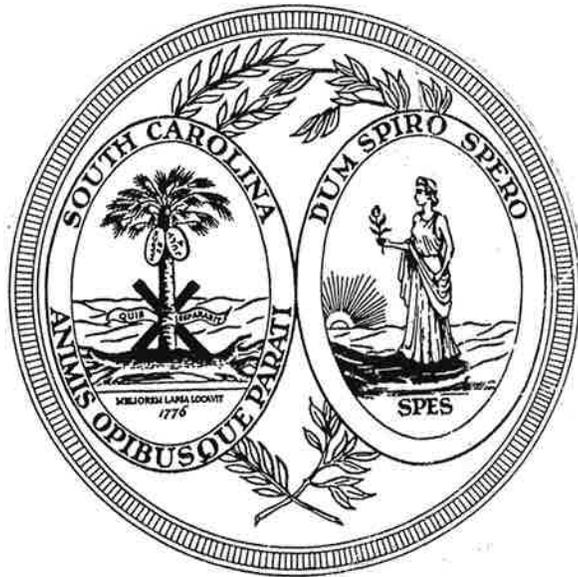


LAC

Report to the General Assembly

January 1997

# A Management Review of Winthrop University



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Report to the General Assembly

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# **A Management Review of Winthrop University**

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# Executive Summary

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Members of the General Assembly who were concerned about management of Winthrop University requested that we audit the university. This audit primarily reviews the management decisions and practices carried out since 1989.

We found that, overall, Winthrop needs to ensure that public funds are expended in accordance with state law and opinions of the attorney general. Further, certain management decisions may have caused the university to lose substantial amounts of revenue. Winthrop's board of trustees and management should develop procedures to ensure compliance with state laws governing the payment of out-of-state tuition. Winthrop's undergraduate tuition is the highest of all public institutions in South Carolina. Certain practices by Winthrop management have contributed to Winthrop's high tuition costs.

Some of the concerns we address may not be isolated to Winthrop University. In previous audits of state universities, we identified similar concerns with the "discretionary" spending of public funds and the administration of scholarships.

Our findings are summarized as follows.

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## Management of Business and Finance

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Winthrop has allowed out-of-state graduate students to pay in-state tuition. For example, more than 300 out-of-state graduate students were enrolled in the fall 1995 semester. Winthrop reported that only 18 students paid the out-of-state tuition rate. Allowing out-of-state graduate students to pay in-state tuition cost Winthrop approximately \$375,000 in academic year 1995-96 (see p. 5).

Because of Winthrop's granting of unauthorized fee waivers to out-of-state graduate students, the university will receive approximately \$41,000 more in state funds than it is entitled to (see p. 7).

Winthrop has not administered its Executive Master of Business Administration Program in accordance with sound business principles. The university did not enforce the payment of tuition for more than 120 students enrolled between 1987 and 1994, and does not know if these students paid all of their fees. In 1995, Winthrop discovered that 31 of 36 EMBA students enrolled at that time owed \$190,000 (see p. 8).

After discovering that EMBA students were not paying their fees, the university did not review the records of previously enrolled students to determine how much they owed. Further, the university allowed some EMBA students to graduate in 1995 although they had not paid all of their fees (see p. 8).

Winthrop spends revenue derived from laundry facilities and vending machines at the discretion of management. Expenditures of these revenues for professional basketball, football, and baseball tickets may have violated state law. Expenditures for first class air travel, luncheons for administrators, faculty, and staff, and contributions to nonprofit organizations might not promote a direct public purpose and be legitimately connected to the mission of Winthrop. Therefore, they may not be in compliance with state law (see p. 11).

Winthrop's foundation raises and spends funds on behalf of the university. Our review indicated that in FY 94-95, the foundation expended 57% of its budget on grants and scholarships, 30% on administration and fund-raising, 5% for benefits for the president, and 8% for other expenses. We found no abuses in expenditures of foundation funds (see p. 20).

In 1991, Winthrop began charging students a technology fee, which is now \$100 per semester. The university did not specify how these funds should be spent (see p. 28).

Winthrop has awarded its president and vice presidents longer-term contracts than those provided at other comparable universities. In addition, Winthrop's president hired and paid a consultant before entering into a written contract to outline the consultant's duties (see p. 32).

We found no evidence that a board member was inappropriately involved in the sale of a building to Winthrop University (see p. 36).

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## Academic and Operational Issues

Reports concerning Winthrop's average SAT scores for incoming freshmen have been misleading. For example, Winthrop reports that the average SAT for "regularly" admitted freshmen in the fall 1995 semester was 990. However, 36% of the freshmen were not included in this average. When the scores of those excluded are considered (and ACT scores are converted to equivalent SAT scores), the SAT average score was 925, a difference of 65 points from the reported average (see p. 39).

Our sample found that 11 (27%) of 41 students receiving academic scholarships did not meet the objective criteria for the scholarships. For example, one scholarship required an SAT score of 1200, but the student scored only 1080 (see p. 43).

We found that Winthrop awards scholarships to students from France studying in a one-semester program at Winthrop without regard to their academic credentials. In addition, these scholarships, which are financed by the program in France, allow these students to receive in-state tuition (see p. 48).

Our review indicated that top-level administrators' salaries increased by an average of 11% from 1993 to 1996, professors' salaries increased by an average of 9.4%, associate professors' salaries increased by 10.1%, and assistant professors' salaries increased by 10.6% during this time period. Department chair salaries increased by an average of 12% (see p. 56).

In March 1995, Winthrop's board hired a consultant to review various management and financial concerns. Winthrop may wish to implement several recommendations which have not been implemented (see p. 58).

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**Executive Summary**

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# Introduction and Background

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## Audit Objectives

Members of the South Carolina General Assembly requested that we conduct a management review of Winthrop University. They requested that we review specific issues concerning the president's discretionary spending, charges for fees and tuition, and foundation expenditures. In addition, the requestors questioned the accuracy of Winthrop's reporting SAT scores of freshmen students. They also asked us to review contracts awarded to administrators, scholarships awarded to students, and the management style of the university's president.

We conducted survey work at the university and consulted with the primary audit requestor to clarify the issues and to define specific issues. The audit objectives fell into two general categories — management of business and finance and academic and operational issues. Our objectives (with references to discussion of our findings) were as follows:

### Management of Business and Finance

- Determine if Winthrop has exempted out-of-state graduate students from paying out-of-state fees (see p. 5).
- Determine if discretionary funds are expended in accordance with state law and attorney general's opinions (see p. 11).
- Review the financial relationship between Winthrop University and its foundation (see p. 20).
- Determine if student fees have been used for their intended purpose (see p. 28).
- Review Winthrop's bookstore contract and contracts awarded to top-level administrators and consultants (see p. 32).
- Examine the solvency of Winthrop University dormitory bonds (see p. 37).

### **Academic and Operational Issues**

- Examine the method used to compute and report SAT scores (see p. 39).
- Review the university's practice of awarding scholarships and retaining these students with financial aid (see p. 43).
- Determine if funding for academic programs has decreased while funding for institutional support services has increased (see p. 50).
- Compare Winthrop's tuition and fees, state funding, and enrollment to that of other public institutions of higher learning from FY 90-91 through FY 95-96 (see p. 51).
- Compare salary increases provided to top-level administrative employees to increases provided to faculty members (see p. 56).
- Determine if recommendations in a consultant's report have been implemented (see p. 58).

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## **Scope and Methodology**

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To conduct this audit, we examined financial records maintained by the university. We reviewed expenditures of discretionary funds and student fees. We also examined student financial records, academic records of students receiving scholarships, records concerning dormitory bonds, and Winthrop employee salary records. We reviewed reports filed with the Commission on Higher Education. In addition, we reviewed a report prepared by a faculty committee to address their concerns about management, and we reviewed a report prepared by a consultant hired by the Winthrop board. We reviewed Winthrop University's foundation's financial records and audited financial statements.

We conducted interviews with university officials and officials of other state government agencies and Winthrop foundation officials. We reviewed reports prepared by the university and state auditor financial audit reports. In addition, we analyzed contracts provided to employees.

We compared Winthrop with six other South Carolina institutions in the areas of athletic fees, SAT scores, tuition and fees, and contracts. According to the Commission on Higher Education, the six comparable institutions are The Citadel, Coastal Carolina University, College of Charleston, Francis Marion University, Lander University, and South Carolina State University.

The primary criteria we used to assess university management were state laws, regulations, opinions of the attorney general, university policies and procedures, and opinions of the ethics commission.

We tested several major internal controls at the university. We reviewed procedures used by management to ensure that discretionary funds were expended in accordance with university policy, state law, and opinions of the attorney general. We reviewed controls used to ensure that proper fees are charged to students, and that fees are expended in accordance with board directives.

We used statistical sampling techniques to review the awarding of scholarships. We generally determined our sample size based on a confidence level of 90% and a precision level of plus or minus 5%. We also sampled expenditure records of the university's foundation and discretionary funds. To achieve our audit objectives, we relied on some computer-processed data from the university's student information system which we concluded could be unreliable. However, when this data was viewed in context with other relevant evidence, we believe the opinions, conclusions, and recommendations in this report are valid. This audit was conducted in accordance with generally accepted government auditing standards.

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## Background and History

Winthrop was founded in 1886 as a training school for teachers by David Bancroft Johnson, then superintendent of schools in Columbia, South Carolina. Winthrop began operations on November 15, 1886, at the Presbyterian Theological Seminary in Columbia, South Carolina. In 1887, the General Assembly granted a charter to the school and provided scholarships for one student from each of the 34 counties in the state. Winthrop became a state-supported institution in 1891, and the name was changed to "The South Carolina Industrial and Winthrop Normal College." In 1893 the school became known as "The Winthrop Normal and Industrial College of South Carolina" and moved to Rock Hill, South Carolina. In 1895, the college began operations in Rock Hill with 300 students and 20 instructors. In 1920, the name was changed to "Winthrop College, the South Carolina College for Women" and the school grew to become one of the largest women's colleges in the country. In 1967, five academic divisions were created — Arts and Sciences, Education, Home Economics, Business, and Music. In 1974, the name was changed to "Winthrop College" and men were allowed to live on campus.

Today the university is known as Winthrop University and is located on 400 acres in Rock Hill, South Carolina. It offers 50 undergraduate degrees and 40 graduate degrees within Arts and Sciences, Education, Business Administration, and Visual and Performing Arts.

The board of trustees consists of ten members, seven of whom are elected by the General Assembly. Two, who are Winthrop College graduates, are appointed by the Winthrop College Alumni Association or its successor and one is appointed by the Governor. In addition, the Governor and the State Superintendent of Education serve as ex officio members. The university's total budget for FY 95-96 was \$51.8 million, of which \$17.3 million was state general funds. The university had a staff of 691 full-time equivalents (FTEs) for FY 95-96. Approximately 5,000 students were enrolled in academic year 1995-96.

# Management of Business and Finance

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In this chapter we examined certain student fees and tuition charged to out-of-state students. In addition, we reviewed Winthrop's expenditure of discretionary and foundation funds. We found that Winthrop has expended public funds for questionable items, and has not consistently followed state laws related to charging out-of-state tuition.

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## Graduate Student Tuition and Fees

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The following section describes the process Winthrop University has used to allow large numbers of out-of-state graduate students to pay in-state tuition and fees. Because of Winthrop's granting of unauthorized waivers to out-of-state graduate students, it receives more state funds than it is entitled to.

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### Winthrop Charges In-State Tuition and Fees to Out-of-State Graduate Students

Winthrop has allowed non-South Carolina graduate students to enroll at Winthrop and pay in-state tuition and fees. In academic year 1995-96, approximately 72% of Winthrop's out-of-state graduate students who should have been charged out-of-state tuition and fees were charged the in-state rate. These unauthorized discounts totaled \$376,474 for the year.

South Carolina statutes<sup>1</sup> require state colleges and universities to charge higher tuition and fees to students who are not South Carolina residents. State law allows a waiver of the out-of-state fee differential for scholarship recipients and for students who enrolled in graduate school before the enactment of a fee differential. Winthrop has established a fee differential which requires nonresident students to pay a rate that is approximately 80% higher than the rate established for South Carolina students. However, only a small fraction of Winthrop's out-of-state graduate students are actually charged the out-of-state tuition and fees. Table 2.1 shows the distribution of Winthrop's out-of-state graduate students by category.

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1. South Carolina Code of Laws §59-104-10(B), §59-112-10 (E), §59-112-30, and §59-112-80.

**Table 2.1: Number of Out-of-State Graduate Students by Category**

	Fall '95	Spring '96	Summer '96
Out-of-State Tuition and Fees Charged	16	13	8
Authorized Waivers	98	85	18
Unauthorized In-State Tuition and Fees	187	192	238
<b>Total Out-of-State Graduate Students<sup>1</sup></b>	<b>301</b>	<b>290</b>	<b>264</b>

<sup>1</sup> Excludes Executive MBA (EMBA) students.

Winthrop has provided unauthorized waivers to large numbers of out-of-state graduate students.

Table 2.2 shows Winthrop's revenue loss from charging in-state tuition and fees to ineligible out-of-state graduate students in academic year 1995-96. To calculate this, we determined the number of credit hours taken by each student who should have been charged at the out-of-state rate and multiplied the credit hours by the fee differential. This analysis does not take into account that some students might not have attended Winthrop had they been required to pay the out-of-state rate.

**Table 2.2: Financial Loss Caused by Unauthorized Charging of In-State Tuition and Fees**

Fall '95	Spring '96	Summer '96	Total
\$113,203	\$122,690	\$140,581	\$376,474

Winthrop charges most out-of-state graduate students in-state tuition and fees because of a board policy granting in-state rates to several categories of out-of-state graduate students. Although state law and policy allow scholarship recipients and previously enrolled students to be charged in-state rates, we could find no statutory authorization for Winthrop's other categories of waivers.

The most common fee waiver in academic year 1995-96 was for students from an 11-county area near Charlotte, North Carolina. Other unauthorized waivers are for out-of-state students seeking teacher certification, students studying for professional licensure (such as nutritionists or accountants), or international students holding a particular type of visa. The waiver for visa-holders has not been enacted as board policy. Most students have more than one waiver.

A Winthrop official stated they must charge in-state tuition to attract students from the Charlotte area. Otherwise, the tuition for North Carolina graduate students at Winthrop would be higher than their tuition at UNC-Charlotte. However, unlike the waiver for scholarship recipients, the waiver for North Carolina residents is available to all graduate students accepted from certain counties, regardless of their academic qualifications. It does not necessarily attract higher achieving students.

Section 18A.9 of the FY 95-96 appropriation act authorizes USC-Aiken to offer in-state tuition to residents of two Georgia counties so long as Georgia continues to offer in-state tuition to residents of two South Carolina counties. There is no similar proviso governing Winthrop University. North Carolina state universities do not offer in-state tuition to students from neighboring South Carolina counties.

Because the university did not charge the required out-of-state tuition to out-of-state students, South Carolina students may have to compensate by paying higher in-state tuition.

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## Unauthorized Waivers Result in Higher Formula Funding

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Because of Winthrop's granting of unauthorized waivers to out-of-state graduate students, it receives more state funds than it is entitled to.

According to CHE, state colleges and universities are required to report their number of out-of-state graduate students to CHE. This information is used in calculating the amount of state funds appropriated to each school. The higher education funding formula provides a larger appropriation for in-state than for out-of-state students. When the formula is 100% funded, the state pays 80% of the cost of educating an in-state student and only 25% of the cost of an out-of-state student.

Winthrop has reported that it has only 18 graduate students who are classified as out-of-state students for fee purposes. The university, therefore, receives the higher in-state funding for the majority of its out-of-state graduate students (who receive unauthorized fee waivers). Based on FY 95-96 student data, CHE calculates that in FY 96-97, Winthrop would receive approximately \$41,000 more in state funds than it is entitled to. If the General Assembly had fully funded the higher education funding formula for FY 96-97, Winthrop would receive approximately \$225,000 more in state funds than it would be entitled to.

Prior to FY 95-96, Winthrop reported all of its out-of-state graduate students in a category that received the lower out-of-state rate of funding. Therefore, Winthrop did not receive the higher formula funding allowed for out-of-state graduate students with authorized waivers. We have not determined the financial impact of Winthrop's prior method of reporting.

