

MARTIN SMITH & COMPANY CPAs, PA

# Section One – Audit Proposal

James Island Charter High School 2023 Audit Proposal

**Proposal to Provide Audit Services to**  
**JAMES ISLAND CHARTER**  
**HIGH SCHOOL**

**For Each of the Three Fiscal Years**  
**Ending June 30, 2023, 2024 and 2025**

**PROPOSER:** Martin Smith & Company CPAs, PA  
1212 Haywood Road, Building 100  
Greenville, SC 29615  
(864) 232-1040

**ORGANIZATION:** South Carolina S Corporation  
FEI #26-0793942

**CONTACT PERSON:** Kenneth J. Martin  
Ken.Martin@martinsmithcpas.com

**PROPOSAL DATE:** February 14, 2023

# **TABLE OF CONTENTS**

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## **PAGE**

1-2	Letter of Transmittal
3	Firm's Introduction
4	Mandatory Criteria
5	Firm's Experience
6	Firm's List of Charter School Clients
7	Firm's Professional Liability/Malpractice Policy
8	Additional Information

## **APPENDIX**

1	Résumé of Kenneth J. Martin
2	Résumé of David A. Smith
3	Résumé of Jason P. Smith
4	Peer Review



# MARTIN · SMITH

& COMPANY CPAs

February 14, 2023

James Island Charter High School  
Attn: Board of Directors  
1000 Fort Johnson Road  
Charleston, South Carolina 29412-8898

Dear Board Members:

We are pleased to submit our proposal to perform auditing and tax services for James Island Charter High School (“the School”) for each of the fiscal years ending June 30, 2023, 2024 and 2025. We trust this proposal will be responsive to your needs.

We are confident that we offer outstanding technical expertise and experience. From our inception in 1969, we have focused much of our energy toward servicing educational, government, and not-for-profit organizations. Currently we serve over thirty-five public charter schools, five public school districts, a college, seven private schools, one county government and over thirty other governmental or not-for-profit organizations. Organizations like yours have unique accounting and reporting needs. These unique needs require special skills and insights that can be developed only by a CPA firm serving a wide network of similar organizations.

We at Martin Smith & Company CPAs have past experience in helping charter schools like James Island Charter High School as they grow. We understand the unique needs of a growing school and can devise our audit procedures to meet those needs most effectively and efficiently. Our experience would minimize the time you would be required to spend familiarizing and training less experienced personnel, thereby giving you more time to devote to your primary duties.

**We employ a strategy which enables us to perform high quality charter school audits. We staff these engagements with highly experienced auditors. Further, we commit significant management time to all phases of the engagement. Our partners work side-by-side with staff members in planning, performing, and reporting on the audit. As we outline later in this proposal, the audit work would be divided fairly evenly between a partner and a mature, experienced auditor. The average audit experience of this team would be over twenty years. Furthermore, our turnover is extremely low, assuring you of auditor continuity from year to year. We believe this heavy involvement from our most experienced people yields tremendous benefits to your School.**

Our audit of the financial statements of the School will be performed in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; the South Carolina Department of Education Annual Audit Guide; and the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”) as needed. Our audit will also include procedures to ensure material compliance with state and federal laws, rules, and regulations during the periods under examination. The statements issued will consist of a set of financial statements, appropriate combining and individual fund and account group statements, schedule of federal financial assistance, and all required compliance reports. A management letter for the School will also be issued, including a statement of audit findings and recommendations affecting the financial statements, internal control systems, accounting systems, and other material weaknesses or significant deficiencies.

James Island Charter High School  
February 14, 2023  
Page 2

Our responsiveness to our clients is of utmost importance to us. To assure that we will always be readily available to assist you and answer your inquiries, we will form a service team to work with you closely. We realize that the larger this service team is the greater assurance we can give you that one of the team members will always be available to you when you call. Accordingly, this team will consist of the senior engagement partner and at least one experienced professional staff member. We pledge to provide our services at your convenience and not at our convenience and to meet your needs and expectations fully. We will use feedback we receive from you to improve our services.

As a partner with Martin Smith & Company CPAs, PA I am authorized to make representations and bindings on behalf of the firm and can be reached at the address and telephone number provided on this letterhead. We commit to strictly adhere to the time schedules noted.

Thank you for the opportunity to propose on this project.

Very truly yours,

A handwritten signature in cursive script that reads "Ken".

