

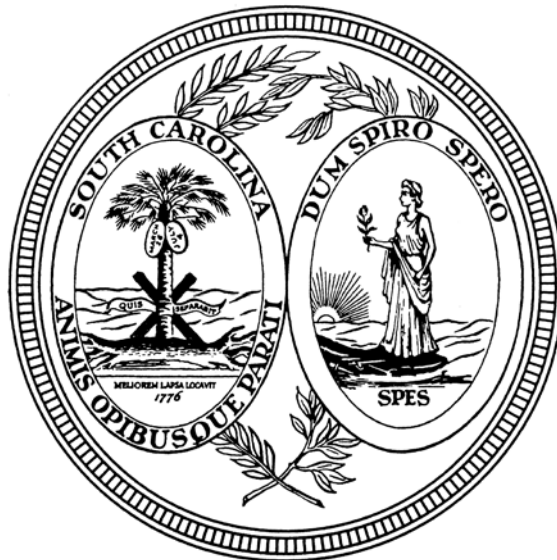


SOUTH CAROLINA GENERAL ASSEMBLY

Legislative Audit Council

October 2014

A REVIEW OF THE STATE'S USE OF SOUTH CAROLINA EDUCATION LOTTERY PROCEEDS



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A REVIEW OF THE STATE'S USE OF SOUTH CAROLINA EDUCATION LOTTERY PROCEEDS

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Introduction and Background

Audit Objectives

We reviewed controls to ensure that lottery proceeds transferred to the Education Lottery Account are spent as the General Assembly intended. Our audit objectives were to determine whether the funds from the education lottery account have been spent in compliance with the law.

In a report that has been published separately, we also reviewed controls at the South Carolina Education Lottery.

Scope and Methodology

This audit focused on the disposition of lottery proceeds by several state agencies that must ensure that funds in the Education Lottery Account are spent in accordance with the law. The period of review was generally from FY 10-11 to FY 13-14 with earlier or later time periods as noted in the report.

We conducted interviews with officials with other state agencies. We consulted a variety of sources of information at the other state agencies including the following:

- Accounting and financial records.
- Policies and procedures.
- Reports from auditors, consultants, and other external sources.

Criteria used to measure performance included state laws, agency policies, and general criteria for the establishment of appropriate internal controls.

We reviewed internal controls over other agencies' expenditures of lottery proceeds, as discussed in the report. The use of computerized data was not central to our audit objectives.

We conducted this performance audit in accordance with generally accepted government auditing standards from 2007. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Chapter 1
Introduction and Background

State's Use of Lottery Proceeds

Spending of Lottery Proceeds

We reviewed the state's use of lottery proceeds transferred to the Education Lottery Account. This is not the responsibility of the lottery, but of other agencies designated by the General Assembly. We examined how the funds are spent and controls over the expenditures. We found that:

- The Commission on Higher Education does not have a regular program for reviewing the lottery-funded scholarships it distributes to educational institutions to ensure that the scholarships are being properly distributed to students.
- The South Carolina Department of Education (SDE) has not fully complied with state law regarding the distribution of lottery proceeds to school districts.
- SDE does not have a program for independently verifying that the lottery funds it disburses to school districts are spent pursuant to agency policy.

Collection and Distribution

We examined the spending of funds from the Education Lottery Account. These funds are the net proceeds of the South Carolina Education Lottery and are deposited with the State Treasurer in the Education Lottery Account. Unclaimed prizes are also deposited in the Education Lottery Account each year. Funds from the Education Lottery Account are allocated to various agencies by the General Assembly in the annual appropriations act. In the FY 13-14 appropriations act, \$309,000,000 in lottery proceeds, including \$8,000,000 in unclaimed prizes, were appropriated. The appropriations act also allocates additional lottery revenue above the initial projections. In FY 13-14, \$3.3 million above initial projections was appropriated to school buses, \$1.5 million was appropriated for the state electronic library, and \$1.5 million was appropriated for higher education technology.

S.C. Code §59-150-350(C)(2) requires that lottery funds be spent for educational purposes and programs only and must be used to supplement and not supplant existing funds used for education. A total of \$262,998,202 was appropriated to higher education in FY 13-14.