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## Recommendation

1. Winthrop University should charge in-state tuition and fees only to those out-of-state graduate students who are eligible for in-state rates according to state law.

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## Executive MBA Program

In 1987, Winthrop established an Executive Master of Business Administration (EMBA) degree program to provide middle- and upper-level managers an opportunity to increase their skills. We found that Winthrop has not administered this program in accordance with sound business principles and has provided unauthorized discounts to certain students.

### Students Have Not Paid Fees

From 1987 to 1995, Winthrop did not have a system to enforce the payment of tuition and fees by EMBA students. In 1995, Winthrop officials discovered that EMBA students were not paying their fees and conducted a review of the financial records of all 36 EMBA students enrolled at that time. In April 1995, the university found that 31 students owed more than \$190,000. Seven students were allowed to graduate in 1995, even though they had debts totaling \$28,361.

The Winthrop director of graduate studies met with students who owed the university and notified them of their debts. Most of this money has been collected; however, as of September 1996, eight students still owed a total of \$23,442.

Despite discovering that most EMBA students enrolled in 1995 had not paid all of their fees, Winthrop did not review the records of more than 120 students enrolled in the EMBA program between 1987 and 1994 to determine if they had outstanding debts. Therefore, it is likely that former students have not paid all of their tuition and fees.

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Winthrop does not know if more than 120 EMBA students enrolled from 1987 to 1994 paid all of their fees.

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Two factors contributed to EMBA students not paying their fees. Until 1995, EMBA students paid their fees directly to the graduate school; all other students paid their fees at the cashier's office. In addition, except for EMBA students, all student accounts were maintained on an automated student information system, and a student could not enroll if he had outstanding debts.

### **Fees Discounted Without Authority**

Winthrop management has allowed unauthorized fee waivers to certain students enrolled in the EMBA program. For example:

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Winthrop has provided some EMBA students with unauthorized fee waivers.

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- Winthrop has charged EMBA students employed by nonprofit organizations a lower fee than that charged to other students. EMBA students who work for nonprofit organizations have been charged a fee of \$3,700 per semester (which includes tuition, books, and other charges). All other students have been charged \$4,300 per semester. For academic year 1996-97, five EMBA students were employed by nonprofit organizations. The university could have collected \$3,000 more for the fall 1996 semester if these students were charged the higher rate.
- For academic year 1995-96, Winthrop lowered the fee for all EMBA students employed by for-profit organizations by \$1,200. We found that 11 EMBA students received unauthorized discounts of \$1,200 each, costing Winthrop \$13,200.
- Winthrop gave one EMBA student, who graduated in 1996, a discount not provided to other students. Winthrop allowed this student to pay \$3,200 each semester, a discount of \$1,100 per semester. This student was not required to pay for housing, meals, and other fees that other EMBA students were required to pay. This unauthorized waiver cost Winthrop \$4,400 in lost fees.

We could find no direct legal authority which would allow Winthrop to charge students who are employed by nonprofit companies a discounted rate. In addition, Winthrop's board of trustees has not approved a separate fee for students who work for nonprofit organizations, or authorized special discounts for any other students.

### **Out-of-State EMBA Students Not Charged Higher Fees**

Students enrolled in Winthrop's EMBA program who reside in other states are not charged a higher rate for tuition. In fall 1996, 14 of 45 (31%) students in the EMBA program lived outside of South Carolina. State laws (see p. 5) require that state-supported institutions of higher learning establish a separate tuition rate for out-of-state students.

Winthrop's tuition policy states that full-time, out-of-state graduate students are charged an extra \$1,521 per semester as an out-of-state tuition differential. If all out-of-state EMBA students had been charged this extra amount in fall 1996, the university would have earned an additional \$21,294.

### **Payment Not Required When Classes Begin**

EMBA students do not have to pay their fees before their classes begin; they are allowed to pay their fees at the end of the semester. The Winthrop board of trustees has not specifically authorized the deferment of tuition for EMBA students. As a result, EMBA students have been given the equivalent of interest free loans by the university.

Other Winthrop students, however, are required to pay their fees before classes begin or have a payment plan approved. Students with payment plans pay administrative fees and penalties for late payments, and all charges must be paid before the end of the semester. If they do not pay fees before classes begin or have a payment plan, their registration is canceled.

Winthrop officials stated that EMBA students are allowed to pay their fees at the end of the semester because the students' employers usually pay their fees if they successfully complete their classes. However, each student is responsible for paying any fees charged, regardless of whether the employer pays.

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Winthrop allows EMBA students to pay their fees after they complete a semester's work.

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## Recommendations

2. Winthrop University should review payment records of all students enrolled in the EMBA program between 1987 and 1994 to determine if all debts have been paid. Winthrop should attempt to collect any outstanding debts discovered.
3. Winthrop University should discontinue charging a discounted rate for EMBA students employed by nonprofit organizations and providing unauthorized discounts for certain students.
4. Winthrop University should charge out-of-state EMBA students a higher rate than students who are residents of South Carolina.
5. Winthrop University should require EMBA students to pay their fees prior to registration or establish finance charges as compensation to the university for deferred payment.

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## Expenditures of Discretionary Funds

Revenues that Winthrop University earns from laundry facility and vending machine operations on campus are spent at the discretion of the president. In FY 93-94 the university expended approximately \$127,000 for discretionary items. Approximately \$162,000 was expended in FY 94-95 and approximately \$66,000 from July 1995 through December 1995. Appropriation act proviso 72.10 in FY 95-96 and previous provisos state:

Notwithstanding other provisions of this act, funds at State Institutions of Higher Learning derived wholly from athletic or other student contests, from the activities of student organizations, and from the operations of canteens and bookstores, and from approved Private Practice plans may be retained at the institution and expended by the respective institutions only in accord with policies established by the institution's Board of Trustees. Such funds shall be audited annually by the State but the provisions of this Act concerning unclassified personnel compensation, travel, equipment purchases and other purchasing regulations shall not apply to the use of these funds.

Every expenditure of public funds must directly promote a public purpose and be legitimately connected to the mission of the agency.

Winthrop has a board policy concerning expenditures of laundry facility and vending machine revenues. It states that these funds “will be expended with the approval of the President for reasonable and necessary expenses of the institution.”

A May 21, 1993, attorney general's opinion stated that in addition to the requirement of a board of trustee's policy:

. . . every expenditure of public funds must directly promote a public purpose . . . As related to a university, it might be said that an expenditure would be required to promote the public health, safety, morals, general welfare, etc. of all of the inhabitants of the university, or at least a substantial part thereof.

In addition to meeting the direct public purpose test, expenditures of public funds must also be germane or legitimately connected to the mission of the university. (See, for example, attorney general's opinions dated January 21, 1985, and March 17, 1986.)

We reviewed Winthrop University expenditures made with laundry facility and vending machine funds from July 1993 through December 1995. Expenditures that might not be in compliance with state law are described below.

## Meals, Receptions and Drop-Ins

Winthrop University has expended public funds for food and related items for receptions, dinners, and drop-ins. Table 2.3 provides examples of how public funds have been expended for these items.

**Table 2.3: Examples of Meals and Receptions Paid With Public Funds — July 1994 Through December 1995**

Date	Recipients/Purpose	Cost
08/22-23/94	Lunch for Student Workers during Registration	\$500
10/14/94	Lunch for Vice President and 3 Employees	\$30
05/31/95	Luncheon for 110 Physical Plant Employees	\$1,166
06/15/95	Dinner and Reception for 12 Winthrop Employees	\$311
06/28/95	Luncheon for Retiring Department Chair	\$38
09/15/95	Breakfast for Vice President and Staff	\$102
09/27/95	Luncheon for 21 People Provided by College of Education	\$172
09/29/95	Reception for 18 People Provided by College of Education	\$142
11/03/95	Dinner for Vice President, 1 Faculty Member and 1 Spouse	\$62
11/06/95	Reception for Business Advisory Board and Faculty	\$331
11/17/95	Dinner for Vice President, 2 Faculty Members and 2 Spouses	\$128

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Winthrop's expenditures of public funds for social events, such as luncheons, for small numbers of employees may not be legal.

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The May 21, 1993, attorney general opinion cited prior opinions which prohibit similar activities. It stated that:

Food for Christmas parties for university employees might well be in the same category of public fund expenditures discussed in the opinions dated June 1, 1992 and May 22, 1989 . . . . The opinion of March 29, 1984 speaks to the use of public funds for retirement parties, but 129.35 of the 1992-93 [appropriation] act should also be considered. Food for parties for alumni and university seniors might or might not be considered permissible, depending on the facts of the situation. (A single party might be viewed as permissible, whereas a weekly party during the year for seniors might not, for example.)

The June 1, 1992, opinion referred to above stated that profits from a county jail canteen should not be used for individual inmates. However, using “. . . such profits for the entire inmate population could probably be authorized,” since this could be construed as meeting a public purpose test.

A May 22, 1989, opinion concluded that public funding of picnics and other such social events for public employees and officials would be improper, since it would not serve a direct public purpose and would be a perquisite of employment. A March 29, 1984, opinion stated that using public funds for a retirement reception for a state employee would not be proper.

Section 8-11-190 of the South Carolina Code of Laws, appropriation act provisos 17G.22 in FY 94-95 and 17K.32 in FY 93-94, allow state agencies to expend funds for meals and other items to reward employees for innovations or improvements. We found no evidence that the above-mentioned meals were for this purpose. In addition, some expenditure vouchers did not justify the purpose of these expenditures.

These expenditures appear to benefit selected members of Winthrop faculty, staff, and students and, therefore, may not directly promote a public purpose or be legitimately connected to the mission of Winthrop. In addition, we could not determine how these expenditures are “necessary and reasonable” for the university as required by board policy.

## Air Travel

Expenditures of public funds for the president and his wife to fly first class may not be legal.

Winthrop University has expended public funds to pay for the president's first class air travel. In addition, on three occasions, Winthrop paid for the president's wife's first class airfare when she accompanied him. While expenditures for the president's travel may directly promote a public purpose, we could not determine how the additional expense for first class travel would directly promote a public purpose or would be a "necessary and reasonable" expense of the university as required by university policy. Expenditure vouchers do not justify the expense for flying first class. Table 2.4 provides examples of the president's air travel between July 1993 and December 1995.

In addition, we noted one flight the president made from Charlotte to Charleston, which is 185 miles from Rock Hill. The president drove to Charlotte to fly a commercial jet to Charleston and then rented a car in Charleston. He flew back to Charlotte the next day. The cost for the flight and car rental was \$425. The cost to drive a state car would have been less than \$100.

**Table 2.4: Examples of First Class Air Travel by the President From July 1993–December 1995**

Date	Trip	Airfare Cost
11/20/93–11/23/93	Meeting in San Diego, CA	\$1,353
10/03/94–10/04/94	Meeting in Washington, DC	\$621
11/20/94–11/22/94	Education Meeting in Boca Raton, FL	\$1,484 <sup>a</sup>
01/07/95–01/10/95	Athletic Convention in San Diego, CA	\$402 <sup>b</sup>
07/27/95–08/02/95	Education Meeting in Minneapolis, MN	\$463
10/18/95–10/20/95	Education Meeting in Washington, DC	\$577
11/18/95–11/21/95	Education Meeting in Tucson, AZ	\$1,719 <sup>c</sup>

a Includes airfare for president's spouse paid by Winthrop. President's flight upgraded to first class using upgrade certificate.

b Airfare for president and spouse partially paid by conference.

c Includes airfare for president's wife.

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## Club Dues

Winthrop University expends public funds for the president's membership in four private clubs in Columbia, Charlotte, and Rock Hill. However, Winthrop has rarely used these clubs. From July 1994 through December 1995, excluding one event, there is no evidence that Winthrop used these clubs for entertainment or any other purpose. The cost for club dues we reviewed was over \$3,300. Since these clubs are rarely used, continued membership may not be a necessary expense of the university as required by board policy. In addition, these expenditures may not promote a direct public purpose and be legitimately connected to the mission of Winthrop.

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## Tickets to Professional Sporting Events

Winthrop University has spent public funds for tickets to the Charlotte Hornets National Basketball Association team games, the Carolina Panthers home football games and the Charlotte Knights minor league baseball team games. Winthrop officials stated that these tickets are used to "cultivate" potential donors to Winthrop. In addition to cultivating potential donors, Winthrop officials stated that Hornets and Knights tickets are used for staff and faculty recognition and public relations. The following summarizes our review.

### Charlotte Hornets Tickets

Winthrop purchased six season tickets to the Hornets home games at a cost of \$8,132 for the 1994-95 season and \$9,293 for the 1995-96 season. A review of the ticket distribution list indicates that these tickets have been provided free of charge to state-appointed and elected officials, Winthrop's president, vice presidents, board members, and other individuals. Table 2.5 provides examples of recipients of Hornets tickets. This table excludes examples of tickets provided to potential donors to Winthrop's foundation.

**Table 2.5: Examples of Recipients of Charlotte Hornets Tickets**

Winthrop has spent public funds for Charlotte Hornets basketball tickets which have been used by Winthrop board members, administrators, and other employees.

DATE	TICKET RECIPIENTS
<b>94-95 Season</b>	
11/09/94	President, Trustee, Elected Official, and Spouses
11/17/94	Vice President, Family Member, and Architect
11/19/94	Vice President, Alumni, Professor, Visiting Professor, and Spouses
11/30/94	Winthrop Official, Appointed State Officials
12/13/94	President, Consultant, Elected Official, and Spouses
12/20/94	Winthrop Employee
12/22/94	President and Spouse
12/29/94	President, Elected Official, and Spouses
01/04/95	Member of Winthrop's Board of Trustees
01/07/95	Member of Winthrop's Board of Trustees
01/18/95	Member of Winthrop's Board of Trustees
01/20/95	Nonprofit Official, Winthrop Employee, Visiting Professor
01/23/95	Vice President
01/27/95	Member of Winthrop's Board of Trustees
02/20/95	Winthrop Alumni and Winthrop Official
03/30/95	President, Spouse, Student Elected Officials
04/16/95	Winthrop Official and Spouse
04/20/95	Consultant to University
04/23/95	Member of Winthrop's Board of Trustees
<b>95-96 Season (Through January 1996)</b>	
11/04/95	Elected Official
11/17/95	Winthrop Employee
11/24/95	President, Trustee Member, Spouse
11/29/95	Nonprofit Officials
12/06/95	Vice President and Consultant
12/09/95	Member of Winthrop's Board of Trustees
12/21/95	President and Spouse
12/23/95	President and Spouse
12/27/95	Winthrop Employees
12/29/95	Vice President and Family
01/11/96	Winthrop Officials, Professors, Visiting Professor
01/29/96	Member of Winthrop's Board of Trustees

State law allows agencies to spend public funds for meals, plaques or other events to reward employees for innovations or improvements or to reward employees or employee teams that enhance the quality of work or productivity. However, we could find no evidence that board members, the president, vice presidents or other individuals described in Table 2.5 meet these criteria. Therefore, the legality of expenditures for tickets for these employees and board members is questionable. Further, we could not determine how giving away tickets to public officials or other individuals for “public relations” would promote a direct public purpose.

Finally, we could not determine how expending public funds to purchase season tickets to Hornets basketball games would be “necessary and reasonable” as required by board policy. However, purchasing tickets to Hornets games to cultivate potential donors might be an appropriate use of foundation funds if the foundation’s board determines it to be a legitimate fund-raising expense.

### **Carolina Panthers Tickets**

Winthrop has expended \$13,900 in public funds and has a written agreement to spend a total of \$77,100 to purchase four season tickets and a parking space to the Carolina Panthers professional football home games through the 2004 season. After the 2004 season, the Panthers have the right to change the terms of the agreement and raise the price of the tickets. We could find no documentation in expenditure vouchers justifying the need for this expenditure.

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Winthrop has a written agreement to spend \$77,100 for Carolina Panthers season tickets through the 2004 season.

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We could not determine how the purchase of professional football tickets is a “necessary and reasonable” expense of the university. In addition, we could not determine how these expenditures “directly promote a public purpose” and are legitimately connected to the mission of the university. Purchasing tickets to Panthers games might be a function for the Winthrop foundation if the foundation’s board determines it to be a legitimate fund-raising expense.

