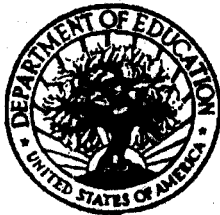


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UNITED STATES DEPARTMENT OF EDUCATION

CASE MANAGEMENT DIVISION, SOUTHEAST
61 Forsyth Street, Room 18T20b
Atlanta, Ga 30303

October 11, 2002

FINAL AUDIT DETERMINATION
CERTIFIED WITH RECEIPT

#7099340000091586198



Ref: ACN: 04-2001 -28054
OPE: 00344600

The Honorable James H. Hodges
Governor
Members of the General Assembly
Columbia, SC 29201

Dear Governor Hodges:

This letter advises you of our final audit determination concerning those portions of a single audit report for the *State of South Carolina* that relate to programs administered by the U.S. Department of Education. This report, prepared by the Office of the Auditor General, State of South Carolina, in accordance with the Office of Management and Budget Circular A-133, covers the period July 1, 2000 through June 30, 2001. We have considered the corrective action plans provided with the audit report.

Our review is limited to the portions of the audit report which relate only to the programs administered by the Office of Federal Student Aid Programs. Findings regarding Department of Education programs other than the Federal Student Aid Programs will be addressed under separate cover.

Enclosed is our final audit determination for this audit report. Although the enclosures to this letter may not address each of the auditor's findings, the institutions must take the necessary actions to correct all deficiencies noted in the audit report. The auditor must provide a status of the actions takes by the institutions to correct each finding noted in this audit report, as well as any required actions in the attachment to this letter, in the "Prior Audit Section" of the next regularly scheduled non-federal audit.

The following institutions have no deficiencies or the Atlanta Case Team has determined the findings are satisfactorily resolved based on information provided by the respective institutions:

Clemson University
Coastal Carolina University
College of Charleston

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ACN: 04-2001-28054

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Francis Marion University
Lander University
Medical University of South Carolina
University of South Carolina
University of South Carolina - Union
University of South Carolina - Lancaster
University of South Carolina - Spartanburg
University of South Carolina - Beaufort
University of South Carolina - Aiken
University of South Carolina - Salkehatchie
University of South Carolina - Sumter
Winthrop University

Required action(s) for the remaining institutions outlined in the enclosures must be completed as specified under the final audit determination.

The institutions are advised that repeat findings in future audits or failure to satisfactorily resolve the findings of this audit may lead to an adverse administrative action. An adverse action may include the imposition of a fine, limitation, suspension, or termination of the eligibility of the institution pursuant to 34 CFR Part 668, Subpart G.

Appeal Procedures

If you wish to appeal to the Secretary for a review of the monetary liabilities established by this final audit determination, you must file a written request for a hearing. The Department must receive your request no later than 45 days from the date you receive this final audit determination. **An original and four copies of the information you submit must be attached to your request. Your request must be sent to:**

Mary E. Gust, Director
Administrative Actions and Appeals
U.S. Department of Education
FSA/Schools Channel/CMO
830 First Street, NE UCP3, Room 83E1
Washington, DC 20002-5267

Honorable James H. Hodges

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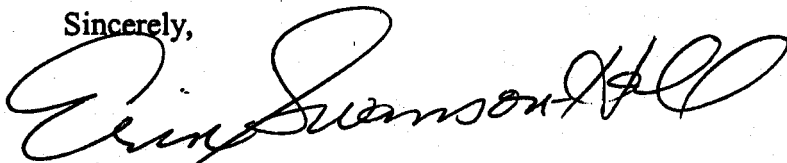
Your request must: (1) indicate the findings, issues, and facts you dispute; (2) state the institution's position together with pertinent facts and reasons supporting your position; (3) include any documentation to support your position, with auditor verification; and (4) include a copy of this final audit determination letter.

The Department will schedule an administrative hearing in accordance with Section 487(b)(2) of the Higher Education Act of 1965, as amended (HEA), 20 USC 1094(b)(2). The procedures followed with respect to your institution's appeal will be those provided in 34 CFR Part 668, Subpart H.

Program records relating to the period covered by this audit must be retained until the later of: resolution of the loan(s), claim(s) or expenditure(s) questioned in the audit, 34 CFR 668.24(e)(3)(i); or the end of the retention period applicable to the record under 34 CFR 668.24(e)(1) and (e)(2).

Your continued cooperation throughout the audit resolution process is appreciated. If you have any questions about our review, please call Mr. Thomas A. Payne of my staff on (202) 377-4222.

Sincerely,



Erin Swanson-Hall, Area Case Director
Atlanta Case Management Team
Case Management and Oversight
Federal Student Aid Programs

Enclosure(s)

cc: Mr. James F. Barker, President, Clemson University
Mr. Marvin G. Carmichael, Director of Financial Aid, Clemson University
Dr. Leroy Davis, President, South Carolina State University
Mrs. Margaret Black, Director of Financial Aid, South Carolina State University
Major General John S. Grinalds, President, Citadel, The Military College
Mr. Hank M. Fuller, Director of Financial Aid, Citadel, The Military College
Mr. Ronald R. Ingle, President, Coastal Carolina University
Ms. Mollie Bethea-Floyd, Director of Financial Aid, Coastal Carolina University
Mr. Alexander M. Sanders, Jr., President, College of Charleston
Mr. Donald R. Griggs, Director of Financial Aid, College of Charleston

Honorable James H. Hodges

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cc: Dr. Luther F. Carter, President, Francis Marion University
Ms. Kathryn B. Phillips, Director of Financial Aid, Francis Marion University
Dr. Daniel W. Ball, President, Lander University
Mr. Ian M. Hubbard, Director of Financial Aid, