

R. Wes Hayes, Jr.
Chairman



February 22, 2024

The Honorable Brian D. Lamkin
Office of the Inspector General
111 Executive Center Drive, Suite 204
Columbia, South Carolina 29210-8416

Re: Program Performance and Management Review: South Carolina Commission on Higher Education

Dear Inspector General Lamkin:

The Commission on Higher Education (CHE) appreciates the opportunity to formally address the Program Performance and Management Review of the agency. We also thank you for providing your feedback during the February 1, 2024 CHE Business Meeting on the intended actions the agency will take to address recommendations outlined in the report. The agency's leadership team has worked to include those recommendations in its plan to address identified areas of improvement. Attached you will find the agency's official response. We look forward to your continued support in improving the Commission.

With best regards,

Wes Hayes
Chair, Commission on Higher Education



803-737-2260

1122 Lady St, Ste 400
Columbia, SC 29201

www.che.sc.gov



Commission on Higher Education Management Action Plan Related to the Inspector General's Report on the CHE

<p>Finding 1a: The SIG determined the CHE failed to conduct annual rotational verifications and audits of all IHLs that received lottery funds during the period of FYs 2020-21, 2021-22, and 2022-23 in violation of Proviso 3.1, which not only created a risk of fraud, but also hampered the agency's ability to acquire the information to forecast lottery scholarship needs.</p>	
<p>Recommendation 1a: The SIG recommends that the CHE contract with an external audit firm to conduct annual verifications and audits of IHLs that received lottery scholarship funds.</p>	
<p>Finding 1b: The SIG determined the CHE failed to submit a verification and audit report to the EBO, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee by 10/1/23 in violation of Proviso 3.1. This finding is mitigated by the EBO's receipt of the CHE's report on 10/3/23.</p>	
<p>Recommendation 1b: The SIG recommends that the CHE implement internal controls to ensure timely submission of the annual verification and audit report to the EBO, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee by October 1st of each year.</p>	
<p>The CHE is taking the following steps to address this finding:</p> <ol style="list-style-type: none"> 1. CHE staff, with the assistance of the State Auditor's Office (SAO), is identifying firms currently auditing state colleges and universities, as part of their Agreed Upon Procedures (AUP). With the SAO's help, the CHE will ask each firm to add the Lottery Scholarship compliance audit to the AUP for institutions they are currently auditing. <p style="padding-left: 40px;">The CHE's Senior Auditor is currently auditing 13 institutions, listed below.</p> <ol style="list-style-type: none"> 1. Coastal Carolina University 2. Lander University 3. Central Carolina Technical College 4. Florence-Darlington Technical College 5. Horry-Georgetown Technical College 6. Technical College of the Lowcountry 7. Allen University 8. Coker College 9. Limestone College 10. Newberry College 11. Presbyterian College 12. Southern Wesleyan University 13. Voorhees College 	
<p>The CHE plans to contract with external firm(s) to audit the institutions listed below, with at least 18 of them to be completed by December 31, 2024.</p>	
<ol style="list-style-type: none"> 1. Clemson University 2. University of South Carolina-Columbia 3. Medical University of South Carolina 4. The Citadel 5. College of Charleston 6. Francis Marion University 7. S.C. State University. 8. University of South Carolina-Aiken 9. University of South Carolina-Beaufort 10. University of South Carolina-Upstate 11. Winthrop University 12. University of South Carolina-Lancaster 13. University of South Carolina-Salkehatchie 14. University of South Carolina-Sumter 15. University of South Carolina-Union 16. Greenville Technical College 17. Orangeburg-Calhoun Technical College 	<ol style="list-style-type: none"> 18. Piedmont Technical College 19. Spartanburg Community College 20. Tri-County Technical College 21. York Technical College 22. Anderson University 23. Benedict College 24. Charleston Southern University 25. Claflin University 26. Columbia College 27. Columbia International University 28. Converse University 29. Erskine College 30. Furman University 31. North Greenville University 32. South University 33. Wofford College 34. Spartanburg Methodist College

The CHE has begun an assessment of its internal controls to ensure the timely submission of all statutorily required reports for ways in which it can be improved, including the use of workflow software. CHE staff has provided a prelim/draft process for report development and submission.