Chapter 2
State's Use of Lottery Proceeds

AMOUNT	DISTRIBUTION
\$222,508,450	Scholarships and tuition assistance for higher education, including public and independent four-year schools, technical colleges, and two-year institutions.
40,489,752	Other higher education programs including:
\$22,584,883	Commission on Higher Education for distribution to higher education institutions for facility repair and maintenance.
\$9,576,816	Technology enhancements for South Carolina public four-year and two-year institutions.
\$3,978,053	Higher education enhancement program, which provides funds to four-year institutions at which 60% or more of the students receive Pell Grants.
\$2,500,000	South Carolina State University for unrestricted purposes.
\$1,850,000	Other higher education programs.
\$262,998,202	TOTAL Higher Education Appropriation

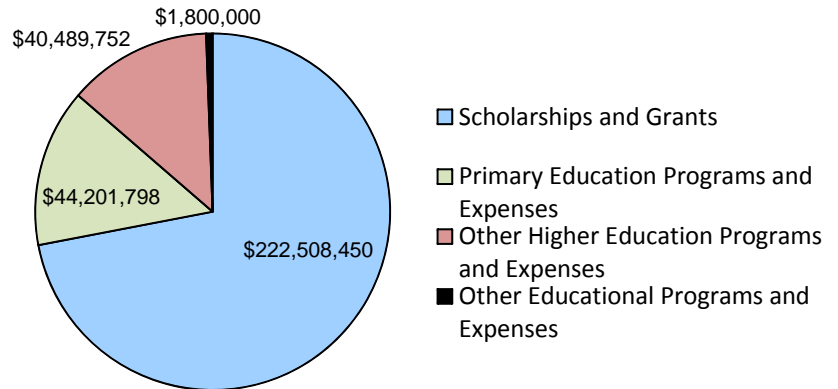
The South Carolina Department of Education was appropriated \$44,201,798 for primary education programs in FY 13-14.

AMOUNT	DISTRIBUTION
\$29,891,798	School districts throughout the state, including the South Carolina Charter School District, as well as funds to the South Carolina School for the Deaf and the Blind, Southern Wesleyan University, and the Department of Juvenile Justice's primary education programs, including:
\$27,891,798	Dedicated to K-5 programs.
\$2,000,000	Dedicated to programs for grades 6 through 8.
8,710,000	School bus purchases.
4,000,000	Digital instruction materials approved by the State Board of Education.
1,500,000	Textbooks.
100,000	New Carolina Transformation in Education.
\$44,201,798	TOTAL SDE Appropriation.

While most of the lottery proceeds and unclaimed prizes go to scholarships, higher education, and primary education programs, \$1,800,000 went to other programs in FY 13-14.

AMOUNT	OTHER PROGRAMS
\$1,250,000	State Library for the renovation of Union County's Carnegie Library.
400,000	South Carolina School for the Deaf and the Blind for technology.
150,000	South Carolina Department of Alcohol and Other Drug Abuse Services for gambling treatment services
\$1,800,000	TOTAL Other Programs

Chart 2.1: Appropriation of Lottery Funds FY 13-14



Source: FY 13-14 appropriations act

Scholarships and Grants

In FY 13-14, \$222,508,450 in lottery funds was appropriated as scholarships and grants for students attending public and private colleges, two-year colleges, and technical colleges in South Carolina. An additional \$119,686,186 was appropriated for scholarships from general funds. These scholarships and grants are administered by the Commission on Higher Education, the South Carolina State Board for Technical and Comprehensive Education, and the Tuition Grants Commission and are disbursed to eligible institutions.

Table 2.2: Sources of Scholarship Funds in South Carolina

SCHOLARSHIP FUNDING SOURCE	FY 13-14 APPROPRIATIONS ACT	PERCENTAGE OF TOTAL
Lottery Proceeds	\$222,508,450	65%
General Funds	119,686,186	35%
TOTAL	\$342,194,636	100%

Source: Commission on Higher Education

Lottery-funded scholarships and grants differ based on award criteria, award amounts, eligible institutions, and other factors. Scholarship recipients are required to be U.S. citizens or lawful residents and must be residents of South Carolina at the time of high school graduation and initial enrollment.

Lottery-funded scholarships also differ regarding the costs that they can pay. Pursuant to state law, money received by a student from the Palmetto Fellows, LIFE, and HOPE Scholarships can be used to cover the “cost of attendance” at an institution. Such costs can include books, laptops, daycare charges, and other expenses related to attending school. However, lottery tuition assistance for students attending technical colleges and two-year institutions can only be spent on tuition and cannot go toward the cost of attendance. Additionally, federal and state need-based grants must be applied before lottery tuition assistance funds can be used.

