Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spartanburg County School District Three, South Carolina (the "School District"), for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 3, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note I to the financial statements.

No new significant accounting policies were adopted and the application of existing policies was not significantly changed during the year ended June 30, 2020. We noted no transactions entered into by the School District during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant sensitive estimates affecting the School District's financial statements were: Management's estimates of the useful lives of capital assets and the resulting depreciation expense is based on historical data and industry standards. Management's estimate of the amount of accrued compensated absences related to the School District's accumulated leave policies is based on historical data. Management's estimate of the property taxes receivable and allowance for uncollectible property taxes is based on information provided by the County and historical collection rates. Management's estimate of the net pension and OPEB liabilities and deferred outflows/inflows of resources is based on an actuarial valuation (the actuarial assumptions are based on accounting requirements, actuarial standards, historical data, and industry trends) prepared and certified by an independent actuary. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. For purposes of this communication, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the School District's financial reporting process (that may or may not cause future financial statements to be materially misstated). Since it is inherently judgmental to determine what adjustments would or would not have been detected except through our auditing procedures, a schedule of all adjusting and reporting journal entries is attached, including those prepared by the School District as part of their closing process after we obtained the initial trial balance.

In our judgment, there were no material known unrecorded and uncorrected misstatements, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 5, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Matter for the Board of Trustees' Consideration

During the course of our audit, we became aware of a matter that is an opportunity for strengthening internal controls and improving operating efficiency. The memorandum (Attachment A) that accompanies this letter summarizes our comments and suggestions regarding this matter. This letter does not affect our independent auditor's report dated February 5, 2021 on the financial statements for the School District.

We have already discussed our comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations.

In addition to the matter discussed in Attachment A, we have noted a finding that has been reported in the compliance section of the 2020 financial statements.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedule – General Fund, the pension plan schedules, and the OPEB plan schedules, which are required supplementary information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information and the schedule of expenditures of federal awards, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled this information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Trustees and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Greene Finney, LLP

Greene Finney, LLP
Certified Public Accountants

ATTACHMENT A

SPARTANBURG COUNTY SCHOOL DISTRICT THREE
MATTERS FOR CONSIDERATION
YEAR ENDED JUNE 30, 2020

2020-A: PUPIL/STUDENT ACTIVITY FUNDS

- Condition: The School District overall has very reasonable policies and procedures in place in the administration of pupil/student activity funds. However, these funds have an inherent lack of segregation of duties at all schools related to pupil activity cash receipts and disbursements. This is primarily due to having one employee (the bookkeeper) perform most of the accounting functions at the schools due to cost issues. These duties include receipting the funds, making deposits, preparing checks, frequently signing checks, and preparing the monthly bank reconciliations. In order to compensate for this, the School District has implemented monitoring and review procedures at the schools and the main office. These procedures include requiring two signatures on checks, having the principal sign all checks and review all bank reconciliations and requiring that quarterly reports from each school be submitted to the main office for review. The School District provides training to the bookkeepers and others at the schools so that the School District's policies regarding cash receipts and disbursements for pupil activities will be followed.
- Recommendation: We want the Board of Trustees to continue to be aware of the risks associated with a lack of segregation of duties related to pupil/student activity funds as these funds continue to be the highest occurrence area of fraud for school districts. We recommend (a) that the School District continue its monitoring and reviewing of these activities so that the lack of segregation of duties will be mitigated to an acceptable level, (b) that executive management continue setting the tone at the top in communicating the importance of adhering to the School District's policies, and (c) the School District should routinely evaluate the cost/benefit factors for strengthening controls over these funds and determine what level of risk the School District is willing to live with. Areas that could use improvement, if cost effective, would be in more segregation of duties, more review and approval, and more centralization of cash disbursement and cash receipts.
- Response: The District realizes the schools are limited in their ability to delegate and segregate duties due to limited available personnel. The District does have the principals review and certify that they have reviewed a fraud presentation annually which emphasizes the number one mitigating factor for fraud – paying attention where the main risk lies. The District also emphasizes timely bank reconciliations and budget reviews, which for the most part is done. The District will continue to monitor and improve their training on cash handling procedures such that the District can ensure that, short of hiring additional personnel, they have done all they can to mitigate this risk.