Finding 2: The SIG determined that the CHE's inaccurate budget projections of appropriated lottery funds during the period FYs 2018-19 through 2022-23, resulted in a waste of \$152,895,827 intended for scholarship recipients attending South Carolina colleges and universities. Instead of identifying alternatives to utilizing the lottery funds the CHE continued to accumulate unspent lottery funds through flawed modeling and projections.

Recommendation 2a: The SIG recommends the CHE return excess appropriated lottery funds, which were derived from flawed projections during the period FY 2018-19 through 2022-23, to the General Assembly.

Recommendation 2b: The SIG recommends the CHE use an external subject matter expert to assess and correct the model used to project anticipated scholarship needs upon which budget requests for appropriated lottery funds are based.

The CHE has taken the following steps to address this finding:

1. CHE staff submitted suggestions to House Education, House Ways & Means, Senate Education and Senate Finance committees for the use of excess Lottery funds.
2. The CHE understands the Governor's Executive Budget recommendation to the General Assembly to use \$100 million of the excess lottery funds: to increase by \$70 million need-based grants for students attending the research and four-year colleges, or for a ninth semester for Palmetto Fellows, HOPE, and LIFE scholarship recipients, or for tuition subsidies for a Maymester or summer class that leads to degree completion; and provide \$30 million to the South Carolina Technical College System for the purchase of high-demand job skill training equipment. The CHE is prepared to work with state leaders to expend the funds as directed.
3. The CHE has revised the methodology for Lottery scholarship projections and used it for the FY 2024-25 Lottery scholarship projections. The revised model incorporates both historical methods and trend-based methods to make more accurate projections. The CHE will consult with the SC Revenue and Fiscal Affairs Office to review the revised methodology. The CHE will review the methodology each year for accuracy prior to providing projections. Information regarding the revised scholarship projections methodology will be published on the CHE website.

Finding 3: The SIG determined that the CHE expended only 39.3% of College Transition Scholarship Program appropriated lottery funds in FY 2021-22 and 20% in FY 2022-23, resulting in the mismanagement of funds acquired through Proviso 3.5 (FY 2021-22) and Proviso 3.5 (FY 2022-23) that resulted in the waste of \$3,740,597.

Recommendation 3: The SIG recommends that the CHE return to the General Assembly \$3,740,597 in unused appropriated lottery funds.

The CHE will take the following step to address this finding:

The CHE will develop a comprehensive plan for the CTP program. The plan will address possible expansion of the initiative. The CHE will also highlight any excess funds in its annual report of the College Transition Program, due annually by September 30. In future budget considerations, the CHE will assess the program's performance, enrollment, and funding needs.

Finding 4: The SIG determined that CHE de-emphasized accountability in reviews of programs in violation of South Carolina Code of Laws, §59-103-60.

Recommendation 4: The SIG recommends that the Commission publish policy to clarify its interpretation of the legislative intent of CHE’s mandated review of programs and curricula et al “as may be considered desirable.”

The CHE will take the following step to address this finding:

The Committee on Academic Affairs and Licensing (CAAL) will begin the process of reviewing all existing academic programs at the state’s public institutions of higher education, per the CHE Program Productivity Policy. The CHE will also review its policy and procedures for new academic degree program approval.

Finding 5a: The SIG determined the CHE failed to timely publish the South Carolina Educator Preparation Report Card on 11/1/22 in violation of South Carolina Code of Laws, §59-26-35. This finding is mitigated in that the requirement was imposed by law in May 2022 and the Report Card was first due on 11/1/22.

Finding 5b: The SIG determined the CHE failed to timely publish the South Carolina Educator Preparation Report Card on 11/1/23 in violation of South Carolina Code of Laws, §59-26-35.