Legislative Incentive for Future Excellence (LIFE) Scholarship

The LIFE Scholarship is a merit-based scholarship awarded to students attending four-year and two-year institutions in South Carolina, as well as technical colleges. LIFE Scholarship recipients receive up to \$5,000 in their first year, which includes a \$300 book allowance.

Students in four-year institutions in their second year and above who are in approved math/science programs can receive an additional \$2,500. Students at two-year schools and technical colleges can receive up to the cost of tuition plus a \$300 book allowance not exceeding \$5,000. In FY 13-14, \$109,306,354 was appropriated from Lottery funds for the LIFE Scholarship. In the 2013-2014 academic year, approximately 36,120 students received LIFE Scholarships from lottery and general funds.

Palmetto Fellows Scholarship

The Palmetto Fellows Scholarship is a merit-based scholarship awarded to students attending four-year institutions in South Carolina. Palmetto Fellows Scholarship recipients receive up to \$6,700 in the freshman year not to exceed cost of attendance, and sophomores and above receive up to \$7,500. Additionally, sophomores and above who are in approved math/science programs can receive an additional \$2,500. In FY 13-14, \$30,777,240 was appropriated from Lottery funds for the Palmetto Fellows Scholarship. In the 2013-2014 academic year, approximately 6,922 students received Palmetto Fellows Scholarships from lottery and general funds.

S.C. HOPE Scholarship

The S.C. HOPE Scholarship is a merit-based scholarship only available for the freshman year of college to students attending a four-year institution. It provides up to \$2,800, which includes a \$300 book allowance. If S.C. HOPE Scholarship recipients maintain eligibility, they will become LIFE Scholarship recipients in their second year. In FY 13-14, \$7,779,856 was appropriated from Lottery funds for the S.C. HOPE Scholarship. In the 2013-2014 academic year, approximately 3,350 students received S.C. HOPE Scholarships from lottery and general funds.

Lottery Tuition Assistance (Technical Colleges and Two-Year Institutions)

Lottery Tuition Assistance is available to students attending technical colleges and two-year institutions. The award amount varies depending on number of eligible recipients and available funding, and federal grants and South Carolina need-based grants must be applied to the student's cost of tuition before the Lottery Tuition Assistance can be accessed. The current Lottery Tuition Assistance maximum award provides \$1,140 towards a student's cost of tuition for each term. In FY 13-14, \$49,100,000 was appropriated for Lottery Tuition Assistance. In the 2013-2014 academic year, approximately 41,950 students received Lottery Tuition Assistance.

State Need-Based Grants

State Need-based Grants are available to students attending two-year and four-year institutions in South Carolina. Students may receive up to \$2,500 per academic year toward the cost of attendance, less any other gift aid received. In FY 13-14, \$13,000,000 was appropriated from Lottery funds for State Need-based Grants. In the 2013-2014 academic year, approximately 29,734 students received State Need-based Grants from lottery and general funds.

South Carolina National Guard College Assistance Program (SCNG CAP)

The SCNG CAP offers financial assistance to members of the South Carolina Army and Air National Guard who attend an eligible institution. SCNG CAP recipients in the Army National Guard may receive up to \$4,500 per year. SCNG CAP recipients in the Air National Guard may receive up to \$9,000 per year. SCNG CAP benefits cover the cost of attendance, and the benefit maximum per award year may be reduced if, in combination with other financial aid, the total of all aid received exceeds the cost of attendance. In FY 13-14, \$4,545,000 was appropriated from Lottery funds for SCNG CAP. In the 2013-2014 academic year, approximately 704 students received SCNG CAP funds from lottery and general funds.

Commission on Higher Education

The Commission on Higher Education (CHE) does not currently have a regular program to verify that lottery-funded scholarships are going to students who are eligible to receive them. CHE is a state agency that coordinates programs among South Carolina public institutions of higher learning. One of CHE's responsibilities is to transfer lottery funds to colleges and universities for recipients of Palmetto Fellows, LIFE, and HOPE Scholarships, Lottery Tuition Assistance for two-year colleges, and need-based scholarships for public colleges. Additionally, in conjunction with the SC National Guard, CHE administers the College Assistance Program, which offers financial assistance to members of the South Carolina Army or Air National Guard. Expenditures for these scholarships and grants in FY 12-13 totaled \$172,971,683.