### Charlotte Knights Tickets

Winthrop University expended \$1,420 for Charlotte Knights baseball tickets for the 1994 season and \$1,562 for tickets for the 1995 season. These tickets have been provided to faculty and staff who have received awards, provided volunteer service, or obtained tenure or promotion. In addition, tickets have been donated to boys' and girls' clubs.

Expending public funds for professional baseball tickets might not be a "necessary and reasonable" expense of the university. In addition, giving these tickets to clubs conflicts with a 1988 attorney general opinion which states that it is unlawful to contribute public money to civic organizations (for example, boys' clubs) whose benefits extend only to the members.

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### Contributions

From October 1994 through October 1995, Winthrop contributed public funds to several organizations and used public funds to purchase sponsorships at fund-raising events. Table 2.6 provides examples of sponsorships and contributions.

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**Table 2.6: Examples of Contributions and Sponsorships From October 1994–October 1995**

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Name	Amount
Rock Hill NAACP	\$300
York County Fraternal Order of Police	\$50
Charlotte World Affairs Council	\$500
York County Fraternal Order of Police	\$100
National Kidney Foundation of North Carolina	\$50
Museum of York County	\$480
Museum of York County	\$975
Museum of York County	\$300

It is questionable how these contributions and sponsorships relate to Winthrop University's mission. In addition, we could not determine how these contributions and sponsorships were a "necessary and reasonable" expense.

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## Miscellaneous Expenditures

In FY 93-94 and FY 94-95, Winthrop expended approximately \$3,100 at florist shops. These expenditures were for items such as flowers for the president's house, flowers for funerals, and fruit baskets for hospital patients.

These expenditures of public funds might not directly promote a public purpose. In addition, we could not determine how these expenses were a "necessary and reasonable" expense as required by board policy.

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## Conclusion

Our review indicated that Winthrop has expended public funds on questionable items. In addition, expenditure vouchers often did not contain justification for these expenditures or explain the need to expend public funds on these items.

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## Recommendations

6. Winthrop University should develop a system to ensure that public funds are spent in compliance with state law and should rely on guidance provided by recent attorney general opinions.
7. Winthrop University should discontinue expending public funds for professional sports tickets, first class air travel, receptions and luncheons that benefit a small number of recipients, and contributions to organizations.
8. If Winthrop University continues to provide donors and potential donors with professional sports tickets, it should request the foundation to purchase the tickets or raise private funds to purchase these tickets.
9. Winthrop University should justify the reasons for its purchases on expenditure vouchers.

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## Winthrop University Foundation

One of the objectives of this audit was to review the relationship between Winthrop University and the Winthrop University Foundation. Foundation officials cooperated fully with us and provided the records we requested. We interviewed foundation staff, reviewed audit reports and other financial documents, and reviewed a sample of 79 foundation vouchers from FY 94-95. We sampled vouchers from a broad range of spending categories, with an emphasis on large expenditures. We found no abuses in the expenditures of foundation funds.

The Winthrop University Foundation is a nonprofit, tax-exempt corporation established for the purpose of raising private funds and building an endowment to benefit Winthrop University. The foundation, as a private tax-exempt entity, has not been subject to audit by the Office of the State Auditor or the Legislative Audit Council. The foundation is governed by a board of directors. Winthrop University's president, the vice president of university advancement (who is also executive director of the foundation), the executive director of development, and the executive director of alumni relations are ex officio, nonvoting members of the foundation board. According to the foundation by-laws, the board has "complete control" of the management of the foundation.

The assets of the foundation have grown by almost 55% over the last four years. As Table 2.7 shows, the foundation's assets were \$5,242,094 on June 30, 1991, compared to \$8,099,534 on June 30, 1995.

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**Table 2.7: Growth of Foundation  
Assets for Five Years**

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06/30/91	06/30/92	06/30/93	06/30/94	06/30/95
\$5,242,094	\$5,794,865	\$6,835,521	\$7,646,708	\$8,099,534

Table 2.8 compares sources of revenue for FY 93-94 and FY 94-95.

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**Table 2.8: Foundation  
Contributions and Other  
Revenue**

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	<b>FY 93-94</b>	<b>FY 94-95</b>
Contributions	\$1,253,686	\$2,154,000
Investment Earnings	\$272,559	\$524,896
Profit on Sale of Commemorative Items	\$473	\$36
<b>TOTAL</b>	<b>\$1,526,718</b>	<b>\$2,678,932</b>

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**Winthrop Foundation  
Expenditures**

Table 2.9 shows total foundation expenditures by category for FY 93-94 and FY 94-95 and budgeted expenditures for FY 95-96. The largest expenditure in each year, including budgeted expenditures for FY 95-96, is scholarships at approximately 41% of total expenditures. Fund-raising costs, which we defined to include the foundation's reimbursement to Winthrop for Winthrop staff time, are the second largest expense at 21% to 23% of expenditures. Operating expenses, which include salaries and benefits for foundation employees, are 9% to 12% of the total expenditures. Restricted grants on behalf of the university are 5% to approximately 19%. The funds which benefit Winthrop's president range from 5% to 6% of the total.

**Table 2.9: Foundation Expenditures By Category**

	FY 93-94	Percent	FY 94-95	Percent	FY 95-96 <sup>a</sup>	Percent
<b>Operating Expenses</b>						
Salaries and Benefits	\$49,584		\$67,180		\$66,829	
Board Expenses	\$1,021		\$2,319		\$2,400	
Rent	\$1,852		\$1,852		\$1,900	
Supplies and Postage	\$3,553		\$3,678		\$3,800	
Professional Fees	\$12,070		\$11,563		\$13,000	
Investment Fees	\$44,439		\$30,340		\$25,000	
Depreciation	\$8,164		\$6,779		\$0	
Other (phone, insurance, etc.)	<u>\$1,922</u>		<u>\$1,923</u>		<u>\$3,480</u>	
<b>TOTAL Operating</b>	<b>\$122,605</b>	<b>12%</b>	<b>\$125,634</b>	<b>9%</b>	<b>\$116,409</b>	<b>10%</b>
<b>Fund-Raising</b>						
Direct Fund-Raising	\$87,077		\$117,739		\$153,000	
Reimburse Winthrop Salaries <sup>b</sup>	<u>\$141,881</u>		<u>\$164,133</u>		<u>\$115,500</u>	
<b>TOTAL Fund-Raising</b>	<b>\$228,958</b>	<b>22%</b>	<b>\$281,872</b>	<b>21%</b>	<b>\$268,500</b>	<b>23%</b>
<b>Scholarships</b>						
Unrestricted Scholarships	\$208,731		\$208,525		\$222,000	
Restricted Scholarships	<u>\$196,987</u>		<u>\$311,472<sup>c</sup></u>		<u>\$315,307</u>	
<b>Total Scholarships</b>	<b>\$405,718</b>	<b>40%</b>	<b>\$519,997</b>	<b>38%</b>	<b>\$537,307</b>	<b>46%</b>
<b>Restricted Grants</b>	<b>\$97,037</b>	<b>9%</b>	<b>\$251,033</b>	<b>19%</b>	<b>\$60,000</b>	<b>5%</b>
<b>TOTAL Scholarships and Grants</b>	<b>\$502,755</b>		<b>\$771,030</b>		<b>\$597,307</b>	
<b>Winthrop President's Package</b>						
Salary Supp., Insurance, Auto Lease	\$27,543		\$40,474		\$42,500	
Advancement (Discretionary) Acct.	<u>\$30,820</u>		<u>\$22,629</u>		<u>\$26,000</u>	
<b>TOTAL President's Package</b>	<b>\$58,363</b>	<b>6%</b>	<b>\$63,103</b>	<b>5%</b>	<b>\$68,500</b>	<b>6%</b>
<b>Payments to Alumni Association</b>						
Operating Budget	\$83,000		\$83,000		\$83,000	
Grant to Alumni Endowment	<u>\$10,000</u>		<u>\$10,000</u>		<u>\$10,000</u>	
<b>TOTAL to Alumni Association</b>	<b>\$93,000</b>	<b>9%</b>	<b>\$93,000</b>	<b>7%</b>	<b>\$93,000</b>	<b>8%</b>
<b>Faculty Awards</b>	<b>\$4,000</b>	<b>0%</b>	<b>\$4,000</b>	<b>0%</b>	<b>\$4,000</b>	<b>0%</b>
<b>Publications</b>	<b>\$8,301</b>	<b>1%</b>	<b>\$5,843</b>	<b>0%</b>	<b>\$24,000</b>	<b>2%</b>
<b>Payment to Life Income Beneficiary</b>	<b>\$10,577</b>	<b>1%</b>	<b>\$12,973</b>	<b>1%</b>	<b>\$0</b>	<b>0%</b>
<b>TOTAL</b>	<b>\$1,028,559</b>	<b>100%</b>	<b>\$1,357,455</b>	<b>100%</b>	<b>\$1,171,716</b>	<b>100%</b>

a Budgeted amount.

b 100% of salary reimbursements allocated to fund-raising.

c Includes restricted athletic scholarships not previously paid through the foundation.

Source: Winthrop University Foundation.

### **Reimbursements From Foundation to Winthrop**

The Winthrop Foundation has taken action to ensure that it maintains an “arm’s length” relationship with Winthrop University. Although the foundation’s office is located on-campus, the foundation pays rent to the university. It also reimburses the university for printing, postage, telephone, office supplies and other materials, and production of audiovisual materials. In FY 94-95 this reimbursement totaled over \$37,000.

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Approximately 30% of Winthrop’s foundation expenditures in FY 94-95 were for fund-raising and administrative expenses.

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The largest reimbursement from the foundation was for university employees’ time. In FY 94-95, this was over \$164,000. The reimbursement, which is made according to a written schedule, is based on the amount of work that university advancement and development staff perform on behalf of the foundation. For example, the entire salaries of the director of the annual fund and her assistant (who runs the telephone solicitation) are reimbursed to Winthrop. Other employees’ salaries are partially reimbursed because they conduct research on prospective donors or type thank you notes to foundation donors. The salary reimbursement schedule is reviewed annually to make sure that it continues to track the employees’ actual job functions.

### **Fund-Raising Expenses**

The foundation’s direct fund-raising costs include appeals to various donor groups such as the annual fund (formerly a part of the alumni association). Examples of fund-raising expenses we reviewed include \$1,548 for printing pledge cards, \$596 for assembling brochures, and \$776 for legal services in connection with planned giving. Direct costs also included \$483 for hotel, cabs, meals, and airport parking connected with a trip to Chicago to meet a potential major donor. The fund-raising expenses shown in Table 2.9 include 100% of the foundation’s reimbursements for Winthrop staff time (see above).

## Scholarships

The foundation categorizes scholarships as either restricted (for example, a scholarship that can be awarded only to a political science student) or unrestricted (which can be used for any type of scholarship). Prior to FY 94-95, athletic scholarships were not paid through the foundation. Scholarships paid by the foundation are summarized in Table 2.10.

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**Table 2.10: Scholarships Paid by the Foundation**

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	FY 93-94	FY 94-95	(budgeted) FY 95-96
Restricted Scholarships	\$45,510	\$39,465	\$40,000
Endowed Restricted	\$151,477	\$129,700	\$133,000
Athletic Restricted <sup>1</sup>	\$0	\$142,307	\$142,307
Unrestricted Scholarships	\$208,731	\$208,525	\$222,000
<b>TOTAL Scholarships</b>	<b>\$405,718</b>	<b>\$519,997</b>	<b>\$537,307</b>

1 Athletic restricted scholarships not paid through foundation until FY 94-95.

According to a foundation official, approximately \$220,000 is available annually for unrestricted scholarships. However, Winthrop University does not always award all the funds made available by the foundation. The funding available for endowed restricted scholarships depends on the interest earned on the accounts endowed for scholarships. Some of the interest available might not be awarded in a particular year if there were no students who met the criteria of the scholarship.

### **Restricted (Nonscholarship) Grants**

Table 2.9 shows total expenditures from restricted grants. This category includes both departmental/dean's funds and other restricted nonscholarship grants for Winthrop. Examples of nondepartmental restricted grants are funds to purchase equipment or to establish an annual lecture series. Guidelines for spending from these accounts are not established by the foundation. The department or the dean determines what to purchase with these funds. However, the foundation has established controls to assure that the expenditures from these accounts are authorized by the department.

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Approximately 57% of the foundation's expenditures for FY 94-95 were for scholarships and grants.

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Expenditures from restricted grant funds can vary widely from year to year. These funds are often not endowed and contributions to the funds are solicited to meet a one-time need. For example, in FY 94-95, the music school was the beneficiary of a special fund-raising drive to equip the newly renovated music building. Expenditures from the music school's restricted account are lower in FY 95-96, according to foundation records.

Restricted fund spending in FY 94-95 included \$86,700 from the music school's restricted account. This purchased items such as electronic pianos, piano benches, a synthesizer, and other equipment for the newly renovated music building. The business school's restricted account spending in FY 94-95 included \$1,231 for a reception connected with a business school lecture and \$615 for meals and dues at a private club in Columbia. The theater department's spending from its restricted account in FY 94-95 included \$429 for a donor reception.

In FY 94-95, the foundation also spent \$21,000 on the "Masque Ball" which was a fund-raising event. According to foundation officials, this function is being discontinued because in the course of four years, it only raised \$10,000 over costs.

### **Benefits Provided to Winthrop President**

The allocation of funds for Winthrop's president's salary supplement, benefits, and life insurance policies has been authorized by the foundation board. The foundation board has also approved the maximum authorized spending from the president's advancement (discretionary spending) account. However, it has established no guidelines for the expenditures from the advancement account.

According to foundation officials, advancement account spending tends to fall into four categories: travel, entertaining off-campus (including wedding gifts), contributions to other organizations (including contributions in memory of members of the Winthrop community), and president's house expenses. The advancement fund expenditures in our sample included a \$250 contribution to the Museum of York County and \$150 to the SCETV Endowment.

Funds budgeted by the Winthrop Foundation for Winthrop's president for FY 95-96 are summarized in Table 2.11.

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**Table 2.11: Foundation Benefits  
for Winthrop's President  
FY 95-96 Budget**

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Salary Supplement	\$10,000
Auto Lease (½ of total)	up to \$5,000
Additional Insurance or Health Benefits	\$5,000
Two Life Insurance Policies	\$22,500
President's Advancement (discretionary) Fund	\$26,000
<b>TOTAL</b>	<b>\$68,500</b>

### **Relationship Between Winthrop Foundation and Winthrop Alumni Association**

Both the Winthrop Foundation and the Winthrop Alumni Association solicited funds to support Winthrop programs until 1992. Based on a consultant's recommendation that it would be more efficient to merge the alumni association's annual giving program into the foundation's fund-raising efforts, the two fund-raising functions were consolidated. The association also transferred approximately \$1,377,000 in restricted, unrestricted, and endowed funds to the foundation for it to manage. Over the next ten years, the foundation has agreed to establish an endowment account of \$500,000 for the benefit of the alumni association. This endowment is to replace the funds transferred to the foundation by the alumni association. In addition, the foundation provides an annual operating grant to the alumni association which has been \$83,000 a year for the last three years.

Although the Winthrop Foundation board approves the annual grant to the alumni association, it does not control the association's expenditures, which are directed by the association's executive board. The association submitted an initial budget to the foundation when the two organizations merged their

fund-raising functions. However, the association can expend funds for items not included in that budget.

Table 2.12 shows alumni association expenditures for FY 93-94 and FY 94-95. Compared to the prior year, in FY 94-95, operating expenses and expenditures for programs such as homecoming and reunion weekend were somewhat higher, and the association's gift to the university was lower. In FY 94-95, there were no alumni association funds reported for Winthrop's president's travel.

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**Table 2.12: Alumni Association Expenditures**

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	<b>FY 93-94</b>	<b>FY 94-95</b>
Operating Expenses	\$15,265	\$19,395
Program Services (i.e.—homecoming)	\$32,406	\$38,903
Winthrop President's Travel	\$6,989	\$0
Association's Gift to University	\$26,741	\$21,200
<b>TOTAL</b>	<b>\$81,401</b>	<b>\$79,498</b>

Source: Winthrop University Alumni Association.