Kenneth J. Martin  
MARTIN SMITH & COMPANY CPAs, PA

# FIRM'S INTRODUCTION

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- Martin Smith & Company CPAs, PA is a local Greenville, South Carolina-based firm with audit and tax clients in five Southeastern states and Missouri.
- The work encompassed by this proposal will be performed from our office in Greenville, which has two partners, four full-time accounting staff members, and seasonal part-time personnel.
- Our diversified practice provides a full range of auditing, accounting, and tax services to a wide array of clients and industries. We specialize in auditing educational, governmental, and not-for-profit entities.
- We provide audit, tax, and other services to over thirty-five South Carolina public charter schools.
- Key personnel who will work on the audit include:

**Kenneth J. Martin, Audit Partner**

Relevant experience: Has served as partner on numerous governmental and not-for-profit organization audits. Has over twenty-five years of auditing experience.

**David A. Smith, Tax Partner**

Relevant experience: Has served as tax partner for numerous governmental and not-for-profit organizations. Has over thirty years of tax and auditing experience.

**Jason P. Smith, Senior Auditor**

Relevant experience: Has served as auditor on numerous governmental and not-for-profit organization audits. Has over six years of auditing experience.

Résumés of these key personnel on the engagement are included as an appendix.

# MANDATORY CRITERIA

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- The proposer is a properly licensed certified public accountant. (SC Certificate #2015)
- The proposer meets the independence standards and all other requirements of the AICPA Professional Standards and of the GAO Standards for Audit of Governmental Organizations, Programs, Activities, and Functions (2003 revision), issued by the Comptroller General of the United States. We monitor independence carefully throughout the year using Firm meetings and independence questionnaires.
- The proposer does meet the definition of “small business” as established by the Small Business Administration.
- (13 CFR 121.201). The proposer does not discriminate in its employment of persons upon the basis of race, color, creed, national origin, sex, age, or physical handicap.
- The proposer will provide a drug free workplace during the term of the contract.
- The proposer is aware of the revised GAO Yellow Book requirements concerning continuing education and peer review and commits to being in compliance with those regulations during the terms of the contract.
- The proposer does not have a record of substandard audit work. No partner or staff member has been sanctioned by or had a civil or monetary penalty imposed by any state or federal agency.
- The proposer complies with all applicable requirements of the SC Board of Accountancy.
- The proposer is a member of the Private Companies Practice Section of the AICPA Division of Firms.
- The proposer undergoes a rigorous peer review every three years, as required by the AICPA. The Firm has received an unqualified opinion on its most recent peer review report as of December 2020, and the report noted that our Firm’s system of auditing control met the objectives of quality control standards established by the AICPA and was being complied with to provide reasonable assurance of conforming with professional standards in the conduct of our practice.

# FIRM'S EXPERIENCE

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- From our inception in 1969, we have served educational, governmental, and not-for-profit organizations. Currently, we serve five South Carolina school districts, over thirty-five public charter schools, a college, seven private schools, one county government and over thirty other governmental or not-for-profit organizations. We are very experienced in performing the type of audit requested which will include financial, compliance and single auditing procedures. We serve a wide array of clients that require federal reporting to government oversight agencies. We are experienced in auditing and reporting under Uniform Guidance.

The names and contact information of several representative client officials are:

<u>Client</u>	<u>Official</u>	<u>Telephone</u>
Anderson County School District Four	Ms. Cristy Jablonski, Chief Financial Officer <a href="mailto:cjablonski@anderson4.k12.sc.us">cjablonski@anderson4.k12.sc.us</a>	(864) 646-8000
Fox Creek High School	Ms. Terri Mayson, Director of Finance <a href="mailto:tmayson@fchs.net">tmayson@fchs.net</a>	(803) 613-9435
Greer Middle College Charter High School	Ms. Anne Goff, Director of Finance <a href="mailto:agoff@greermiddlecollege.org">agoff@greermiddlecollege.org</a>	(864) 469-7571
Anderson County Board of Education	Mr. Joey Nimmer, Administrator <a href="mailto:jnimmer@boardofed.net">jnimmer@boardofed.net</a>	(864) 225-0591
Brashier Middle College Charter High	Ms. Kristie Crosby, Finance Director <a href="mailto:kcrosby@bmcchs.org">kcrosby@bmcchs.org</a>	(864) 303-5649

# FIRM'S LIST OF CHARTER SCHOOL CLIENTS

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We provide audit, tax, and other services to over thirty-five South Carolina public charter schools. Below is a partial list of clients that we have served for three or more years:

Anderson County Department of Education, Anderson – over 5 years; Financial Audit  
Belton Preparatory Academy, Belton – 4 years; Financial Audit  
Bettis Preparatory Leadership Academy, Trenton – 4 years; Financial Audit; IRS Form 990  
Brashier Middle College, Simpsonville – over 5 years; Financial Audit; IRS Form 990  
Bridges Preparatory School, Beaufort – 4 years; Financial Audit; Uniform Guidance; IRS Form 990  
Bridgewater Academy, Myrtle Beach – 4 years; Financial Audit  
Calhoun Falls Charter High School, Calhoun Falls – over 5 years; Financial Audit, Pension/OPEB; IRS Form 990  
Cape Romain Environmental Education Charter School, McClellanville - 4 years; Financial Audit; IRS Form 990  
Charleston Advancement Academy, North Charleston – 3 years; Financial Audit; IRS Form 990  
Charleston Charter School for Math & Science, Charleston – 3 years; Financial Audit; Uniform Guidance;  
Pension/OPEB; IRS Form 990  
Cherokee County Charter School, Gaffney – 3 years; Financial Audit; Uniform Guidance; IRS Form 990  
East Link Academy, Greenville – 4 years; Financial Audit; IRS Form 990  
Fox Creek High School, North Augusta – over 5 years; Financial Audit; Uniform Guidance; Pension/OPEB  
GREEN Charter School, Greenville – 4 years; Financial Audit; IRS Form 990  
GREEN Charter School of the Midlands, Irmo – 4 years; Financial Audit; IRS Form 990  
GREEN Charter School of Spartanburg, Spartanburg – 3 years; Financial Audit; IRS Form 990  
Greenville Tech Charter High School, Greenville – over 5 years; Financial Audit; Pension/OPEB; IRS Form 990  
Greer Middle College Charter High, Taylors – over 5 years; Financial Audit; Pension/OPEB; Uniform Guidance  
High Point Academy, Spartanburg – over 5 years; Financial Audit; Pension/OPEB; Uniform Guidance;  
IRS Form 990  
Lakes and Bridges Charter School, Easley – 5 years; Financial Audit; IRS Form 990  
LEAD Academy, Greenville – over 5 years; Financial Audit; IRS Form 990  
Meyer Center for Special Children, Greenville – over 5 years; Financial Audit; IRS Form 990  
Midlands STEM Institute, Winnsboro – over 5 years; Financial Audit; IRS Form 990  
Polaris Tech Charter School, Ridgeland – 4 years; Financial Audit; IRS Form 990  
Renaissance Academy, Anderson – over 5 years; Financial Audit  
Richland One Middle College, Columbia – over 5 years; Financial Audit; Pension/OPEB; IRS Form 990  
Thornwell Charter School, Clinton – 3 years; Financial Audit; IRS Form 990  
Virtus Academy of South Carolina – 3 years; Financial Audit; Uniform Guidance; IRS Form 990

# **FIRM'S PROFESSIONAL LIABILITY/MALPRACTICE POLICY**

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**INSURANCE CARRIER: CNA FINANCIAL INSURANCE CORPORATION**

**DATES OF COVERAGE: December 1, 2022 – November 30, 2023**

**COVERAGE AMOUNT: \$500,000 Per Claim/Aggregate**

# ADDITIONAL INFORMATION

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1. Our general approach to the audit:

Over our long involvement with audits of charter schools and other governmental entities, we have developed a straightforward strategy which has enabled us to perform these engagements efficiently and effectively. Simply put, that strategy involves staffing these engagements with highly experienced, mature auditors - individuals with years of experience in auditing similar organizations. Further, we commit substantial management time to all elements of the project. Our partners work side-by-side with the audit staff in planning, performing, and reporting on the audit. We believe this heavy involvement from our most experienced people brings significant audit efficiencies and, ultimately, yields tremendous benefits to our clients.

Our audit approach is designed to accomplish the following goals and objectives:

- Conduct the audit and related procedures in accordance with technical standards.
- Focus audit procedures on areas critical to your activities and operations.
- Utilize staff with relevant experience who understand our audit approach and your School.
- Conduct a paperless and automated audit using computer-based audit software and tools.
- Provide quality communications, including coordination of information with management and audit team.

Our audit approach will assess inherent risk, internal control over financial reporting, and the likelihood that a material misstatement may occur. We direct our audit emphasis to the areas of high risk, focusing on the unique characteristics of the operating effectiveness of your internal control activities.

2. We feel that our firm offers significant advantages to the School, including:

- **Experience and expertise** - Our staff possesses tremendous experience and expertise – experience gained through long years of service, experience with many clients in the governmental field, experience with many charter schools. The expertise we have gained through this experience would enable us to perform our audit engagement effectively and efficiently and would equip us to be an invaluable resource to you in providing objective advice.
- **Audit strategy** - Our strategy in performing the audit is simple yet noteworthy. We commit substantial partner time to all elements of the engagement. Our partners work alongside experienced staff members in planning, performing, and reporting on the audit. We believe this day-to-day involvement by our most experienced people makes us more efficient and adds substantial value to our work. Further, our turnover is extremely low, assuring you of important continuity from year to year.