**Table 2.3: CHE-Administered
Lottery Scholarship Expenditures
FY 12-13**

SCHOLARSHIP/GRANT	EXPENDITURE	PERCENTAGE
LIFE	\$110,792,017	64%
Palmetto Fellows	34,904,243	20%
Need-Based Grants	15,326,731	9%
HOPE	7,671,772	4%
Lottery Tuition Assistance*	2,576,920	>1%
National Guard College Assistance Program	1,700,000	1%
TOTAL	\$172,971,683	\$100%

* This represents Lottery Tuition Assistance for USC Regional Campuses and Spartanburg Methodist College. Lottery Tuition Assistance for technical colleges is appropriated to and dispersed by the State Board for Technical and Comprehensive Education.

Source: Commission on Higher Education

CHE examines vouchers it receives from the eligible institutions in order to approve their scholarship funding requests. According to a CHE official, supporting documentation of institutions' scholarship requests includes the institution's general ledger and roster information. The general ledger and roster information supports the distribution of scholarships to students' accounts at the institution level.

Although scholarship amounts requested by institutions can be examined at an institution level, CHE does not currently have an onsite review program to examine the scholarship systems at recipient institutions. Such a review program could verify that lottery scholarships are being properly disbursed to eligible students.

The Georgia Student Finance Commission conducts compliance reviews of Georgia's scholarship and grant programs. It requires that each Georgia postsecondary institution that awards state scholarships and grants be reviewed at least once every three years.

Although the Georgia Student Finance Commission does not check residency status of state higher education institutions, it does check students' selective service compliance, verify award amounts in relation to a student's enrollment hours, and ensure that student account records are applied to student accounts. Residency is checked for independent institutions and state institutions must send the Student Finance Commission verification regarding their students' legal residencies. Corrective action plans are required to be implemented if deficiencies are detected in an institution's scholarship and grant program.

The South Carolina Commission on Higher Education previously had an onsite scholarship review system of institutions that receive LIFE, Palmetto Fellows, and HOPE Scholarships as well as Need-based Grants and Lottery Tuition Assistance. This system required those institutions to be reviewed at least once every three years. Among other things, CHE would review whether:

- Financial operations were properly conducted.
- Funds were awarded to eligible recipients.
- Disbursements to students did not exceed budgeted cost of attendance.
- Institutions were in compliance with applicable laws and regulations governing the programs.

Additionally, the program reviewed a sample of students to document, among other things, their residency, citizenship, and award amounts disbursed.

According to a CHE official, the on-site review capability was lost due to funding cuts from the economic downturn that began in 2008. The official stated that CHE is looking for options to reinstate its on-site review capability. However, the agency has not asked for this funding in its annual budget requests.

Recommendation

1. The Commission on Higher Education should implement a program to review the scholarships it disburses to higher education institutions to ensure that scholarships are properly distributed to students by the institutions.

Technical College Scholarships

The State Board for Technical and Comprehensive Education (SBTCE) disburses funds to South Carolina's technical colleges. In FY 12-13, the SBTCE distributed \$51.4 million to the state's 15 technical colleges and 1 community college as part of the Lottery Tuition Assistance Program (LTAP). LTAP provides up to \$1,140 towards a student's cost of tuition for each term. The value of any federal and state need-based grants must be subtracted from the value of an LTAP scholarship.

Table 2.4: Lottery Tuition Assistance by Institution FY 12-13

INSTITUTION	LOTTERY TUITION ASSISTANCE PROGRAM FUNDS RECEIVED IN FY 12-13
Trident Technical College	\$10,836,803
Greenville Technical College	\$8,490,524
Midlands Technical College	\$6,340,843
Horry-Georgetown Technical College	\$4,534,001
Piedmont Technical College	\$3,088,688
Tri-County Technical College	\$3,011,692
Spartanburg Community College	\$3,001,961
York Technical College	\$2,922,336
Central Carolina Technical College	\$2,108,211
Florence-Darlington Technical College	\$1,960,128
Orangeburg-Calhoun Technical College	\$1,643,691
Aiken Technical College	\$1,509,992
Technical College of the Lowcountry	\$1,280,668
Northeastern Technical College	\$399,336
Williamsburg Technical College	\$183,417
Denmark Technical College	\$130,177

Source: State Board for Technical and Comprehensive Education

The SBTCE is in the process of implementing a review of scholarship data for institutions that have had a variation in scholarship disbursements that exceed the system average by plus or minus 10%. Although the policy to review this data took effect after June 2012, the SBTCE has not yet conducted a review. A systematic review of LTAP disbursements made by technical colleges could ensure that funds are properly disbursed according to law and policy. Such a review could include a regular review cycle to include all technical colleges over a period of time as well as check for variations outside of the program average.