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## Conclusion

Winthrop Foundation officials have generally maintained independence from the university. Winthrop and its foundation have separate boards of directors. According to the foundation's by-laws, several Winthrop University officials serve as nonvoting, ex officio directors of the foundation. As noted above, the foundation reimburses the university for rent, telephone, postage, office supplies, and staff time to avoid using state funds to support the private foundation. Based on our sample of 79 foundation vouchers, we found no abuses in the expenditures of foundation funds.

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## Student Fees

We examined the use of two major student fees, the information technology fee and the student athletic fee. We found that Winthrop imposed an information technology fee but did not specify how the fee was to be used. In addition, Winthrop's athletic fee is the highest for comparable institutions.

### Information Technology Fee

In 1990, the board approved adding a technology fee of \$25 to each student's tuition; the fee was increased in \$25 increments annually until it reached \$100 per semester. The amount has remained the same since the fall of 1993. In FY 94-95, this fee raised approximately \$777,000 of the \$1.9 million spent for technology needs. When the board of trustees approved the fee, it did not establish guidelines or criteria regarding how these funds could be spent. According to a Winthrop official, the fee was instituted to pay for the debt service on the \$2 million bond used to pay for technology upgrades. Revenue generated from the technology fee is deposited into the school's general fund and is used, along with other funds, to purchase technology-related equipment and services. Table 2.13 shows the revenues and expenditures for the information technology fee since FY 88-89.

These expenditures have paid for a variety of programs including:

- Academic Computing Center — this center is for student use and contains microcomputer laboratories.
- Technology Centers for Schools — centers with technology designed for certain schools at Winthrop, such as the School of Education. These centers have specialized software for the disciplines they serve.
- Audiovisual Center — produces educational television programs in conjunction with York Technical College.

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Winthrop should consider eliminating or reducing its technology fee.

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Because the board of trustees did not provide any written guidance for the expenditure of the technology fee, we could not determine if these funds were spent in accordance with the wishes of the board. For example, we could not determine if the board intended to fund the production of educational television programs with the technology fee.

**Table 2.13: Revenues and Expenditures for Technology Fee**

	FY 88-89	FY 89-90	FY 90-91	FY 91-92	FY 92-93	FY 93-94	FY 94-95
Technology Fee Revenue	•	•	\$213,027	\$410,562	\$578,787	\$790,820	\$777,594
Other Revenue	\$1,525,754	\$1,266,022	\$944,256	\$2,389,840	\$1,251,797	\$1,289,362	\$1,190,119
<b>Total Revenue</b>	<b>\$1,525,754</b>	<b>\$1,266,022</b>	<b>\$1,157,283</b>	<b>\$2,800,402</b>	<b>\$1,830,584</b>	<b>\$2,080,182</b>	<b>\$1,967,713</b>
Academic Computing Center	\$390,128	\$398,325	\$357,604	\$425,651	\$486,614	\$576,352	\$415,000
Technology Centers for Schools	\$80,606	\$76,722	\$42,955	\$23,519	\$24,215	\$35,613	\$28,979
Information Management	\$578,511	\$560,852	\$105,759	\$116,755	\$117,130	\$156,743	\$130,618
Debt Service	•	•	•	•	\$389,446	\$325,956	\$468,505
Special Appropriation	\$390,806	\$117,018	•	•	•	•	•
Computing Infrastructure Project	•	•	•	\$1,593,078	•	•	•
Systems & Programming	•	\$2	\$566,871	\$385,963	\$449,712	\$317,441	\$367,500
Maintenance & Support	•	•	•	\$175,988	\$227,076	\$474,350	\$455,063
Audiovisual Center	\$85,702	\$113,104	\$84,094	\$70,004	\$84,323	\$193,727	\$102,049
Miscellaneous <sup>a</sup>	•	•	•	\$9,445	\$52,068	•	•
<b>Total Expenditures</b>	<b>\$1,525,754</b>	<b>\$1,266,022</b>	<b>\$1,157,283</b>	<b>\$2,800,402</b>	<b>\$1,830,584</b>	<b>\$2,080,182</b>	<b>\$1,967,713</b>

a These expenditures include conversion costs and network connections.

Source: Winthrop University.

In July 1998, Winthrop is scheduled to pay off a \$2 million loan for computer equipment. Annual payments for this loan, paid out of the “technology” account, have been more than \$400,000. When this loan is retired, less money may be needed to fund information technology needs. Therefore, the technology fee may no longer be needed or perhaps could be reduced.

### **Athletic Fee**

Winthrop's athletic fee contributes to making Winthrop's undergraduate tuition and fees of \$3,716 in FY 95-96 (\$3,818 in FY 96-97) the highest in the state for South Carolina residents. Winthrop charged students \$404 in FY 95-96 for student athletic fees, the highest for comparable schools. The athletic fee is used by the athletic department to fund the athletic program.

Winthrop is a member of the National Collegiate Athletic Association (NCAA) Division I. As a member of Division I, Winthrop must have a minimum of 14 sports and have a certain amount of financial aid provided to the athletes. NCAA Division II members must have a minimum of eight sports and have no financial aid requirements. Therefore, the expenditures required to maintain Division I status are greater than the expenditures needed for Division II.

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Winthrop's athletic fee charged to all students is higher than those of comparable universities.

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There is no NCAA requirement that Division I schools fund their athletic program with revenues from the athletic program. However, the Division I philosophy statement indicates that a school should "strive to finance its athletic program insofar as possible from revenues generated by the program itself." Student fees fund 78% of Winthrop's athletic program, a higher percentage than that of comparable schools except the College of Charleston. Table 2.14 lists the athletic fees charged to students by the seven peer institutions and the percentage of athletic department revenue which is obtained from fees. It also lists the NCAA division each school belongs to.

**Table 2.14: Athletic Fees and Percentage of Athletic Revenue From Fees for Comparable Schools**

Institution	NCAA Division	Athletic Fee for SC Students for FY 95-96 <sup>a</sup>	Percent of Athletic Revenue from Fees for FY 93-94
The Citadel	I	\$275 <sup>b</sup>	32%
Coastal Carolina	I	\$288	77%
College of Charleston	I	\$220	87%
Francis Marion University	II	\$0	N/A <sup>c</sup>
Lander University	II	\$40	N/A <sup>c</sup>
South Carolina State University	I	\$386 <sup>b</sup>	58%
Winthrop University	I	\$404	78%

a Does not include debt service on athletic facilities.

b Has a football program.

c Division II schools are not required to report athletic revenue and this data was not available.

## Recommendations

10. The Winthrop University Board of Trustees should consider specifying guidelines for the use of the technology fee.
11. Winthrop University should consider reducing or eliminating the technology fee when its computer debt is retired.
12. Winthrop University should review athletic department expenditures to determine if expenses required to maintain Division I status warrant the amount of the athletic fee.

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## Contracts

We examined employment contracts with Winthrop University's president and vice presidents, a contract with a private consultant, and a contract to purchase a building. We found that Winthrop has provided its president and vice presidents with longer-term contracts than have most comparable institutions. We also found that Winthrop did not enter into clear, timely, written contracts for consultant services.

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### President's Contract

In 1989 and again in 1994, Winthrop University entered into a five-year employment contract with the president. Five years is a longer term than that used by most other South Carolina state-supported institutions of higher learning that are comparable to Winthrop. In addition, Winthrop's contract allows the president to receive liquidated damages (two years' pay) if his employment is terminated before the expiration date. Other colleges and universities have not specifically provided for damages for dismissal in their contracts.

Table 2.15 summarizes our comparison of the contract entered into with Winthrop's president to contracts with presidents of comparable state-supported colleges and universities in South Carolina.

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**Table 2.15: Employment Contracts for Presidents of Public Colleges Comparable to Winthrop**

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College	Length of President's Contract	Payout If Terminated
Winthrop	5 years	2 years' salary
The Citadel	no contract	not applicable
College of Charleston	5 years	no payout specified
SC State	1 year	no payout specified
Francis Marion	3 years	no payout specified
Lander	no contract	not applicable
Coastal Carolina	no contract	not applicable

### **Provision for Tenure**

When the president was hired in 1989, the Winthrop board granted him status as professor of psychology with tenure. As a tenured professor, he was provided job security should he be removed as president.

However, the board's granting of tenure to the president violated board by-laws. Article VI.D of the board's by-laws, effective when the president was hired, stated the president "may be a member of the faculty, but without eligibility for tenure." This section was deleted from board by-laws in 1990.

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## **Recommendations**

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13. The Winthrop University Board of Trustees should consider entering into shorter-term contracts with its presidents, no longer than contracts of comparable universities.
  14. The Winthrop University Board of Trustees should ensure that contracts comply with board by-laws.
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### **Contracts With Vice Presidents**

Winthrop has entered into employment contracts with its vice presidents and an executive assistant to the president which range in terms from three to five years. Employment contract terms for vice presidents at comparable colleges and universities in South Carolina did not exceed one year (see Table 2.16).

**Table 2.16: Terms for Vice Presidents at Select Public Institutions**

Institution	Length of Contracts
Winthrop	3 to 5 years
The Citadel	contracts not provided to vice presidents
College of Charleston	1 year
SC State	1 year
Francis Marion	1 year
Lander	1 year
Coastal Carolina	1 year

In addition, Winthrop University's contracts with vice presidents have clauses which allow the contracts to be renegotiated for "subsequent multi-year appointment" assuming satisfactory performance.

One vice president's term expires on June 30, 2000, one year after the president's term expires. (This vice president has since left the university.) The terms and conditions of these contracts were decided by the president.

## Recommendation

15. Winthrop should consider not entering into longer-term contracts for vice presidents than terms for contracts at comparable universities.

## Consultant to the University

In August 1995, Winthrop University paid a consultant, located in Florida, \$6,300 for "professional services rendered for research and consultations with the president and board of trustees." In addition, prior to this payment, Winthrop and the consultant had not entered into a written contract specifying what services he would provide. We could find no written documentation of services provided for this fee. According to a letter from the consultant, Winthrop would pay him \$6,300 in August 1995 and \$6,300 in December 1995 for research and consultations with the president and the board. There was no requirement that the consultant submit detailed itemized billings specifying the work he performed.

In October 1995, Winthrop and the consultant entered into a written contract for various services. For example, the consultant would be paid to provide advice and consultations to the president and the board of trustees. In addition, Winthrop University agreed to pay the consultant \$2,100 per day when he traveled to Winthrop to lead staff retreats and planning sessions. The contract expired in May 1996.

From August 1995 through May 1996, the consultant was paid \$27,230. This amount included:

Advice, research and consultations with the president and the board.	\$13,500
Five days of facilitating retreats and planning sessions.	\$10,500
Preparing for a retreat.	\$600
Travel from Florida to Winthrop to lead retreats and planning sessions.	\$2,630
<b>Total</b>	<b>\$27,230</b>

#### **Payment Terms for Advice and Consultation Unclear**

Winthrop's verbal contract allowed the consultant to be paid \$12,600 to provide advice, research and consultation services in 1995 (excluding on-site visits to Winthrop). The October 1995 written contract, which also allowed payments for consulting, did not specify an amount to be paid for advice and consultation. Winthrop records indicate that the consultant was paid \$6,300 in August 1995 and \$7,200 in March 1996, a total of \$13,500, for consulting services.

Winthrop's financial records do not document the reason for paying the consultant payments in excess of the \$12,600 agreed to orally in 1995.

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## **Recommendations**

16. Winthrop University should always enter into written contracts when obtaining services.
17. Winthrop University should ensure that its contracts clearly specify services to be provided and the amount of payment which will be paid for each service. The university should require detailed, itemized billings before paying for services.

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## Contract to Purchase Bookstore

One of our objectives was to determine if a Winthrop University trustee, who assumed office in 1994, profited by selling a bookstore to Winthrop University.

In 1993, before this trustee began service as a board member, Winthrop requested permission from the Commission on Higher Education to purchase a privately-owned bookstore adjacent to its campus. Then, in August 1994, a month after the trustee assumed office, Winthrop University signed a ten-year option to purchase this bookstore; Winthrop plans to purchase the bookstore upon approval of the Budget and Control Board. As of June 1996, the university had not purchased the building.

We found that Winthrop took steps to purchase the bookstore six months prior to the trustee's assuming office. This trustee owns a real estate company which represents the owner of the building being sold to Winthrop. His company has earned a commission from a lease (the bookstore is currently being leased to the company which manages Winthrop's bookstore) and will earn a commission when the sale is finalized. In a memo to the Winthrop board dated June 28, 1996, the trustee stated that he would donate his commission on the sale of the building to the Winthrop foundation. In addition, the trustee received an informal opinion from the ethics commission staff indicating that his involvement in this lease/purchase was not a violation of the Ethics Reform Act of 1991. We found no evidence that this trustee used his influence as a board member for personal gain.

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## Conclusion

Winthrop University has provided its administrators with longer-term contracts than those provided at comparable public institutions. In addition, Winthrop did not enter into a timely written contract with a consultant. Further, we found no evidence that a trustee used his position for financial gain in the sale of a building to Winthrop University.

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## Dormitory Bonds

We were asked to review whether repayment of Winthrop University dormitory bonds was in jeopardy due to declining enrollment. We reviewed statutes for state institutional bonds which are used to finance permanent improvements at state institutions of higher education. We also talked with an official of the state treasurer's office, who is responsible for debt management, about the solvency of Winthrop dormitory bonds.

Section 59-107-180 of the South Carolina Code of Laws requires that institutional bonds be secured by tuition fees. The state treasurer's office is to establish a special fund from these fees to pay principal and interest on the bonds and provide a reserve fund for the bonds.

As of April 25, 1996, Winthrop had three outstanding dormitory bonds in the amounts of \$200,000, \$700,000 and \$300,000. According to the official from the state treasurer's office, the dormitory bonds are "strong." The university has made bond payments in a timely manner. In addition, the bond reserve balance of \$783,000 in April 1996 was sufficient to pay off approximately two-thirds of the outstanding balance of the dormitory bonds. Two of the dormitory bonds are scheduled for payoff in 1997. The third is scheduled to be paid in 1999.

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Winthrop's dormitory bonds appear to be in sound financial condition.

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From fall 1994 to fall 1995, full-time undergraduate student enrollment at Winthrop increased by 4% (3,665 to 3,795) (see p. 52). The dormitory occupancy rate increased from 85% to 96%. Considering the payoff dates for dormitory bonds, and the amount of funds reserved for bond payments, it is unlikely that Winthrop will default on its dormitory bond obligations.

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**Chapter 2**  
**Management of Business and Finance**

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# Academic and Operational Issues

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The requestors of this audit asked that we examine Winthrop's system of determining the average SAT scores of incoming freshmen, the awarding of scholarships to students, and funding for academic programs. We also compare salary increases provided to Winthrop administrators with increases provided to faculty members, and review enrollment and tuition and fees issues. We analyze Winthrop's implementation of recommendations made by a consultant in May 1995.

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## Student SAT Scores

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The average of SAT scores and converted ACT scores for all incoming freshmen has declined rather than increased, as Winthrop reported.

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We found that reports concerning the average SAT scores of Winthrop's incoming freshmen have been misleading. Winthrop has accurately reported SAT scores to the Commission on Higher Education (CHE). However, the average score reported to the public by CHE and Winthrop excludes significant numbers of low test scores. The average of SAT scores and converted American College Test (ACT) scores for all freshmen has actually declined in the past three years. Winthrop and CHE, however, have reported increased test scores (see Table 3.1).

Winthrop and other institutions report all available freshmen test scores to CHE, but CHE has included in the reported average only the students taking the SAT. In addition, beginning in 1993, only regularly admitted students have been included in the average score reported to the public. Students taking the ACT, international students, students age 22 and over, and provisional students whose qualifications do not meet regular admissions criteria are excluded from the average. Winthrop and other colleges establish admissions criteria, and decide who does not meet "regular admissions" criteria. Winthrop has two programs to admit students who do not meet admissions criteria.

- ❑ Summer Term Educational Preparation (STEP)—a provisional admission program for academically able students who have demonstrated education and/or financial needs. For academic year 1996-97, these students must have a minimum SAT score of 800 and GPA of 2.0.
- ❑ Learning Excellent Academic Practices (LEAP)—a program to assist students in making the transition from high school to college. For academic year 1996-97, these students must have an SAT score from 800-910 and a class rank between the 50th and 79th percentile in their high school class.