Recommendation 5: The SIG recommends that CHE establish internal controls to ensure timely publication of the South Carolina Educator Preparation Report Card.

The CHE is taking the following steps to address this finding:

CHE staff are working with external contractors to take on project management and completion of the South Carolina Educator Preparation Report Card. Currently, the CHE staff are developing and refining a preliminary report card as a starting point for discussions with stakeholders.

Finding 6: The SIG, through coordination with the DSHR, determined that the CHE mismanaged its FSL by seeking increases to its FSL at a time when FTE vacancies remained unfilled over multiple FYs constituting waste of an estimated \$1,793,869.88.

Recommendation 6: The SIG recommends that the CHE cause an assessment of its personnel needs be conducted and adjust its budget requests accordingly.

The CHE will take the following step to address this finding:

The CHE will seek guidance from Shared Services HR and other experienced resources to ensure a comprehensive assessment of its personnel and HR requirements be conducted. Based on the results, the CHE will work to implement recommendations of the assessment.

Finding 7: The SIG determined that CHE employee relations were negatively affected by poor communication and the perception of disparate treatment on the basis of race.

Recommendation 7: The SIG recommends that the CHE senior managers undergo sensitivity training and examine internal processes to ascertain a way forward.

The CHE is taking the following step to address this finding:

1. The CHE held a facilitated discussion for senior leadership on January 8, 2024, mediated by Shared Services HR, as a first step in improving staff relations. Follow-up sessions, both as a group and one-on-one settings, will be held regularly through at least the end of the fiscal year.

The CHE will take the following steps to address this finding:

1. The CHE will arrange sensitivity training for senior managers.
2. The CHE will arrange sensitivity training for all staff and the Board of Commissioners and explore other trainings to improve communication and collaboration among staff.

Finding 8: The SIG determined that the CHE did not use a third-party entity to review courses at two-year technical colleges for academic credit at four-year colleges and universities. However, the SIG determined that the CHE was slow to respond in bringing together a comprehensive transfer and articulation agreement. This resulted in the SCTCS and two of the three research universities seeking their own transfer and articulation agreement. Subsequently, the CHE developed another agreement with 26 separate IHLs.

Recommendation 8: The SIG recommends that the CHE should establish achievable and measurable milestones in order to implement the six recommendations of the South Carolina State Transfer Task Force by 4/30/24.

The CHE is taking the following steps to address this finding:

The CHE will continue its collaboration with the state's public colleges and universities to implement the Transfer Task Force recommendations, which includes achievable and measurable milestones. The CHE is on schedule to have in place a comprehensive statewide transfer agreement by April 30, 2024.

Finding 9: The SIG determined that funding for FYs 2018-19 through 2022-23 appropriated for the African-American Loan Program at Benedict College was not disbursed by the CHE and constituted mismanagement and a lack of program and budget oversight required by Proviso 11.2 that resulted in the waste of \$156,879.50.

Recommendation 9: The SIG recommends that the CHE return \$156,879.50 to the General Assembly.

The CHE has taken the following steps to address this finding:

1. The CHE has returned the unspent funds to the state.
2. As part of the annual budget process, the CHE provided the House Ways and Means Committee, and the Governor's Office a list of Historically Black Colleges and Universities with educator preparation programs that could replace Benedict College. The CHE will communicate with other legislative committees as needed throughout the budget process.

Finding 10: The SIG determined that repeated budget requests for GEAR UP funds, which the CHE received funding for FYs 2018-19 through FY 2022-23, constituted waste, mismanagement and a lack of program and budget oversight of \$886,005.

Recommendation 10: The SIG recommends that the CHE return \$886,005 to the General Assembly.

The CHE has taken the following steps to address this finding:

1. The CHE has returned the funds to the state.
2. The Governor's Office has recommended deletion of the GEAR UP Proviso and funding.