Recommendation

2. The State Board for Technical and Comprehensive Education should implement a program to review the disbursement of Lottery Tuition Assistance Program grants by technical colleges to ensure those funds are properly distributed to students of the technical colleges.
-

Tuition Grants Commission

The Tuition Grants Commission (TGC) is a state agency that oversees the awarding of need-based grants to South Carolina residents who attend 1 of 21 eligible independent, i.e. private, colleges and universities in South Carolina including Claflin University, Furman University, North Greenville University, and Spartanburg Methodist College. In FY 13-14, the commission received \$36,900,215 in total funding, including \$7,930,000 in lottery funds. Additionally, the commission received \$2,000,000 in the fourth quarter of the fiscal year so it was not included for the maximum grant award. The maximum amount of a grant awarded by TGC is \$2,900 for FY 13-14.

To ensure that the funds are properly and legally distributed, TGC conducts a program review annually of institutions with students who are awarded its need-based grants. These reviews are conducted by independent auditors using a program review guide published by the commission. The program review guide requires a sampling of students who have received need-based grants in order to verify, among other things, student residency, student fulfillment of academic requirements, student awards, and proper maintenance of records.

TGC sets forth several corrective actions for instances in which institutions are found to have issues regarding accounting or administrative controls. These actions include requiring institutions to refund grants to the TGC and requiring a response to recommendations that do not require refunds. If an institution has the same recommendation for three consecutive years, the institution is required to submit a written plan to the TGC outlining corrective measures. If the management problem occurs in the fourth consecutive year, the college will be placed on a one-year suspension from the Tuition Grants Program. According to an official with TGC, no institution has ever been suspended from the program.

Capital Projects

CHE and the SBTCE should develop procedures to ensure adequate communication regarding the disbursement of capital funds to technical colleges. Although most lottery funds pay for scholarships and K-12 programs, the Commission on Higher Education (CHE) disbursed \$8,090,000 which was appropriated for capital projects in FY 13-14. Funds are disbursed by CHE to the institutions, and the funds are held by the institutions pending execution of the projects.

AMOUNT	CAPITAL PROJECT
\$3,250,000	Francis Marion University health sciences building [2:1 match]
2,000,000	Horry-Georgetown Technical College culinary arts academy building [1:1 match]
2,000,000	Tri-County Technical College Oconee Economic Development and Workforce Center [1:1 match]
840,000	Spartanburg Community College academic student center/industrial training.
\$8,090,000	TOTAL CHE Disbursements for Capital Projects

Individual capital projects are submitted to and approved by CHE. They are then forwarded through the State Budget Office to the Joint Bond Review Committee for approval.

The FY 13-14 appropriations act provided that capital funds to technical colleges pass through CHE. According to an SBTCE official, CHE did not inform the SBTCE of the transfer of funds for capital projects to the technical colleges.

One of those projects had not yet been approved by the Budget and Control Board. According to a CHE official, those funds were distributed by CHE because the appropriations act required that the funds be disbursed through CHE.

Recommendation

3. The South Carolina Commission on Higher Education and the South Carolina State Board for Technical and Comprehensive Education should communicate prior to the disbursement of funds in order to ensure coordination between the two agencies and oversight of the recipient institutions.
-

Distribution of Lottery Funds to School Districts

SDE has not followed state law for distributing lottery funds to school districts for the K-5 programs. In FY 13-14, \$29,891,798 in lottery funds were allocated by the South Carolina Department of Education (SDE) to South Carolina school districts, the South Carolina Charter School District, the Felton Lab School at South Carolina State University, the South Carolina School for the Deaf and the Blind, and the Department of Juvenile Justice. These funds are required by SDE to be spent on programs for kindergarten through grade 5 (K-5) and also on programs for grades 6 through 8 (6-8). The appropriations act requires funds to be distributed to the school districts for K-5 and 6-8 reading, math, science, and social studies programs and the K-5 funds must be spent as provided in state law. SDE uses its own formula to disburse the funds.