From 1993 to 1995, the number of freshmen excluded from the SAT average reported to the public has increased, making the publicly reported average SAT higher than if the scores of all freshmen were included. For fall 1995, the average of SAT scores and converted ACT scores of students excluded from public reports was 800.

We reviewed Winthrop's average SAT scores for all incoming freshmen for fall 1990 to fall 1995. We also calculated the percentage of freshmen excluded from the reported average. The average of SAT scores and converted ACT scores of all incoming freshmen has been declining since 1992. The percentage of freshmen excluded from the average increased from 10% in fall 1990 to 36% in fall 1995 (see Table 3.1).

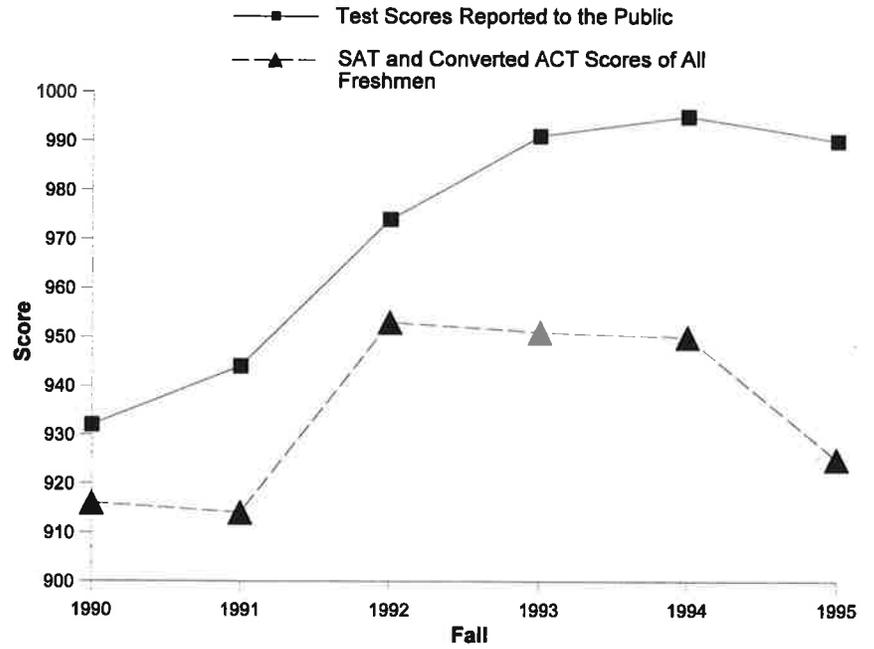
**Table 3.1: Comparison of SAT and Converted Act Scores of All Freshmen to "Regular Admission" Freshmen**

Fall	SAT Scores of Regular Admissions (%) and (Number of Freshmen Excluded from Average)	Scores for All Winthrop Freshmen (These scores were not reported to the public.) <sup>1</sup>
1995	990 (36%) (313 of 878)	925
1994	995 (26%) (197 of 744)	950
1993	991 (20%) (150 of 769)	951
1992	974 (11%) (89 of 805)	953
1991	944 (16%) (105 of 662)	914
1990	932 (10%) (64 of 622)	916

<sup>1</sup> Only ACT scores were excluded from CHE reports until 1993. Beginning in 1993, ACT scores, special admissions, international students, and students over 21 were excluded from CHE reports.

Source: Winthrop University and CHE.

**Graph 3.1: Reported SAT Scores Compared With SAT and Converted ACT Scores of All Freshmen**



We also compared SAT scores and the number of students excluded from test score averages at institutions comparable to Winthrop. Winthrop had the second highest percentage of students excluded from the SAT score average.

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**Table 3.2: Comparison of Freshmen Test Scores at Comparable Public Institutions for Fall 1995**

Institution	Regular Admissions Average	Combined SAT & ACT of All Students <sup>1</sup>	% of Freshmen Excluded from Regular Admissions Average
The Citadel	973	958	18%
Coastal Carolina University	876	876	13%
College of Charleston	1021	974	28%
Francis Marion University	857	842	15%
Lander University	922	862	44%
South Carolina State University	836	803	31%
Winthrop University	990	925	36%

<sup>1</sup> ACT scores converted to SAT equivalencies using the SAT/ACT Concordance Table.

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Source: CHE.

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## Recommendation

18. Winthrop University should report average SAT scores, including those of provisional admissions and students taking the ACT, to the public. Scores of students taking only the ACT should be converted to SAT equivalents and reported to the public.

## Administration and Funding of Scholarships

In this section, we examine the awarding of scholarships to determine whether students who are awarded academic scholarships continue to receive those scholarships after the first year. We also reviewed whether these scholarships were awarded in accordance with the scholarship criteria.

For FY 93-94 and FY 94-95, approximately 90% of the academic scholarships offered at Winthrop (for example, the Alumni Honor Award) are not renewable for more than one year. We reviewed six academic scholarships which are awarded for academic achievement. These scholarships are available for eight semesters if the student maintains a minimum grade-point average (GPA). Table 3.3 describes the six scholarships we reviewed.

Table 3.3: Renewable Academic Scholarships Reviewed

Scholarship	Amount of Aid	Award Criteria <sup>1</sup>		Minimum GPA to Retain Scholarship
		SAT	Other	
Trustees'	Full Tuition, Room, Board	1300	Top 10% of High School Class	Freshmen—3.2 All Other—3.4
Founder's	Full Tuition, Room	1300	Top 10% of High School Class	Freshmen—3.0 All Other—3.2
Winthrop Scholars	Full Tuition	1200	Top 10% of High School Class <sup>2</sup>	3.0
Governor's School	Full Tuition	1100	Governor's School Graduate	3.0
President's Scholar	Half Tuition	•	Cultural Diversity	2.75
Tillman Scholars	Waiver of Out-of-State Fees	1000	Top 25% of High School Class	3.0

1 Student must meet minimum SAT score and other criteria specified.

2 For academic year 1993-94, there was no award criteria for the Winthrop Scholars, except for students in certain categories such as National Merit Semifinalists.

Source: Winthrop University.

## Award Criteria

We found that students have been awarded scholarships while not meeting the published scholarship criteria. Most scholarship criteria require a minimum SAT score and class rank although Winthrop policy and officials state that they may consider students who are very close to meeting the criteria. In reviewing a sample of 75 scholarship recipients, we found no documentation that 11 (27%) of the 41 students awarded scholarships with objective criteria met all of the published criteria. Table 3.4 shows the breakdown by scholarship type and year.

**Table 3.4: Students Not Fully Meeting Scholarship Award Criteria**

Scholarship	Students Entering in Fall 93		Students Entering in Fall 94	
	% Not Fully Meeting Criteria	% Not Renewing Scholarship <sup>1</sup>	% Not Fully Meeting Criteria	% Not Renewing Scholarship
Trustees'	0 of 4 (0%)	●	2 of 3 (67%)	1 of 2 (50%)
Founder's	0 of 4 (0%)	●	1 of 3 (33%)	0 of 1 (0%)
Winthrop Scholar <sup>2</sup>	●	●	7 of 12 (58%)	1 of 7 (14%)
Governor's School	0 of 1 (0%)	●	●	●
Tillman Scholars	1 of 8 (13%)	1 of 1 (100%)	0 of 6 (0%)	●

1 Of those students not fully meeting the criteria for the scholarship.

2 Winthrop Scholar did not have objective criteria for FY 93-94.

Source: Winthrop University.

Winthrop has provided scholarships to students who did not meet the minimum criteria.

Some examples of scholarship recipients who did not meet the scholarship criteria include:

- One student who received a Winthrop Scholar's Award scored a 1080 on the SAT while the scholarship required a score of 1200.
- One student who received a Tillman Scholar's Award was in the top 35% of his high school class while the scholarship required a student to be in the top 25% of his high school class.

There is no clear correlation between meeting the scholarship criteria initially and retaining the scholarship in subsequent years. For students entering in the fall of 1993, 100% of the students who did not meet the criteria for the scholarship did not retain their scholarship in subsequent years, while 18% of

the students who did meet the criteria for the scholarship did not retain their scholarship in subsequent years. For students entering in the fall of 1994, 20% of the students who did not meet the criteria for the scholarship did not retain their scholarship in 1995, while 50% of the students who did meet the criteria for the scholarship did not retain their scholarship in 1995.

## Scholarship Retention

We were asked to determine the retention rates for scholarship recipients. We reviewed a sample of freshmen who received scholarships for academic years 1993-94 and 1994-95. For students admitted in the fall of 1993, we found that 15 (39%) of the 38 students sampled did not receive the scholarships in the fall of 1994 and an additional 2 (5%) did not receive the scholarship in the fall of 1995. For students admitted in the fall of 1994, 12 (32%) of the 37 students sampled did not receive the scholarships in the fall of 1995. We found one student who did not receive the scholarship after the first year although the student had the minimum GPA required to keep the scholarship.

We obtained the percentage of scholarship recipients who remained at Winthrop for each year reviewed. We also obtained the percentage for all freshmen who remained at Winthrop for each year reviewed. Table 3.5 describes the overall rate of students remaining at Winthrop by type of scholarship.

**Table 3.5: Rates of Students Remaining at Winthrop**

Scholarship	Students Entering in Fall 93		Students Entering in Fall 94
	Remaining After One Year	Remaining After Two Years <sup>a</sup>	Remaining After One Year
Trustees'	9 of 9 (100%)	9 of 9 (100%)	11 of 13 (84.6%)
Founder's	8 of 9 (88.9%)	8 of 9 (88.9%)	11 of 13 (84.6%)
Winthrop Scholar	53 of 60 (88.3%)	48 of 60 (80%)	35 of 40 (87.5%)
Governor's School	2 of 2 (100%)	2 of 2 (100%)	1 of 1 (100%)
President's Scholar	25 of 35 (71.4%)	20 of 35 (57.1%)	50 of 59 (84.7%)
Tillman Scholar	29 of 35 (82.9%)	22 of 35 (62.9%)	15 of 23 (65.2%)
Average for Scholarship Recipients	126 of 150 (84%)	109 of 150 (72.6%)	123 of 149 (82.5%)
All Freshmen	573 of 764 (75%)	500 of 764 (65.4%)	560 of 725 (77.2%)

a Percent of original recipients.

Source: Winthrop University.

For all three years reviewed, the average rate of scholarship recipients remaining at Winthrop is higher than the rate for all freshmen remaining at Winthrop. The rate of scholarship recipients remaining is higher than the rate for all freshmen returning for each scholarship type except two of the three years for the President's Scholar Award and the Tillman Scholar Award.

## Scholarship Funding

The scholarships are funded from many different sources. Table 3.6 describes the funding for undergraduate scholarships for FY 93-94 through FY 95-96.

**Table 3.6: Scholarship Funding**

Source of Funds	FY 93-94	FY 94-95	FY 95-96
Winthrop Foundation & Eagle Club	\$375,550	\$531,282	\$525,423
Telephone Revenues	\$570,929	\$512,410	\$274,576
Coliseum Revenues	\$267,868	\$200,041	\$179,908
Bookstore Revenue	\$77,700	\$135,917	\$300,000
Named Scholarships	\$83,578	\$71,804	\$60,540
Housing Funding	\$35,820	\$83,530	\$127,655
Cafeteria Funding	\$11,610	\$28,681	\$44,785
Conference Center Revenues	•	•	\$100,000
NCAA Contribution	•	•	\$82,000
Student Life Fund Revenues	•	•	\$51,514
<b>Total</b>	<b>\$1,423,055</b>	<b>\$1,563,665</b>	<b>\$1,746,401</b>

Source: Winthrop University.

Some examples of the funding sources include:

- Bookstore Revenue—includes a percentage of bookstore sales which are donated to Winthrop for scholarships.
- Telephone Revenues—includes a percentage of long distance calls placed from and received at Winthrop.
- Named Scholarships—includes scholarships administered by the Winthrop Foundation.

The following table describes the expenditures for undergraduate scholarships for FY 93-94 through FY 95-96.

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**Table 3.7: Scholarship Expenditures**

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	<b>FY 93-94</b>	<b>FY 94-95</b>	<b>FY 95-96</b>
Trustees' Scholars	\$61,331	\$151,982	\$241,574
President's Scholars	\$60,350	\$129,500	\$166,013
Founder's Scholars	\$49,080	\$114,214	\$164,998
Foundation - Named	\$143,302	\$176,368	\$189,905
Private/Endowed Named	\$83,578	\$71,804	\$60,540
Other Academic	\$666,686	\$517,320	\$491,377
Athletic	\$330,766	\$373,377	\$403,162
Music	\$27,962	\$29,100	\$28,832
<b>Total</b>	<b>\$1,423,055</b>	<b>\$1,563,665</b>	<b>\$1,746,401</b>

Source: Winthrop University

The scholarships awarded by Winthrop appear to be adequately funded. Table 3.6 shows that funding comes from a variety of sources, both public and private.

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## Conclusion

Although 27% of the students who received scholarships did not meet at least one of the criteria, we found no clear correlation between meeting the criteria and retaining the scholarship in subsequent years. The average rate of scholarship recipients who remained at Winthrop was higher than the rate of all students remaining at Winthrop.

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## Recommendation

19. Winthrop University should comply with its published scholarship award criteria.

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## Out-of-State Scholarship Recipients

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Section 59-112-70 of the South Carolina Code of Laws allows colleges and universities to waive the out-of-state tuition differential for scholarship recipients based on policies established by their boards of trustees. We reviewed Winthrop's policy for waiving out-of-state tuition. We also reviewed a random sample of undergraduate out-of-state students receiving academic or talent scholarships at Winthrop in FY 95-96. In addition, we examined financial and academic data concerning recipients of scholarships for students from France.

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## Qualifications of Out-of- State Academic Scholarship Recipients

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We found that the students who received academic scholarships with clearly stated criteria met the criteria for their awards. For example, nine students in our sample received the Tillman Scholarship for out-of-state students. This scholarship requires a combined SAT score of 1100, a criterion which all these students met.

Our sample of 42 out-of-state scholarship recipients excluded nondegree candidates. The average cumulative grade point average (GPA) of out-of-state scholarship recipients was 3.32 (out of a possible 4.0). Students whose records included SAT scores had an average score of 1205. In contrast, the average SAT score of all students admitted to Winthrop in FY 95-96 was 925. Based on our sample, we found that the out-of-state students granted nonathletic scholarships at Winthrop had records indicating academic merit.

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## Program for Students From France

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We reviewed two programs that provide scholarships for students from France. We found that scholarships for one of the programs (Academie Mercure) have been awarded without regard to academic merit.

### *ESICAD (Ecole Superieure de Commerce et de Gestion)*

Winthrop University has entered into an agreement with a French program (ESICAD) to allow students who have completed at least two years of college-level study in Europe to enroll at Winthrop. ESICAD enrolled 31 students at Winthrop in fall 1995 and 20 in spring 1996. Winthrop financial records show that all these students received scholarships of \$50 per semester. According to university officials, the ESICAD program provides funds for scholarships for these students. Because these students received scholarships, they are charged in-state rather than out-of-state tuition. Our sample of 42 out-of-state scholarship recipients included 6 ESICAD students whose average GPA at Winthrop was 3.15.

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Winthrop has awarded students from France, who have not demonstrated academic achievement at Winthrop, scholarships and tuition waivers.

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*Academie Mercure*

Winthrop also allows nondegree seeking French students in an ESICAD-affiliated program called “Academie Mercure” to spend one semester studying at Winthrop and paying in-state tuition. In spring 1996, 18 Academie Mercure students were enrolled at Winthrop and each of them received a \$50 scholarship. Because of their scholarships, their out-of-state tuition totaling approximately \$26,400 was waived. However, the Academie Mercure students have not demonstrated a high level of academic achievement at Winthrop. The Academie Mercure students had an average GPA of 2.66 at Winthrop; one student had a 1.25 GPA and another one had a GPA of 1.75. If these two students had remained at Winthrop for another semester, they would have been placed on academic probation.

A Winthrop official stated that the rationale for the French student programs is to add an international component to Winthrop’s business school. Without the incentive of in-state tuition, these students would probably not come to Winthrop.

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**Winthrop Board Policy**

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Winthrop’s board policy states that in order to “attract a high quality and diverse student body,” the president or his designee is authorized to implement a policy for the abatement of any or all of the out-of-state rate for scholarship recipients. However, the policy of granting scholarships and fee waivers to all French students has not been approved by the board. In addition, we could find no specific written guidelines establishing criteria for granting these scholarships.

