



Grant Thornton

Beaufort County School District
Forensic Accounting Procedures

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Partner – Forensic Advisory Services

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CONFIDENTIAL

Introduction

Forensic Accounting – Terminology

- Audit and Attestation Services
 - An "Audit" is an attestation service designed to express a conclusion/opinion on the subject matter
 - Attestation Services include audits, compilations, reviews and agreed upon procedures
 - Services are prescriptive, inflexible, do not allow for deeper investigations needed in forensic accounting
- Forensic Accounting Procedures
 - Performed under Consulting Standards
 - Can be used to investigate allegations of fraud or other suspected fraud, waste, or abuse
 - Analysis of financial information and transactions
 - Lead driven, flexible, and adaptable to allow the forensic accountants to modify procedures based on findings

Triggers

- What triggers Forensic Accounting Procedures?
 - Allegations of fraud or other financial misconduct
 - Suspected fraud (i.e. theft, embezzlement, fraudulent financial reporting)
 - Known conflicts of interest / bribery
 - Issues identified in a competitive bidding / procurement process

Common Approach

Scope and Objectives:

- The goal of the Forensic Accounting Procedures is to assist the Beaufort County School District in assessing current fraud risks and analyzing financial data related to high-risk areas that could be susceptible to fraud or misappropriation.

Approach

- Forensic Accounting Procedures approach including:
 - Phased approach
 - Flexible model
 - Use of data analytics to identify key risk areas
 - Frequent discussion with key stakeholders
- Phase One:
 - Understand situation and documentation related to known occurrences or allegations
 - Read and assess prior work
 - Investigate specific allegations that remain unanswered
 - Identify key risk areas most susceptible to fraud or misappropriation
 - Broader analysis of areas identified as risks:
 - Use data analytics to identify patterns, trends, and outliers
 - Sample transactions
 - Revise approach based on findings throughout our analysis

BRYAN C. MOSER

CPA, ABV, CFF, CFE

**FORENSIC ADVISORY SERVICES
PARTNER**



Bryan Moser is a Partner in Grant Thornton LLP's Business Risk Services practice in Arlington, Virginia, which serves the Mid-Atlantic region. Bryan was with PricewaterhouseCoopers nearly 15 years. He began his career as an industry analyst for the Bureau of Labor Statistics.

Bryan has more than 20 years of experience assisting clients with compliance, investigations and litigation. He analyzes the business and financial aspects of complex matters. Bryan assists clients with government and internal fraud investigations. He often advises clients during critical business situations and assists with developing operational improvements.

Bryan consults with clients regarding compliance with regulations. Bryan has performed engagements to monitor financial and operational compliance with contractual and consent agreements and to assess the effectiveness of remediation procedures. He has assessed internal controls and regulatory compliance of businesses. He has led engagements as Independence Review Organization and performed licensing/royalty analysis. He has consulted on anti-corruption / FCPA compliance, including providing related training. Bryan has assisted clients with SEC, DOJ, and internal fraud investigations in the United States and abroad. Bryan has assisted clients in disputes, including expert testimony.

Education and professional credentials

- Certified Public Accountant (VA, GA, DC) (CPA)
- Accredited in Business Valuation (ABV)
- Certified in Financial Forensics (CFF)
- Certified Fraud Examiner (CFE)
- American Institute and Virginia Society of Certified Public Accountants
- Association of Certified Fraud Examiners
- American Bar Association, Associate Member



Grant Thornton Investigative Services

At a glance

Combining highly technical forensic accounting skills, investigative prowess, state-of-the-art technology and deep industry knowledge, our professionals assist clients and their legal counsel in investigating allegations of fraud, waste or abuse, and whistleblower claims, as well as responding to shareholder or regulatory inquiries. Our diverse Forensic Advisory Services team is made up of CPAs, Certified in Financial Forensics designees, Certified Fraud Examiners, Certified Anti-Money Laundering Specialists, computer forensic specialists and former senior law enforcement and regulatory officials. We are trained to help uncover crimes such as embezzlement, money laundering, financial statement fraud, kickback schemes and tax scams, among others.