The appropriations act states that funds are to be distributed to K-5 reading, math, science, and social studies programs "...as provided in Section 59-1-525." S.C. Code §59-1-525 establishes a grant program for K-5 programs. The law states that the grant shall include an evaluation component to measure student performance and that the awarding of grants should be:

...based upon the likelihood that receiving such grants shall strengthen the above referenced skills and increase the academic performance of students in the core academic areas.

The law further requires that, "...every effort should be made to ensure that all geographic areas of the State are represented," and that:

[f]irst priority shall be given to acceptable grants from schools rated as below average or unsatisfactory and grants designed to increase academic performance of historically underachieving students.

SDE's current distribution of funds to school districts for K-5 programs does not comply with the provisions of S.C. Code §59-1-525. Funds are awarded based on SDE's funding formula, which does not involve a grant process. SDE does not use an evaluation component to measure student performance in disbursing the funds. Although SDE does provide K-5 funds to every school district, it does not give first priority to schools rated as below average or unsatisfactory.

According to an SDE official, the lottery funds allocated to school districts for K-5 programs had been awarded as grants, which required districts to file reimbursement claims for the funding. When districts were given flexibility in spending their funds during the economic downturn of the early 2000s, SDE adopted an allocation system that did not require districts to file claims. According to the SDE official, this change was discussed with South Carolina House and Senate staff at the time. The funds are still required to be spent according to the law, but they are not provided as grants. According to an SDE official, requiring districts to participate in a grant would require the districts to expend funds first and then request reimbursement.

The formula that SDE uses to distribute the lottery funds to the school districts is not consistent. According to an SDE official, the formula is subject to change from year to year. For FY 13-14, the formula includes a \$15,255 base amount for each school district, a per pupil amount that is based on the number of students in grades K-5, and a portion based on the poverty level of each district. SDE is considering alternative formulas.

Several potential formulas have been proposed that emphasize different priorities. Those formulas include:

- The current formula which allocates funds based on a combination of a school district's total number of students and the number of students in the district who live in poverty.
- A formula that would allocate funds to districts strictly based on the number of students. Such a formula would have the potential to benefit the most number of students. However, it could result in rural and poorer districts receiving less funding.
- A formula that would emphasize increased funding to districts that face academic challenges such as low standardized test scores. This formula could assist struggling districts, though it could result in districts with higher test scores receiving less funding.

SDE should allocate the lottery funds in compliance with state law. This would include implementing a grant program to distribute the funds as directed by S.C. Code §59-1-525. Any formula that SDE uses as part of this grant program should be designed to help schools achieve the goals expressed in S.C. Code §59-1-525.

Recommendation

4. The South Carolina Department of Education should disburse lottery funds as required by state law including implementing a grant program that has an evaluation component and gives first priority to schools rated as below average or unsatisfactory and to grants which are designed to increase academic performance of historically underachieving students.

Monitoring of Funds

SDE does not have a consistent program for monitoring the spending of funds by the school districts and other recipient institutions. The appropriations acts require that the funding to school districts be spent on grades K-8. SDE has guidelines for the spending of lottery proceeds that state which types of expenditures are allowed. Lottery proceeds expenditures that are allowed by the SDE guidelines include:

- Salaries and benefits of instructional coaches and other instruction-oriented staff.
- Stipends for teachers for additional duties.
- Costs associated with attendance at conferences that promote the teaching of grade-specific standards.
- Materials essential to instructional improvement efforts.

Lottery proceeds expenditures that are disallowed by SDE guidelines include:

- Cost of building renovations and construction.
- Air conditioners.
- Furniture.
- Expenses incurred by district-level employees.

SDE conducts an annual K-8 lottery and professional development survey. In this survey, districts self-report how they used their lottery funds, how they plan to use their funds in the current school year, and whether they are flexing their funds, i.e. transferring their funds between education programs. Although this survey provides important information to SDE, it does not independently verify that the districts are properly spending their lottery funds. Additionally, only about one-half of the districts completed the survey, so there is no information on how the other half of the districts are spending their proceeds.

One private institution, Southern Wesleyan University, annually receives \$500,000 in lottery proceeds from SDE. Those proceeds fund a program that provides language arts staff development to K-5 teachers. Southern Wesleyan provides its annual budget to SDE and lists its classes. However, SDE conducted the first ever external review of the Southern Wesleyan University program's funds in August 2014. That review recommended a program evaluation to determine the effectiveness of the Southern Wesleyan University program. The review also called for the program to repay SDE \$10,229 due to a lack of documentation of mileage reimbursements. According to an SDE official, SDE intends to monitor the program going forward.