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**Recommendations**

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20. The Winthrop University Board of Trustees should determine if granting scholarships and waiving out-of-state tuition for all ESICAD and Academie Mercure students, regardless of academic performance, is in the best financial interest of the university and the state.
  21. If the board decides that ESICAD and Academie Mercure student scholarships should be continued, written criteria governing the qualifications for award of the scholarships and the number of students who can receive them should be established.

## Instructional and Institutional Support Expenditures

Concerns were expressed that expenditures for institutional support (central administration, vice presidents' expenses, and other administrative costs) were increasing at a faster rate than funding for instructional services (academic programs).

We analyzed Winthrop's expenditures in FY 88-89 and FY 94-95 to determine if the university has increased funding for administrative functions at a higher rate than for academic programs. Expenditures reported by CHE indicate that academic program funding increased by 17.6% from FY 88-89 to FY 94-95. Institutional support expenses increased from \$3.86 million to \$6.13 million, a 58.9% increase (see Table 3.8). Winthrop management indicated that this comparison of increases is not accurate because, during this period, CHE (and other guidelines) changed the way some expenditures for academic and administrative services were classified.

**Table 3.8: Comparison of Expenditures for Instructional Programs to Expenditures for Institutional Support as Reported by CHE**

Year	FY 88-89	FY 94-95	Increase	% Change
Instructional	\$13,922,682	\$16,367,208	\$2,444,526	17.6%
Institutional Support	\$3,858,712	\$6,133,067	\$2,274,355	58.9%

Our review indicated that \$424,000 classified as "institutional support services" in FY 94-95 had not been classified in that category in FY 88-89. Unless these expenditures are deleted from FY 94-95 institutional support services, the increase in the administrative category will appear higher than it actually was. In addition, Winthrop was required to categorize \$1.14 million of expenditures as noninstructional in FY 94-95. These expenditures had been classified as instructional expenditures in FY 88-89. If these expenditures are not added to instructional expenditures for FY 94-95, the rate of increase for instructional programs is understated.

Table 3.9 compares the rate of increase for institutional support and instructional services after accounting adjustments are made to reflect changes in classifications. In addition, since the president's position was not filled in FY 88-89, we excluded the president's salary and benefits in FY 94-95 to present a more accurate comparison of expenditures.

**Table 3.9: Comparison of Adjusted Increases in Spending for Instructional Programs to Those for Institutional Support**

Year	FY 88-89	FY 94-95	Increase	% Change
Instructional	\$13,922,682	\$17,507,083	\$3,584,401	25.7%
Institutional Support	\$3,858,712	\$5,583,909	\$1,725,197	44.7%

Our review found that, even when taking expenditure reclassifications into account, expenditures for institutional support increased at a higher rate than instructional services expenditures.

## Tuition and Fees, State Funding, and Enrollment

We reviewed Winthrop's enrollment, tuition and fees, and state funding from FY 90-91 to FY 95-96. We found that Winthrop charges the highest undergraduate tuition and fees among all public colleges and universities for South Carolina residents. Additionally, Winthrop receives the highest percentage of formula funding among comparable institutions.

### Enrollment

We reviewed both undergraduate and graduate full-time equivalent (FTE) enrollment at Winthrop and comparable institutions. FTE enrollment is calculated using the number of credit hours taken per semester. For example, FTE enrollment for undergraduate students is calculated as 15 credit hours per semester. Winthrop's undergraduate enrollment has remained about the same from fall 1990 to fall 1995. Table 3.10 shows the undergraduate FTE enrollment for the seven comparable schools from fall 1990 through fall 1995.

**Table 3.10: Undergraduate FTE Enrollment**

	Fall 90	Fall 91	Fall 92	Fall 93	Fall 94	Fall 95	% Change From Fall 90
The Citadel	2,586	2,571	2,496	2,511	2,438	2,338	-10%
College of Charleston	6,007	6,666	6,967	7,334	7,563	7,946	32%
Coastal Carolina	3,396	3,340	3,455	3,539	3,542	3,576	5%
Francis Marion	3,260	3,278	3,349	3,303	3,168	3,057	-6%
Lander	2,054	1,974	1,879	2,070	2,081	2,111	3%
South Carolina State	4,442	4,518	4,455	4,086	3,989	3,974	-11%
Winthrop	3,852	3,761	3,739	3,774	3,665	3,795	-1%

Source: Winthrop University

Winthrop's graduate enrollment increased 12% from fall 1990 to fall 1995 which is the second lowest rate of increase among comparable institutions. Table 3.11 shows the graduate FTE enrollment for the seven comparable schools from fall 1990 through fall 1995.

**Table 3.11: Graduate FTE Enrollment**

	Fall 90	Fall 91	Fall 92	Fall 93	Fall 94	Fall 95	% Change From Fall 90
The Citadel	471	465	584	667	730	715	52%
College of Charleston	354	403	552	760	529	575	62%
Coastal Carolina	•	•	•	71	105	80	13% <sup>a</sup>
Francis Marion	78	76	85	145	127	143	83%
Lander	86	116	87	101	91	72	-16%
South Carolina State	118	154	172	224	256	373	216%
Winthrop	444	460	429	472	489	498	12%

a Coastal Carolina did not have a graduate program until fall 93.

## Tuition and Fees

The tuition and fees for South Carolina residents at Winthrop have increased 45% since FY 90-91. Table 3.12 compares the tuition and fees for in-state students at Winthrop and comparable schools.

**Table 3.12: In-State Undergraduate Tuition and Fees**

	FY 90-91	FY 91-92	FY 92-93	FY 93-94	FY 94-95	FY 95-96	% Change from FY 90-91
The Citadel	\$2,513	\$2,662	\$2,949	\$3,080	\$3,176	\$3,275	30%
Coastal Carolina	\$1,920	\$2,020	\$2,170	\$2,470	\$2,710	\$2,800	46%
College of Charleston	\$2,300	\$2,400	\$2,650	\$2,950	\$3,060	\$3,090	34%
Francis Marion	\$1,800	\$2,140	\$2,440	\$2,800	\$2,920	\$3,010	67%
Lander	\$2,340	\$2,620	\$2,920	\$3,220	\$3,340	\$3,400	45%
South Carolina State	\$1,850	\$2,050	\$2,200	\$2,500	\$2,500	\$2,550	38%
Winthrop	\$2,568	\$2,826	\$3,112	\$3,470	\$3,620	\$3,716	45%

Winthrop's tuition and fees for out-of-state undergraduate students are the third highest among comparable institutions. The tuition and fees for out-of-state students have also increased 45%. Table 3.13 lists the tuition and fees for out-of-state students at Winthrop and comparable institutions.

**Table 3.13: Out-of-State Undergraduate Tuition and Fees**

	FY 90-91	FY 91-92	FY 92-93	FY 93-94	FY 94-95	FY 95-96	% Change from FY 90-91
The Citadel	\$5,676	\$6,000	\$6,659	\$7,079	\$7,170	\$7,497	32%
Coastal Carolina	\$4,800	\$5,050	\$5,424	\$6,280	\$7,000	\$7,470	56%
College of Charleston	\$4,550	\$4,650	\$5,100	\$5,900	\$6,120	\$6,180	36%
Francis Marion	\$3,600	\$4,280	\$4,880	\$5,600	\$5,840	\$6,020	67%
Lander	\$3,340	\$3,740	\$4,168	\$4,598	\$4,938	\$5,026	50%
South Carolina State	\$3,780	\$4,460	\$4,380	\$4,980	\$4,980	\$5,030	33%
Winthrop	\$4,612	\$5,038	\$5,512	\$6,110	\$6,400	\$6,672	45%

Winthrop receives an average of 36% of its revenues from tuition and fees which is about average among the comparable institutions. Table 3.14 compares the revenues from tuition and fees for the seven institutions.

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**Table 3.14: Percentage of Educational and General Revenues from Tuition and Fees**

	FY 90-91	FY 91-92	FY 92-93	FY 93-94	FY 94-95
The Citadel	32%	34%	35%	36%	32%
Coastal Carolina University	37%	38%	39%	42%	47%
College of Charleston	43%	45%	47%	50%	39%
Francis Marion University	33%	37%	40%	43%	42%
Lander University	35%	37%	41%	45%	44%
South Carolina State University	22%	23%	23%	24%	23%
Winthrop University	32%	34%	37%	39%	39%
<b>Average</b>	<b>33%</b>	<b>35%</b>	<b>37%</b>	<b>40%</b>	<b>37%</b>

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## State Appropriations

The Commission on Higher Education annually adopts a formula to request state appropriations for higher education. Using the formula, CHE determines the amount of funds needed by all South Carolina public higher education institutions and requests that amount be appropriated by the General Assembly. CHE then distributes the appropriated funds to each institution based on the formula. During the past ten years, the formula has not been fully funded for any year. CHE had distributed the funds so that each institution received the same percentage of the formula.

In FY 89-90, enrollment patterns at the institutions began to change. To address this, CHE changed the distribution of funds in FY 91-92 to ensure that no institution would receive less appropriations than it had previously even if its enrollment dropped. Winthrop has been the biggest beneficiary of that policy. Since FY 91-92, Winthrop has received the highest percentage of formula funding and its enrollment has stayed about the same. Table 3.15 shows the percentage of formula funding received by Winthrop and the comparable institutions from FY 90-91 through FY 95-96.

**Table 3.15: Percentage of Formula Funding<sup>a</sup>**

	FY 90-91	FY 91-92	FY 92-93	FY 93-94	FY 94-95	FY 95-96
The Citadel	89%	77%	75%	73%	74%	74%
Coastal Carolina University	87%	74%	73%	69%	70%	70%
College of Charleston	88%	73%	69%	68%	66%	65%
Francis Marion University	88%	77%	74%	72%	73%	75%
Lander University	89%	78%	73%	72%	75%	73%
South Carolina State University	89%	71%	70%	70%	69%	74%
Winthrop University	89%	79%	75%	75%	79%	81%
<b>Average</b>	<b>89%</b>	<b>75%</b>	<b>72%</b>	<b>71%</b>	<b>72%</b>	<b>73%</b>

a Includes pay raises.

In FY 95-96, CHE again changed the distribution of state appropriations. The new distribution gives the larger percentage of new appropriated funds to the institutions with the lower percentages of formula funding. Therefore, institutions other than Winthrop will receive higher increases in state funding. Beginning in July 1999, the distribution of state funding for higher education will be based solely on a performance-based formula.

For FY 94-95, Winthrop received about 42% of its revenues from state appropriations which is slightly above average among the comparable institutions. Table 3.16 shows the percentage of revenue the seven institutions received from state appropriations.

**Table 3.16: Percentage of Educational and General Revenues From State Appropriations**

	FY 90-91	FY 91-92	FY 92-93	FY 93-94	FY 94-95
The Citadel	48%	46%	43%	39%	34%
Coastal Carolina University	46%	43%	40%	35%	34%
College of Charleston	49%	44%	41%	39%	30%
Francis Marion University	57%	51%	48%	46%	47%
Lander University	53%	50%	46%	44%	45%
South Carolina State University	49%	44%	44%	43%	45%
Winthrop University	48%	45%	43%	41%	42%
<b>Average</b>	<b>49%</b>	<b>46%</b>	<b>43%</b>	<b>41%</b>	<b>38%</b>

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## Conclusion

Although Winthrop receives the highest percentage of state formula funding among comparable institutions, Winthrop undergraduate students who are South Carolina residents are charged the highest tuition and fees among all public colleges and universities. In FY 95-96, CHE changed the distribution of state appropriations for higher education to provide more new funds to institutions with increased enrollment. Because Winthrop's enrollment has remained virtually unchanged over six years, Winthrop may receive less "new money" than other institutions.

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## Salary Increases for Administrators and Faculty

We reviewed salary increases of 14 top-level administrators and compared these increases to those provided to the 136 faculty members who remained at the same rank during the period of our review. We separated faculty into four categories: department chair, professor, associate professor, and assistant professor. The period reviewed was June 1993 through June 1996.

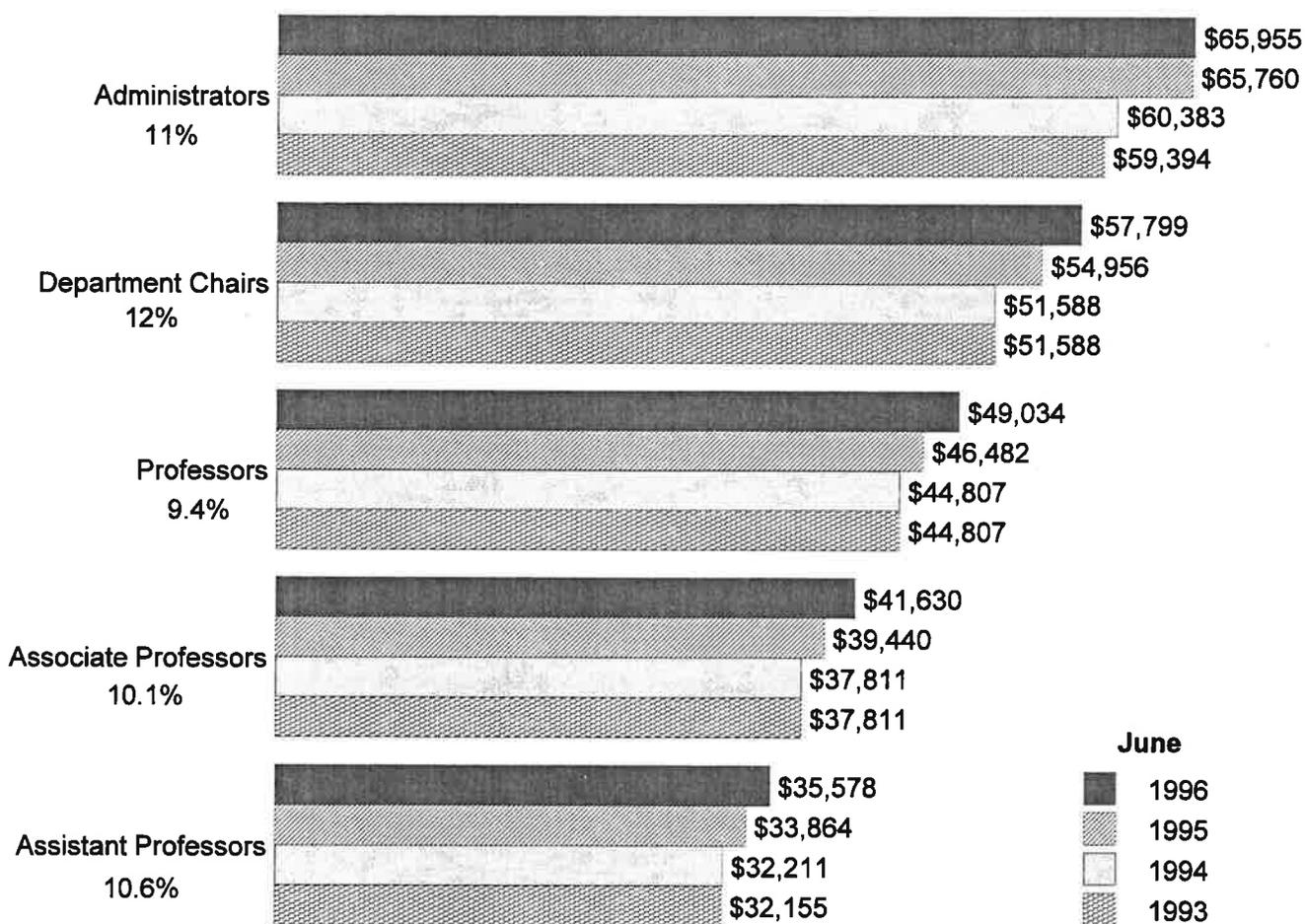
Three top-level administrators received salary increases for FY 93-94. The raises were 5.9%, 7.8%, and 13.5%. Only one faculty member out of 136 received a raise during that year. For FY 93-94 neither base pay increases nor merit increases were provided for state employees.