- Accounting irregularities and restatements
- Asset tracing
- Board investigations
- Forensic accounting
- Global investigations





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Questions



Beaufort County School District
Forensic Audit
Finance & Operations Committee Discussion - August 10,
2017
Tonya Crosby, Chief Finance and Operations Officer

BACKGROUND INFORMATION:

BCSD issued an RFP in the spring of 2014 for a financial statement audit of fiscal years 2014 through 2018. This audit was required by state law to be performed in accordance with generally accepted auditing standards, the standards set forth for:

- financial audits in the General Accounting Office's (GAO) *Government Auditing Standards* (2003),
- the provisions of the federal Single Audit Act of 1984 (as amended in 1996) and
- U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The auditor is required to issue an opinion on the **fair presentation of the financial statements** as well as the **internal controls over financial reporting**. A separate Procurement audit is required by the state every three years. BCSD chooses to have this audit performed annually and a separate report is issued on **compliance with the District's Procurement Code**. In addition to code compliance, specific areas identified in the sample include the following:

- Minority Women Enterprise Reporting
- Construction and Related Services Procurements
- Sole Source and Emergency Procurements
- Professional and Consulting Services Procurements
- Surplus Property

Both audits test samples of transactions from payroll, RFPs, contracts, invoices, journal entries, checks, Procurement Card transactions and more. There are very specific requirements in the State Procurement Code defining the minimum requirements of these audits.

Webster Rogers, LLP performed an additional review of the FY 2009-2010 Procurement Card transactions and issued an opinion on them. The cost of the audit was \$2,500 and there were no findings.

INFORMATION

Definition of Forensic Audit

- Forensic – used or suitable in courts of law or public debate (Black's Law Dictionary)
- Forensic accounting – involves the application of special skills in accounting, auditing, finance, quantitative methods and certain areas of the law, research, and investigative skills to collect, analyze, and evaluate evidential matter to interpret and communicate findings (AICPA)
- Forensic accounting is the specialty practice area of accounting that describes engagements that result from actual or anticipated disputes or litigation. "Forensic means suitable for use

in a court of law", and it is to that standard and potential outcome that forensic accountants generally have to work. Forensic accountants, also referred to as forensic auditors or investigative auditors, often have to give expert evidence at the eventual trial.^[1] (Wikipedia)

Procurement Card Agreed Upon Procedures (AUP)

To provide a perspective on pricing, an estimate of a separate audit of Procurement Card transactions was provided by Elliott Davis Decosimo, LLC. The estimated fees were as follows:

Estimated fee would be:

250 transactions - \$4,250

500 transactions - \$5,500

1000 transactions - \$8,000

1500 transactions - \$10,500

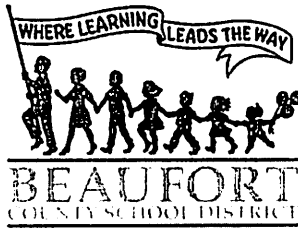
Under either option and depending on the amount of the contract and scope of work, the District will procure the services through quotes, advertisement or formal bid process. Also, a funding source for the contract must be identified.

RECOMMENDATION

The administration recommends that the Finance and Operations Committee and the Board of Education authorize an additional set of agreed upon procedures be performed of Procurement Card transactions for the 2016-2017 school year. A report will be presented to the Board, who will then determine if further review is necessary.

ACTION REQUESTED

The Finance and Operations Committee recommends that the Board of Education authorize funds for additional agreed upon procedures on the Beaufort County School District's 2016-2017 Procurement Card transactions in an amount not to exceed \$10,000 to be paid from the District's 2017-2018 operating budget.



**CONTRACTUAL AGREEMENT BETWEEN
DISTRICT AND CONTRACTOR FOR
PROFESSIONAL AUDITING SERVICES**

This contract is made on the 15th day of February 2014, by and between Beaufort County School District (BCSD) and Elliott Davis, LLC (Contractor).

The Contractor shall provide external auditing services per the specifications, terms and conditions of Request for Proposal (RFP) #14-010.

The parties hereto do agree as follows in consideration of the mutual promises, covenants and agreements as hereinafter set forth.