A program to monitor the spending of lottery funds sent to the school districts and other recipient institutions could ensure that the funds are being spent according to the law and SDE guidelines. Although time and limited resources may limit the scope of the monitoring of the funds, a monitoring cycle and sampling methodology could allow for adequate oversight.

Recommendation

5. The South Carolina Department of Education should implement a regular program to monitor the spending of lottery funds by school districts and recipient institutions to ensure that the funds are spent according to state law and South Carolina Department of Education guidelines.

Chapter 2
State's Use of Lottery Proceeds

Agency Comments



South Carolina Commission on Higher Education

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Dr. Richard C. Setton
Executive Director

October 24, 2014

Eric Douglass
Auditor
S.C. Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, South Carolina 29201

Mr. Douglass,

We have reviewed the findings and recommendation resulting from your *Review of the S.C. Education Lottery and the State's Use of Lottery Proceeds*.

We appreciate the work of the Legislative Audit Council and offer the following responses to the recommendations made relative to the work of the Commission on Higher Education (CHE):

Recommendation:

The Commission on Higher Education should implement a program to review the scholarships it disburses to higher education institutions to ensure that scholarships are properly distributed to students by the institutions.

CHE Response:

We agree with the recommendation and are taking steps to reinstate this activity.

Recommendation:

The South Carolina Commission on Higher Education and the South Carolina State Board for Technical and Comprehensive Education should communicate prior to the disbursement of funds in order to ensure coordination between the two agencies and oversight of the recipient institutions.

CHE Response:

We agree with the recommendation and are working with the State Budget Office to determine the most efficient and effective way to meet the directions received via the Appropriation's Act. We will continue to work with the Technical College System Office and the Budget Office to facilitate future transaction processing between the two agencies.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary S. Glenn".

Gary S. Glenn
Director of Fiscal Affairs
SC Commission on Higher Education

James C. Williamson
System President

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October 24, 2014

Perry K. Simpson, Director
Legislative Audit Council
1331 Elmwood Ave., Suite 315
Columbia, SC 29201

Dear Mr. Simpson:

On October 17, 2014 the State Board for Technical and Comprehensive Education received the portion relevant to our agency of the final report on the Legislative Audit report contained two areas of concern for our agency; Technical College Scholarships and Capital Projects.

As requested, our agency has reviewed the report and has provided the responses to the recommendation.

Recommendation:

The State Board for Technical and Comprehensive Education should implement a program to review the disbursement of Lottery Tuition Assistance Program grants by technical colleges to ensure those funds are properly distributed to students of the technical colleges.

Management's Response:

Prior to our current process of reviewing lottery distributions our agency audited the disbursements of lottery funds on a rotating basis. However after a mandatory reduction in force, we revamped our process for reviewing lottery disbursements, which is the process mentioned in your report. Considering lottery disbursements data is subject to change within a year of being entered into our system, it would not have been cost beneficial for our agency to review lottery disbursements prior to Fall 2014. Additionally, the colleges' financial statements are audited annually by an external auditor. The colleges' annual financial statement audit includes a review and audit of financial aid to include but not limited to Pell, Needs Based, LIFE and Lottery Tuition Assistance. Therefore, we firmly believe that our audit process for lottery disbursements ensures that funds are properly disbursed according to law and policy.

Recommendation:

The South Carolina Commission on Higher Education and the State Board for Technical and Comprehensive Education should communicate prior to the disbursement of funds in order to ensure coordination between the two agencies and oversight of the recipient institutions.

James C. Williamson
System President

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October 24, 2014
Perry K. Simpson, Director
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Management's Response:

In an email between The South Carolina Commission on Higher Education and the State Board for Technical and Comprehensive Education, we agreed that our agency would receive the funds from the South Carolina Commission on Higher Education to disburse to the colleges; however, without our knowledge the South Carolina Commission on Higher Education forwarded the funds directly to the colleges.

Thank you for allowing our agency the opportunity to respond. Please let me know if you have any questions.

Sincerely,

James C. Williamson, Ph.D.
System President and Executive Director

SC DEPARTMENT OF EDUCATION reviewed portions of the preliminary and final draft of this report and did not wish to have comments included in the final report.

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