For FY 94-95, all 14 top-level administrators received pay increases. These increases ranged from 3.6% to 14.7%, and averaged 8.9%. From June 1994 to June 1995, 134 of 136 faculty we reviewed received pay increases ranging from 1.3% to 18.3%, and averaging 4.57%. The FY 94-95 appropriation act provided for an annual average increase of 4.36% for unclassified employees.

For FY 95-96, 135 of the faculty we reviewed received raises ranging from 1.6% to 20.9% and averaging 5.42%. One top-level administrator received a 5% increase. The FY 95-96 appropriation act provided for an annual average increase of 3.5% for unclassified employees.

Graph 3.2 details the average salaries of the five job categories analyzed. From June 1993 to June 1996, the average salaries of the 14 top-level administrators rose 11% while department chairs' salaries rose an average of 12%. The salaries of professors rose an average of 9.4%, associate professors' salaries rose 10.1%, and assistant professors' salaries increased 10.6% from June 1993 through June 1996.

Graph 3.2: Average Salary by Job Category, June 1993—June 1996<sup>a</sup>



<sup>a</sup> Percent change in salary from June 1993 through June 1996. Salaries do not include additional compensation earned through dual employment or teaching summer school.

Source: State Budget and Control Board Office of Human Resources.

In addition to analyzing pay raises, we reviewed the performance evaluations that the president conducted on four top-level administrators (the executive assistant to the president and three vice presidents). Winthrop's president performed comprehensive written performance evaluations of administrators in July 1993. In May 1994, the president performed evaluations for these four administrators. At the end of FY 94-95, these four administrators did not have written performance evaluations because Winthrop made its written administrator evaluation a two-year process. According to a Winthrop official, they did have less comprehensive oral evaluations with their direct supervisor, Winthrop's president. However, §8-17-380 of the South Carolina Code of Laws requires an annual review with written findings for academic administrators.

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## Recommendation

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22. Winthrop should conduct annual written performance evaluations for administrators as required by state law.
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## Winthrop's Response to Consultant Recommendations

In January 1995, Winthrop's faculty governing body (the faculty conference) voted to create an ad hoc committee to review financial and academic issues at Winthrop. Although the data in the committee's report primarily involved enrollment and fees, the committee's recommendations were broader. The nonfinancial recommendations included:

- Use a more participatory management style which would recognize the faculty's role in academic matters.
- Restore tenure for academic deans.
- Adopt a formal mechanism for representation of staff concerns.
- Conduct a thorough study of the morale of students, faculty, and staff.

In March 1995, at the time the ad hoc committee's report was issued, 60% (175 of 293) of Winthrop's eligible faculty participated in a vote on Winthrop's president's leadership. Of the faculty who voted, 86% (151 of 175) voted "no confidence."

Also in March 1995, the Winthrop University Board of Trustees hired a consultant (separate from the one described on page 34) to review a range of issues at Winthrop including the university's ". . . organizational structure, governance mechanisms, [and] opportunities for enhanced communication and cooperation." The consultant issued a report in May 1995 which compared Winthrop to other universities in terms of state appropriations, changes in enrollment, fees, and faculty salaries. The report also made recommendations concerning salary equity, faculty involvement in university governance, board/faculty interface, and other issues.

We reviewed Winthrop's response to the consultant's major recommendations but could not review several recommendations because they were not specific or measurable. Financial issues mentioned by the consultant are addressed in our review of administrative costs (see p. 50) and faculty salaries (see p. 56). This section deals with the consultant's recommendations concerning communications and other management issues.

### **Salary Equity**

The consultant "strongly recommend[ed] that Winthrop address currently identified internal faculty salary equity issues." The board has begun to address these inequities, spending \$120,000 in FY 95-96 to increase faculty salaries. A committee chaired by the former dean of the business school will draft recommendations for the next phase of the salary equity process.

### **Tenure for Academic Deans**

The consultant's report recommended, as had the faculty ad hoc committee, that Winthrop change its policy with regard to tenure for academic deans. The board has now adopted a policy allowing academic deans to be considered for tenure.

### **Interaction Between Faculty and Administration**

The consultant identified enhancing faculty participation in university governance as an especially vital area of faculty concern. The Winthrop administration has taken steps to enhance faculty participation and improve lines of communication between faculty and administration. The president has created several advisory groups and other opportunities for increased interaction. The agendas for all board of trustee and committee meetings are

now distributed on campus via e-mail at least one week prior to board meetings.

In addition, starting on a trial basis in fall 1996, the chair of the faculty governing body will attend the weekly meetings of the president's executive officers. Winthrop's president will also attend the faculty governing body's meetings.

### **Changes Involving Board of Trustees**

The consultant found that the board needs to know of significant campus concerns before they reach the "crisis" stage. The consultant also recommended that Winthrop develop ways for trustees to observe the academic functioning of the university. The university has made changes concerning the board's contact with the university community and faculty contact with the board. The board has created a "Trustee-in-Residence" program to enable trustees to become more familiar with the academic aspects of the university. There is disagreement, however, about the effectiveness of these changes.

The consultant also recommended that the board "explore the issue of 'exclusion' of the faculty representative from Board executive sessions." The Winthrop board now allows the faculty representative to be present for many of its sessions. However, since the board considers this to be a privilege rather than a right, the faculty representative has been excluded from sessions at which sensitive matters are discussed.

### **New Governance Document**

The consultant's report also recommended that the university consider adopting a "new governance" document proposed by a group of faculty and possibly combining it with the "town meeting" form of faculty participation. However, neither the administration nor the faculty expressed support for implementing this recommendation now. The trustees decided to postpone further development of the governance proposal until the university's mission review process is completed.

### **"Vision of Distinction"**

The consultant indicated that there should be greater faculty involvement in developing the "Vision of Distinction," an annual document which sets forth goals and objectives for Winthrop. In FY 95-96 an abbreviated, interim

document was issued. According to a university administrator, changes to the document have been deferred pending the full mission review process which Winthrop's board approved in April 1996. The university may reevaluate whether the "Vision of Distinction" is the best vehicle for expressing Winthrop's mission.

### **Evaluations of President and Board of Trustees**

The consultant's report indicated that there should be broad campus input into the performance of the president and the board of trustees. The board of trustees has rejected this recommendation. Since the May 1995 report, the faculty has developed and administered two surveys in which faculty and staff were asked to evaluate the president and the board. The survey results were based on 283 responses to the first survey and 345 to the second survey. In each survey, at least 50% of the faculty and staff responding indicated that the president's and board of trustees' overall performance "fails to meet expectations." The overall rating of the president was lower in the second survey (performance fails to meet expectations = 61%) than the first (performance fails to meet expectations = 50%), while the overall rating of the board of trustees had improved slightly (from 56% fails to meet expectations to 51% fails to meet expectations). An administration official stated that these surveys are not relevant or reliable as performance evaluation instruments.

### **Recommendations from Administration's "Plan of Action"**

After reviewing the consultant's report and recommendations, the executive committee of the board of trustees and the president presented additional recommendations that were not addressed in the consultant's report. Two recommendations are summarized below.

### **Speaking at Board Meetings**

In June 1996, the board changed its policy to allow members of the university community to address the board on any matter of concern. (Prior to this, speakers could only comment on agenda items.) Speakers must sign up with the president's office and identify their topic at least 24 hours prior to the board meeting.

### **Extended Leadership Retreat**

As described above, the consultant's report recommended greater campus input into the "Vision of Distinction." The president subsequently stated that he planned an extended leadership retreat in fall 1995 to review the university's mission and obtain participation in development of the "Vision of Distinction." However, according to a university administrator, the retreat was postponed because of the need to first rebuild relationships on campus. The retreat may be held in late 1996 as part of the board-authorized strategic planning process.

### **Conclusion**

The consultant's recommendations that have been implemented by Winthrop will provide the opportunity for increased communication. However, it is unclear if an increased opportunity to communicate will lead to a better relationship between the university administration and the faculty.

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## **Recommendations**

23. As recommended by the board's consultant, Winthrop University should consider developing a mechanism for broad campus input into the performance of the president and a mechanism for monitoring the performance of the Winthrop University Board of Trustees.
24. The Winthrop University Board of Trustees should consider developing guidelines specifying when the faculty representative to the board is allowed to attend executive sessions of board meetings.

# Agency Comments

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# WINTHROP

UNIVERSITY

Office of the President

January 10, 1997

Mr. George L. Schroeder  
Director  
Legislative Audit Council  
400 Gervais  
Columbia, SC 29201

Dear Mr. Schroeder:

This letter transmits Winthrop University's response to the Legislative Audit Council report. We appreciate the opportunity to provide some context for the LAC's recommendations. Our reactions to the report are summarized below.

First, we are pleased to see that in the following areas, all included in the audit objectives, LAC staff conducted a thorough examination and found no problems requiring recommendations:

- the Winthrop University Foundation
- the relationship of administrative pay raises to faculty pay raises
- spending for instruction versus spending for institutional support
- student enrollment
- Winthrop's state funding position relative to other institutions
- the Winthrop University dormitory bonds
- the purchase of the Bookworm building
- the retention of students on scholarship

The report is helpful in clearing the air on these very significant issues. We note particularly the LAC's findings that:

- there are "no abuses in expenditures of Foundation funds" and that the University maintains an appropriate "arms-length" relationship with the Foundation;
- the State Treasurer's Office judges Winthrop's dormitory bonds to be "strong" and "in sound financial condition;"

Mr. George L. Schroeder  
January 10, 1997  
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- pay raise ranges for administrative staff and faculty have been comparable, and in fact on average have been lower than the average for department chairs; and
- of the new monies expended at Winthrop for instruction and institutional support between FY 88-89 and FY 94-95, 68% has been expended on instruction (as calculated from figures in the report).

Second, in three other areas where the report makes recommendations for changes -- Winthrop's policy on out-of-state graduate tuition, reporting of SAT scores, and use of non-state-appropriated funds -- we reiterate that Winthrop's policies and procedures are standard practice in the higher education community and are similar or identical to those of other public institutions in South Carolina. We believe that we are in compliance both with existing statutory requirements and with Commission on Higher Education dictates. These are actually matters of state policy, and not issues isolated to Winthrop. To the extent that those policies are at issue, they should be debated at the state level and any resulting changes should apply to all institutions.

Third, in our response we have addressed what we believe are certain misperceptions and/or factual errors in the report. The most critical of those inaccuracies concern the following issues:

- The report contends that Winthrop lost revenue by virtue of its policy concerning out-of-state graduate tuition. This is not the case. Many or most of the students in question would not have been at Winthrop at all without that policy, which therefore resulted in a net gain, not a net loss, of revenue.
- The report concludes that Winthrop was overfunded in the formula by \$41,000. If that overfunding occurred, which we have been unable to verify with CHE staff, it occurred as the result of a reporting change which we made at CHE direction. Further, if we were overfunded because of that change, then it necessarily follows that we were underfunded in each of the previous three years. For the single year immediately preceding the change, for example, CHE staff calculate that we would have been underfunded by \$242,000.
- The report contends that Winthrop's reporting of its SAT scores has been misleading because certain categories of students are not included in those reports. That is not so. We report to CHE the SAT and ACT scores of all our students, in all categories. The reporting format is determined by CHE and any exclusions are made by CHE, not by Winthrop.
- The report contends that Winthrop's "true" average SAT score for Fall 1995 is 925. That number is not valid. This figure is arrived at by converting the scores of students who took the ACT to an SAT scale, a practice which is widely discouraged by experts in the testing field on the grounds that it is educationally and psychometrically unsound. The

valid average score of all students, in all categories, who took the SAT and were admitted to Winthrop on that basis for the year 1995 is 962.

- The report questions Winthrop's use of certain non-state-appropriated funds (derived from auxiliary enterprises such as vending machines) for air travel, tickets to professional sports events, employee luncheons, and contributions. However, the Appropriations Act specifically exempts such funds from the restrictions that apply to state-appropriated monies, requiring that they be used for "reasonable and necessary expenses" as determined by an institution's Board of Trustees. Winthrop's practices and expenditures meet that test.

- The report asserts that Winthrop lost revenue by not charging out-of-state EMBA students at out-of-state rates. This is not correct. The standard EMBA fee is higher than the out-of-state graduate rate for tuition. Winthrop would therefore lose, not gain, revenue if it were to follow this recommendation.

Fourth, and finally, LAC staff have correctly identified a number of areas where problems exist or have existed, and where we agree that some action (or further action) on Winthrop's part may be required. These areas are:

- the Executive Master of Business Administration (EMBA) program. The report correctly points out that there were problems with the financial administration of this program in the period from 1987 to 1995. Those problems were discovered and corrective actions were taken beginning in 1995, prior to the initiation of the LAC's review. There is no evidence of any financial losses to the institution.

- the administration of certain scholarships. The report points to 11 students for whom there is inadequate documentation to show clearly that they met the precise criteria for the program. However, Winthrop has a written policy that allows exceptions to the scholarship criteria under certain specified conditions, a fact which was not taken into account by LAC staff. To the extent that there is an issue here, we believe it is one of appropriate documentation. We intend to take action to ensure that all scholarship awards are supported by the necessary documentation in the future.

- the funding for Carolina Panthers tickets. The report points out that to the extent these tickets are used for donor cultivation, they might more appropriately be paid for from Foundation funds. We agree with the logic and intend to explore that possibility.

- the need for more specific guidelines as to the use of technology fee monies. The report shows clearly that all expenditures from the technology fee were, in fact, used for technology. However, it recommends that the Board consider guidelines specifying precisely how these funds will be used in the future. The Board of Trustees is reluctant to limit its flexibility in this fast-changing area, but will consider this issue.

Mr. George L. Schroeder  
January 10, 1997  
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- the alignment of the President's contract with the Board of Trustees bylaws. The contract was at variance from the Board's bylaws only for a brief period in 1989. The problem was corrected in 1990.
- the use of written contracts for consulting services. The report points to a single instance in which a consultant was hired and one payment made while the written contract was in preparation. We have instituted procedures to ensure that in the future all contracts will be complete prior to any payments being made.

Again, the University appreciates the opportunity to comment on the LAC's recommendations. We have reviewed them carefully and will take them to our Board of Trustees for appropriate action. In the interim, should the Council have a need for further information with regard to our operations, we of course stand ready to provide it at any time.

Sincerely,



Anthony J. DiGiorgio  
President

\t  
Enclosure

**RESPONSE BY WINTHROP UNIVERSITY  
TO THE  
LEGISLATIVE AUDIT COUNCIL REPORT**

**CHAPTER TWO: MANAGEMENT OF BUSINESS AND FINANCE**

**GRADUATE STUDENT TUITION AND FEES**

This report draws the conclusion that Winthrop inappropriately charged in-state tuition rates to certain categories of out-of-state students. We disagree with that conclusion based on the legislative authority contained in Sections 59-112-10 through 100 of the South Carolina Code of Laws, which permits Boards of Trustees to establish fees, as well as on Proviso 72.13 of the 1996 Appropriations Act, which also speaks to the Boards' fee-setting authority.

Pursuant to that authority, in June of 1993 Winthrop's Board of Trustees passed a resolution authorizing the institution to offer in-state tuition rates to graduate students in four categories. To our knowledge nothing in state law invalidates that resolution. Other public institutions in South Carolina have a number of such graduate fee schedules to accommodate the needs in their areas, and Winthrop's policy is substantively the same as the policies of those sister institutions.

No in-state students are displaced by this policy, nor is it true that South Carolina students pay higher tuition than they would if all out-of-state students were charged out-of-state rates. It is more likely that the loss of students and revenue that would inevitably occur, should Winthrop change its Board policy in this regard, would necessitate an increase in tuition for South Carolina students.

The report states that Winthrop was overfunded in the formula by \$41,000 for FY 96-97 because of a change in the way we reported numbers of out-of-state graduate students. It omits to say that we made that change on the advice of CHE staff. Assuming that Winthrop's current reporting method is appropriate, then it is necessarily true that Winthrop must have been underfunded for the years prior to the change. In the year immediately previous to the change, for example, CHE staff confirm that Winthrop would have been underfunded by \$242,000. If the formula had been fully funded that year, the amount of the underfunding would have been \$312,000. A more detailed explanation follows:

Prior to Fall, 1995, Winthrop reported to CHE for formula calculations the total number of its out-of-state graduate students, without reference to the type of fees paid by those students. For 1995-96 the number of out-of-state graduate students at Winthrop factored into the formula by CHE was 330. Winthrop was reimbursed through the formula for those students as the out-of-state rate, which is lower than that for in-state students. Not

only was Winthrop not overfunded for those students that year, but in fact there was a net cost to Winthrop, which was made up by the institution, and not in any respect from state funds.