Finding 11a: The SIG determined the CHE's de facto chain-of-command was inconsistent with the organizational structure and contributed to operational inefficiency.

Recommendation 11a: The SIG recommends that the CHE's organization chart accurately reflect the intended chain-of-command organizational structure.

Finding 11b: The SIG determined that there was an appearance of conflicting interests created by placing HR functions underneath the DD/GC.

Recommendation 11b: The SIG recommends that HR functions be separated from the DD/GC's chain-of-command.

The CHE will take the following step to address this finding:

1. As part of its personnel assessment (identified above) the CHE will separate the agency's HR functions from the Deputy Director and General Counsel's chain-of-command.

Finding 12a: The SIG determined that the CHE's implementation of its telework policy, taken in isolation, appeared cost-effective and beneficial to employees, but the program was inefficient.

Finding 12b: The SIG determined that the CHE's space cost was inefficient, because 70.2% (26/37) of the onboard FTEs were in a telecommuting status, while Lady Street office space was underutilized.

Finding 12c: The SIG determined that the CHE's practice of storing paper files was a safety risk to personnel.

Recommendation 12: The SIG recommends that the CHE conduct a space efficiency study and address the safety concerns.

The CHE has taken the following steps to address this finding:

1. The CHE has addressed the safety concerns through re-arrangement of paper files, its on-going file digitization, and further culling and removal of duplicate or unneeded material.

The CHE will take the following step to address this finding:

1. The CHE will conduct a space efficiency study after receiving the results from the staffing assessment.
2. The CHE will reexamine its teleworking policy with an eye to making it more efficient while also benefitting the agency as both a recruitment and retention tool.

Finding 13a: The SIG determined that the CHE’s storage of paper files in Lady Street office and meeting space was inefficient.

Finding 13b: The SIG determined that the Palmetto Fellows scholarship program paper-based application process was inefficient.

Finding 13c: The SIG determined that the CHE’s reliance on a COBOL-based data system was inefficient. Due to the CHE’s lack of collaboration between divisions, moving to a more efficient data system was significantly delayed.

Recommendation 13: The SIG recommends that the CHE conduct an efficiency study to assess the feasibility of technology upgrades.

The CHE has taken the following steps to address this finding:

1. The CHE began digitizing paper files in March 2023. The process involves CHE staff reviewing, culling, and prepping the files before sending them to the vendor for digitization, who carefully scans, names, and saves the files. To date the company has scanned 38 boxes, with four more boxes in preparation and awaiting State Approving Agency (SAA) staff to review. We estimate there are twenty more SAA boxes. We next will move to Academic Affairs and Licensing Program files.
2. A technology solution—Element 451—is being implemented to address the Palmetto Fellows application process. It is targeted to launch by May 1. The product also has features that will be deployed across the agency.
3. The CHE contracted with a vendor in late Spring 2023 to migrate data to a new data warehouse. The project is on track to be complete by the late summer or early fall of 2024.

The CHE will take the following step to address this finding:

1. The CHE will conduct an efficiency study for technology upgrades.

Finding 14: The SIG determined that the CHE established an adequate audit review process to ensure continued compliance with the REACH Act. No further action is required.

Finding 15: The SIG determined that internal controls would be compromised and increase the fraud risk if the plan to combine AP duties and AR duties occurs.

Recommendation 15: The SIG recommends that the CHE coordinate with DSHR to increase finance staffing capacity and establish internal controls that ensure segregation of duties between AP and AR personnel; and ensure a mitigation strategy is implemented and approved by the Office of Comptroller General.

The CHE will take the following step to address this finding:

1. As part of the personnel assessment (mentioned above), the CHE will prioritize adding staff to support our fiscal oversight responsibilities.

Finding 16: The SIG determined that the executive director did not inform the Commission of significant developments occurring in the agency.

The CHE has taken the following step to address this finding:

1. The President and Executive Director will begin providing to the Board a written monthly update/report outlining significant developments at CHE starting in February 2024.