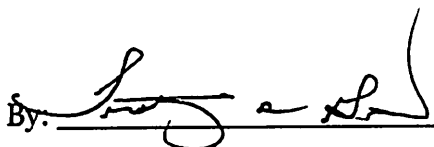
1. **TERMS AND CONDITIONS.** Contractor certifies that the scope of work/specifications as they apply to all terms and conditions within the BCSD RFP #14-010 solicitation and the Contractor's proposal in response to the RFP shall be made part of the Contract as if incorporated therein.
2. **SCOPE OF WORK.** The contractor shall provide external auditing services for BCSD to meet requirements within the BCSD RFP #14-010 solicitation.
3. **TERM.** This Agreement shall commence on February 15, 2014 and the base term of the agreement shall be for one (1) year, expiring February 14, 2015. At the end of the base term, and at the end of each renewal term, this Contract shall automatically renew for four (4) periods of one (1) year, unless contractor receives notice that the BCSD elects not to renew the Contract at least thirty (30) days prior to the date of renewal. Extensions beyond February 14, 2019 require approval of the BCSD Board of Education.
4. **COMPENSATION.** Contractor shall be compensated per the fee schedule shown in Exhibit A of this Agreement.

5. **INDEPENDENT CONTRACTOR.** The relationship of the Parties hereto shall at all times be that of independent contractor. Nothing in this relationship will create an employer-employee relationship, association, joint venture, partnership, or other form of legal entity or business enterprise between the Parties, their agents, employees or affiliates.
6. **DISPUTE RESOLUTION.** All disputes between the parties hereto under this Agreement must be resolved pursuant to the procedures of the Procurement Code of BCSD.
7. **TERMINATION FOR DEFAULT.** Should termination for default occur, BCSD reserves the right to procure like services in the open market, charging the Contractor with any excess costs.
8. **NOTICES.** All notices, consents, approvals and the like required to be given hereunder shall be given in writing to BCSD at P.O. Drawer 309, Beaufort, S.C. 29901-0309 or to such other address as BCSD shall designate. All notices to the Contractor shall be given to Elliott Davis, LLC at 100 Calhoun Street, Suite 300, Charleston, SC 29401.
9. **WHOLE AGREEMENT.** This document, together with all subordinate and other documents incorporated by reference herein, will constitute the entire agreement between the parties with respect to the subject contained herein, supersedes all prior agreements and understandings, whether written or oral, and may only be modified by an amendment executed in writing by both parties.

The Parties hereto have duly executed this Agreement on the date first set forth above.

AGREED:

Elliott Davis, LLC

By: 

Timothy A. Grow,
Shareholder

Beaufort County School District

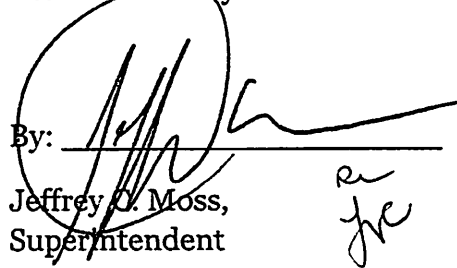
By: 
Jeffrey O. Moss,
Superintendent

Exhibit A

ANNUAL AUDITING & CONSULTING FEES:

AUDITING FEE: FISCAL YEAR 2013-2014

Audit Services for State Department	\$ 43,500.00
Audit Services for S.C. Budget & Control Board Report	4,000.00
Consulting Services for preparation of report	<u>5,000.00</u>
TOTAL	\$ 52,500.00

AUDITING FEE: FISCAL YEAR 2014-2015

Audit Services for State Department	\$ 43,500.00
Audit Services for S.C. Budget & Control Board Report	4,000.00
Consulting Services for preparation of report	<u>5,000.00</u>
TOTAL	\$ 52,500.00

AUDITING FEE: FISCAL YEAR 2015-2016

Audit Services for State Department	\$ 43,500.00
Audit Services for S.C. Budget & Control Board Report	4,000.00
Consulting Services for preparation of report	<u>5,000.00</u>
TOTAL	\$ 52,500.00

AUDITING FEE: FISCAL YEAR 2016-2017

Audit Services for State Department	\$ 44,500.00
Audit Services for S.C. Budget & Control Board Report	4,000.00
Consulting Services for preparation of report	<u>5,000.00</u>
TOTAL	\$ 53,500.00

AUDITING FEE: FISCAL YEAR 2017-2018

Audit Services for State Department	\$ 44,500.00
Audit Services for S.C. Budget & Control Board Report	4,000.00
Consulting Services for preparation of report	<u>5,000.00</u>
TOTAL	\$ 53,500.00