However, as a result of an inquiry in the spring of 1995, Winthrop staff consulted with CHE staff and were advised that Winthrop should no longer report all out-of-state graduate students in the out-of-state category, but rather should report only those students who paid out-of-state fees. In accordance with those instructions, that much lower number (18) was reported for 1996-97; in an effort to ensure accuracy, Winthrop also manually submitted revised figures for the previous two years.

As a result of those changes, which as stated above were made at the direction of CHE staff, the out-of-state graduate students paying in-state fees were counted in CHE's formula calculations as in-state students. That change meant that they were then funded at a higher level than had been the case under Winthrop's previous method of reporting.

## EXECUTIVE MBA PROGRAM

We acknowledge that, during the period covered in the report, procedures for the financial administration of the EMBA program were inadequate. In response to those problems, corrective actions were taken and appropriate controls were put in place, as outlined below. All of these actions were initiated prior to the LAC review.

There is no evidence to support the report's conclusion that some student fees were left unpaid in the EMBA program during the period in question. Active records for all semesters since Fall 1993 show that all EMBA students since that time have either paid their fees, are on the arranged-payment plans, or have had their accounts turned over for collection. A review of records from the preceding three semesters shows one instance in which it is impossible to determine whether or not fees were paid, but no other discrepancies in terms of fee payment.

Effective Fall 1995, all EMBA accounts were transferred from the College of Business Administration to the University's central accounts receivable system. As with all other student accounts, all charges are calculated when the registration process occurs; all payments are receipted directly on each of the receivable accounts by the University's Cashiers' staff. Again, as with all student accounts, EMBA students owing a balance are not allowed to register for any subsequent term or receive a diploma until the balance is paid in full. Any balances remaining past due are subject to collection proceedings including referrals to the University's contracted collection agents.

We cannot agree with the recommendation that EMBA students should be charged at the out-of-state graduate rate. The EMBA program has a fee structure that is different from any other on campus. Under the terms of that fee structure, there is no distinction between in-state and out-of-state students; both pay the same EMBA fee of \$4,300. This

is substantially higher than either the regular in-state rate of \$1,909, or the regular out-of-state rate of \$3,430. The statement that “if all out-of-state EMBA students had been charged this extra amount in fall 1996, the University would have earned an additional \$21,294,” is therefore incorrect. If Winthrop had charged only the out-of-state rate for graduate students, there would have been a net loss, not a net gain.

It is also incorrect to state, as the report does, that students in programs other than the EMBA cannot enroll without full payment of fees. In fact many students in all programs across campus enroll and begin classes on arranged-payment plans, on Winthrop credit accounts, or under special arrangements for deferral of fees that are offered to donor-selected scholarship recipients, Vocational Rehabilitation-funded students, and students on federal financial aid. This practice is not unique to Winthrop and is reasonably consistent across South Carolina institutions.

EMBA students are sponsored by their employers and those companies typically pay all or a portion of the fees. It is normal practice for employers to pay upon the student's completion of the semester, not before.

#### EXPENDITURES OF DISCRETIONARY FUNDS

The conclusions in this section of the report rest on the assumption that non-state-appropriated funds generated by laundry facilities and vending machines on campus fall into the category of “public funds.” There is no definition of “public funds” in either South Carolina law, or in Attorney General’s opinions, that would indicate that that is the case.

To the contrary, Winthrop relies on an Attorney General’s opinion dated June 15, 1981, that makes the following distinction between state and non-state funds: “In all the instances cited above, the answer would apply to state funds, but as to non-state funds, the answer would depend on the restrictions placed on the funds by each source.” The funds in question here are non-state funds for which the applicable restriction is stated in Proviso 72.10 of the FY 95-96 Appropriations Act: such funds “may be retained at the institution and expended by the respective institutions only in accord with policies established by the institution’s Board of Trustees.” As correctly indicated in the report, Winthrop has had a long-standing Board policy, adopted in 1989, requiring that expenditures of non-state-appropriated funds meet the test of being “reasonable and necessary” expenses of the institution. That policy also specifies that such expenditures must be approved by the President.

Proviso 72.10 explicitly state that funds derived from the sources referred to here are exempt from the provisions of the Appropriations Act concerning “unclassified personnel compensation, travel, equipment purchases, and other purchasing regulations.” Under the terms of that proviso there is nothing either illegal or improper in Winthrop’s use of non-

state-appropriated funds. These funds are not part of the operating budget for educational and general expenditures and are not used for long-term recurring expenses.

### Meals, Receptions, and Drop-Ins

Many of most of the events listed in the chart on page 12 fall into the category of rewards and recognitions for jobs well done. In this respect Winthrop is guided by Section 8-11-190 of the SC Code of Laws, which allows the spending of public funds for “meals and similar types of recognition” as rewards to employees for enhancing “the quality of work or productivity” or “as a part of employee development programs.” Under that authority we use non-state-appropriated funds for events that are for employees’ benefit, and that are designed to build a cohesive spirit and encourage high performance. Although we disagree that expenditures of non-state-appropriated funds are required to meet this test, we believe that such uses promote a public purpose and are legitimately connected to our mission.

### Air Travel

The majority of the President’s travel is at coach fares, using state-appropriated funds. In the instances where non-state-appropriated monies are expended for this purpose, Winthrop relies on clear statutory authority indicating that such funds are exempt from the travel provisions of the Appropriations Act, and are subject only to policies established by the Board of Trustees and approval by the President.

In the case of first-class travel, some trips are paid for in full by the sponsor of the event at first-class rates. On other trips, the difference between coach and first-class fares has been paid for by the Winthrop Foundation. In all other cases, Winthrop policy has been to pay that differential out of non-state-appropriated dollars (which, again, are exempt from the travel provisions of the Appropriations Act).

### Tickets to Professional Sporting Events

As the report points out, Charlotte Hornets and Knights tickets are used for a wide range of purposes including donor cultivation, employee rewards, and public relations. All of those purposes meet the “reasonable and necessary” test established by the Winthrop Board of Trustees for expenditure of non-state-appropriated funds.

To the extent that Carolinas Panthers tickets are used for donor cultivation, the Board will consider paying for them from Foundation funds.

## STUDENT FEES

### Information Technology Fee

The report recommends that Winthrop consider eliminating or reducing its technology fee. This is directly contrary both to trends in higher education and to good public policy. Institutions of higher learning are under intense pressure -- and rightly so -- from the business community and from policy makers to upgrade their technological capacity and bring it in line with the demands of today's technologically-oriented workplace. The technology needs at Winthrop and at other institutions are substantial and far outstrip the state's ability to fund them.

Faced with those demands, more and more institutions are turning to the use of special fees as the only available source of revenues for what is widely perceived as one of the most pressing priorities in higher education today. The University of South Carolina, for example, has just this year initiated the use of a technology fee that applies both to its main campus and to all of its branch campuses. Nationally, half of the nation's public research universities and public four-year colleges report that they have mandatory technology fees (according to the seventh annual Campus Computing Survey, conducted out of Claremont Graduate School).

The technology needs on the Winthrop campus are massive and long-term. There is little prospect of those needs decreasing in the foreseeable future. On the contrary, they are likely to continue to grow exponentially as we seek new and better ways to integrate technology into the learning process -- and as more and more accrediting bodies make technology an issue in the granting of accreditation.

### Athletic Fee

The report recommends that Winthrop review the fees required for a Division I intercollegiate athletic program, basing this recommendation on comparisons to all four-year public institutions in South Carolina. Where athletic expenditures are concerned, the only useful and valid comparison would be among Division I institutions that do not maintain football programs. Out of this group, the institutions that fall into that category are Winthrop, Coastal, and the College of Charleston; the closest and most accurate match is between Winthrop and Coastal, which share the same NCAA Division as well as the same conference affiliation. Winthrop is almost identical to Coastal in terms of the portion of the athletic program funded by student fees, and is considerably below the College of Charleston in that respect.

## CONTRACTS

### President's Contract

The report recommends that Winthrop consider conforming to the practices of other institutions that either have no contracts for their Presidents, or have contracts with shorter terms. The decision to move to multiple-year contracts was a considered one on Winthrop's part. Institutions that have no such contracts effectively subject themselves to potential legal claims of oral promises and oral contracts.

The national and regional trend is to offer multi-year contracts for the top administrative position of President, in order to attract and retain the best candidates. Universities must compete with other educational institutions and private companies for chief executive officers. The Council's recommendation fails to take into account the competitive market and the trend toward such contracts as a cost-effective option to be used in lieu of additional compensation and additional costs to the taxpaying public.

### Provision for Tenure

This section refers to events which occurred during 1989 and early 1990. The Winthrop University Board of Trustees conferred tenure on the President in 1989, during the middle of a bylaws revision process which included a proposed change allowing tenure for the President. This amendment to the bylaws was formally adopted in 1990. Since then, the Board has acted consistently with its bylaws in renewing the President's contract (dated April 8, 1994).

### Contracts for Vice Presidents

Recommendation 15 suggests that Winthrop consider not offering a contract for Vice Presidents with a longer term than is utilized by other universities in the state. Winthrop competes for top-quality candidates by offering multi-year contracts as an alternative both to tenure and to higher salary offers. Such contracts are therefore preferable from the standpoint of cost-effectiveness and efficiency. They are also preferable to including such positions in a protracted and legalistic grievance procedure.

### Consultant to the University

Winthrop already enters into written contracts when obtaining services. Over the course of a given year, Winthrop negotiates hundreds of contracts. In the case in question, the consultant received one payment based on the verbal contract while the written contract was in preparation. That written contract had been completed before the second payment was made. Steps will be take to ensure that in future there are no exceptions to the policy that written contracts will be complete before payment is undertaken.

## CHAPTER THREE: ACADEMIC AND OPERATIONAL ISSUES

### STUDENT SAT SCORES

It is important to reaffirm once again that our reporting of SAT scores is based on figures and formats generated by CHE under CHE guidelines established in 1993. This is a matter determined at the state level that applies equally to other public institutions of higher education.

Winthrop submits to CHE individual student records showing the appropriate SAT and/or ACT scores. CHE then sorts those scores into categories; calculates an average of “regularly admitted freshmen” that excludes provisional students, older students, and internationals; and reports that average to us. Like other public institutions in South Carolina, Winthrop then uses that CHE-generated number in its own reporting to the public.

Winthrop follows CHE policy on this matter. Should that state-level policy change, Winthrop will of course revise its reporting procedures to comply with that change.

It is important to note that in its reporting for other purposes, such as to the national college guidebooks published by US News and World Report, Winthrop already reports SAT scores for all freshmen; we report both the SAT-only average for all freshmen and the ACT average, indicating the percentage that submit each score. To suggest, as the report does, that Winthrop excludes certain categories of students in all of its public reporting is therefore incorrect; much of our reporting to the public already includes the average scores of all students.

The recommendation that ACT scores should be converted to SAT equivalents is based on the erroneous assumption that the two tests are comparable. They are not. The SAT measures only verbal and mathematical aptitude; the ACT measures verbal, math, science, and reading skills.

Both testing services (the College Board and the American College Testing Services) strongly discourage the practice of converting scores, on the grounds that the two instruments are so different that comparison is invalid. For that reason, Winthrop does not attempt to reconcile the two tests and believes that it is not in the interests of accurate reporting to do so.

The figure 925 used in this draft is, therefore, a statistically questionable number, since it depends on a conversion of ACT scores to the SAT scale. The appropriate figure in this context is the CHE-reported figure of 962, which represents the average SAT score of all students at Winthrop (in all categories) who took the SAT and for whom the SAT was used to determine admission.

## ADMINISTRATION AND FUNDING OF SCHOLARSHIPS

### Awards Criteria

This report finds 11 instances in which it was not possible from the existing documentation to determine whether scholarship recipients met the precise criteria for the scholarship program in question. This conclusion does not take into account the written policy authorizing exceptions to the scholarship criteria that was shared with LAC staff. This longstanding policy authorizes exceptions to be made under specified conditions (for example, in cases where the number of fully qualified applicants is lower than anticipated and there are funds to cover additional students with slightly lower credentials). However, Winthrop intends to ensure more careful and thorough documentation of the qualifications of scholarship recipients.

## INSTRUCTIONAL AND INSTITUTIONAL SUPPORT EXPENDITURES

The report makes no recommendation in this area. However, the text omits one important conclusion that can be drawn from the figures on page 51: that over two-thirds of the new money spent in the categories of instructional and institutional support was spent for instruction.

As can be readily calculated by adding the two figures in the "increase" column, the total amount of growth in both categories during the period in question was \$5,309,548. Of that total growth, new money expended in the institutional support category accounted for \$1,725,197, or 32%. The remaining 68% of the growth (\$3,584,401) was expended in the category of instruction.

## WINTHROP'S RESPONSE TO CONSULTANT RECOMMENDATIONS

### Changes Involving the Board of Trustees

The report recommends that the Board of Trustees consider developing guidelines to specify the circumstances under which the faculty representative to the Board is to be included in executive sessions. The Board did so when it formally adopted its Plan of Action of June 9, 1995, which states, "the Board believes the participation of the faculty and/or student representative would be helpful when discussing certain personnel and contractual items." The plan goes on to say that agenda items will be reviewed by the Executive Committee, in its quarterly meetings, to determine if it is appropriate for the faculty and/or student representatives to be included in personnel or contractual discussions in Executive Session.

## Evaluations of President and Board of Trustees

The report recommends that the Board consider developing a mechanism for “broad campus input” into the performance of the President and a “mechanism for monitoring the performance” of the Board of Trustees.

With regard to the Board of Trustees, by law, the Board is responsible for appointing the President and for all other matters of the University. The method of selection and removal of the Board members is also set forth in state law. Nowhere in state law or regulation does there appear any reference to or requirement for performance appraisals apart from the statutory checks and balances referred to above.

In evaluating the President, Winthrop University is required by state law to follow the State Agency Head Performance Appraisal process, which makes no provision for such a mechanism. Winthrop is, however, one of the few institutions in the state with faculty representation to the Board with a voice. Faculty input in the performance appraisal process for the President is provided through the Chair of Winthrop’s Faculty Conference, who also serves as the faculty representative to the Board. The faculty representative participates as a respondent to the survey which is a part of the performance appraisal instrument, and makes a report to the Chair of the Board with regard to the faculty perspective of the President’s performance.





**SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION**

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January 6, 1997

Mr. George L. Schroeder, Director  
Legislative Audit Council  
400 Gervais Street  
Columbia, SC 29201

Dear George:

Per your request, we have reviewed the "LAC Report to the General Assembly" dated December 1996, entitled A Management Review of Winthrop University. There are two areas in the report that fall within the jurisdiction of the Commission on Higher Education. Those areas are "Graduate Student Tuition and Fees and Student SAT Scores."

**Graduate Student Tuition and Fees**

By State statutes, there are various instances whereby an institution may grant in-state tuition and fees to out-of-state graduate and undergraduate students. Although the Boards of Trustees at the public institutions in South Carolina have the authority to set tuition and fees, the waiver of those fees must be in accordance with State law. Your report cited various fee waivers granted by Winthrop University to out-of-state graduate students which were unauthorized. The CHE staff has reviewed the State statutes regarding fee waivers and concurs with your finding.

**Student SAT Scores**

In past years, the Commission has reported SAT scores for the freshmen entering the colleges and universities that excluded provisionally admitted students, students with ACT scores, foreign students and a few other exceptions. Beginning with fall 1996, the Commission began reporting SAT scores for all freshmen including the exclusions listed above and any other exclusions that may have been in place. In instances where a student may have only an ACT score, the Commission now converts the score to the SAT equivalency using an approved conversion methodology.

We appreciate the opportunity to comment on the report and will be pleased to assist the LAC whenever your agency requires the assistance of the Commission.

Cordially,

A handwritten signature in dark ink, appearing to read "Fred R. Sheheen", is written over a faint, stylized graphic element that resembles a star or a large letter 'A'.

Fred R. Sheheen



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This report was published for a total cost of \$980; 300 bound copies were printed at a cost of \$3.26 per unit.