3. Given our wide experience with non-profit and governmental institutions, we have been able to provide our clients with constructive suggestions to improve all facets of their operations, including financial performance. Oftentimes, these suggestions are an important by-product of our involvement during the audit. On occasion, we have been engaged specifically to examine a particular aspect of a client's operations so as to assist in improving that identified area.

4. We would encourage you to maintain routine contact with us throughout the year just as we intend to do with you. We will provide you answers, at no additional cost, to any of your routine questions that can be answered without requiring research, meetings, or correspondence. With our breadth of experience, we can be an invaluable resource to you in providing objective advice – and we trust you will use this resource.

# **PARTNER – *Kenneth J. Martin***

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<b>Engagement Responsibilities:</b>	Ken will be responsible for planning, overseeing, and reviewing the audit work.
<b>Firm Responsibilities:</b>	Ken is a partner at Martin Smith & Company CPAs, PA. He is responsible for a wide variety of clients and the firm's professional training program.
<b>Relevant Experience:</b>	Ken joined the firm in 1995 after spending six years in the Greenville office of Deloitte, an international accounting firm, and seven years as chief financial officer of The Litchfield Company, a privately held company. He manages both governmental and not-for-profit accounting, auditing, and financial reporting.
<b>Professional Activities:</b>	Ken is a member of the South Carolina Association of Certified Public Accountants and the American Institute of Certified Public Accountants (SC Certificate #2015).
<b>Education:</b>	Ken received a BS degree in accounting from Bob Jones University.
<b>Continuing Education:</b>	Ken completed 80 hours of continuing education in the past 24 months, including 40 hours relating to governmental and not-for-profit auditing and accounting.

# **PARTNER – *David A. Smith***

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- Engagement Responsibilities:** David will be responsible for performing a final partner review of the engagement work papers and financial statements.
- Firm Responsibilities:** David is a partner at Martin Smith & Company CPAs, PA. He is responsible for a wide variety of clients, primarily in the tax area.
- Relevant Experience:** David joined the firm in 1988 and was licensed as a CPA in 1989 (SC Certificate #3248). He provides tax advisory and preparation services to numerous companies in a wide range of industries. He is a member of the American Institute of Certified Public Accountants Tax Division and participates in numerous meetings and seminars dealing with current tax issues. He has also managed numerous governmental and not-for-profit audits and participates in seminars dealing with not-for-profit tax, accounting, auditing, and financial reporting. He attends annual seminars dealing with auditing Student Financial Aid programs.
- Professional Activities:** David is a member of the South Carolina Association of Certified Public Accountants and the American Institute of Certified Public Accountants. David serves on the Board of Directors of MTT Ministries.
- Education:** David received a BS degree in accounting from Bob Jones University.
- Continuing Education:** David completed 80 hours of continuing education in the past 24 months.

# **SENIOR AUDITOR – *Jason P. Smith***

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- Firm Responsibilities:** As a member of our audit team, Jason assists in the performance of audit field work.
- Relevant Experience:** Jason joined the firm in 2021 and has worked on a variety of audit engagements, including school districts, charter schools, governmental, and not-for-profit companies. Prior to joining the firm, he gained several years of experience in accounting with Fluor Enterprises, Inc. in their Greenville office.
- Professional Activities:** Jason is a member of the South Carolina Association of Certified Public Accountants and the American Institute of Certified Public Accountants (SC Certificate #10241).
- Education:** Jason received a BS degree in accounting from Bob Jones University.
- Continuing Education:** Jason completed over 80 hours of continuing education in the past 24 months, including 40 hours relating to governmental and not-for-profit auditing and accounting.

**MARTIN SMITH & COMPANY CPAs, PA  
SYSTEM REVIEW REPORT  
YEAR ENDED DECEMBER 31, 2020**

## REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

To the Shareholders  
Martin Smith & Company  
and the Peer Review Committee of the Peer Review Alliance

We have reviewed the system of quality control for the accounting and auditing practice of Martin Smith & Company (the firm) in effect for the year ended December 31, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

### Required Selection and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act; and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

### Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Martin Smith & Company in effect for the year ended December 31, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Martin Smith & Company has received a peer review rating of *pass*.

*WebsterRogers* LLP

February 17, 2022

MARTIN SMITH & COMPANY CPAs, PA

# Section Two – Cost Estimate

James Island Charter High School 2023 Audit Proposal

Kenneth J. Martin, CPA  
February 14, 2023



# MARTIN · SMITH

& COMPANY CPAs

## SECTION TWO - COST ESTIMATE

### **AUDIT SCOPE:**

The audit will be performed in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of the South Carolina Department of Education Annual Audit Guide; and the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”) as needed.

Our audit will also include procedures to ensure material compliance with all state laws, rules, and regulations during the period under examination.

The primary purpose of the audit is to express an opinion on the financial statements and such an audit is subject to the inherent risk that errors or irregularities may not be detected. If conditions are discovered which lead to the belief that material error, defalcations, or other irregularities may exist, or if any other circumstances are encountered that require extended services, we will promptly advise the Chief Financial Officer. No extended services will be performed unless they are authorized in writing by the Chief Financial Officer.

No audit work will be subcontracted, and all such work will be performed by members of our management and staff.

### **GENERAL WORK PLAN:**

Prior to beginning any audit work, we will conduct a planning meeting with you. The agenda will include, but need not be limited to, the following items:

- Audit and accounting concerns
- School’s concerns (accounting issues/political sensitivity/other)
- Audit approach and specific dates
- Assistance by accounting personnel
- Progress reporting process

After this meeting, we anticipate beginning our general work plan. Generally, our work plan for accomplishing the scope of work requested is as follows:

**Phase 1 - Preliminary Work:** Commence audit planning in mid-August. Ken Martin (partner) will perform the preliminary interim work planned. Our audit plan is developed to achieve the appropriate level of assurance. The planning process includes analytical procedures and an assessment of the risks you face. The planning process also includes the design of the specific audit tests and a determination of the extent that substantive procedures will be performed.

**Phase 2 - Final Work:** Commence final work in mid-September and complete by October 1st, with specific schedule based upon agreement with the Finance Department. Ken Martin and Jason Smith (audit senior) will participate in near equal proportions. David Smith (partner) will be involved in oversight, consultation, and assistance as partner. He will also perform testing under Uniform Guidance, as needed. Our audit will include sampling, reasonableness tests, examination of source documents, confirmations, inquiry, and other substantive or analytical procedures.

**SECTION TWO - COST ESTIMATE**

**GENERAL WORK PLAN (continued):**

**Phase 3 – Conclusion of Audit and Reporting:** Commence drafting the financial statements and management letter for the School and complete by October 1st. Conclude audit review process. Ken Martin and Jason Smith will participate in near equal proportions. Our review procedures ensure that the audit is performed in accordance with the audit plan and that the plan is modified based on audit results. Our final review includes a second partner review of the financial statements and working papers. No later than October 1st, we will deliver preliminary drafts of the School’s financial statements to the Chief Financial Officer and the Board for review. By that date, we will conduct an exit interview with the School personnel to review a preliminary draft of the management letter. The School will be given an opportunity to provide a written response to their management letter to be included in the bound copy when issued. The final report will be issued no later than October 15th.

We will deliver the requested number of final audit reports and management letter to the Board.

We will meet with the Finance Committee of the Board and with the Board itself to present the results of our work.

**PRICING:**

Our fees are based upon the time expended on the engagement and the experience levels of the personnel assigned to perform the required services.

Our proposed fee for the audit of the School’s financial statements for the fiscal year ending June 30, 2023, is based on the following estimated hours and hourly rates:

	<u>Hours</u>	<u>Hourly Rate</u>	<u>Total</u>
Partners	80	\$ 140	\$ 11,200
Audit professional	76	\$ 120	<u>9,120</u>
			20,320
Clerical and out of pocket expenses, including travel and supplies			<u>760</u>
			<u>\$ 20,980</u>

Based upon our strong desire to establish an ongoing relationship with the School, we will discount our fees significantly, as follows:

Proposed *discounted* fees and expenses:

	<u>COST NOT TO EXCEED</u>
Fiscal Year 2023	\$ 18,000
Fiscal Year 2024	18,500
Fiscal Year 2025	<u>19,000</u>
Total for three years	<u>\$ 55,500</u>

If you should desire for us to complete and file IRS Form 990 on your behalf, we will commit to doing it for \$1,300 annually.

The work will be divided fairly evenly among a partner and an experienced audit professional, with extensive oversight and assistance provided by a second audit partner. The combined average experience level of this mature audit team is well over twenty years. Your audit will be performed by an extremely experienced and capable team.

Our fees for additional services, should they be requested, will be based upon the standard hourly rates shown above.

Very truly yours,



Kenneth J. Martin  
MARTIN SMITH & COMPANY CPAs, PA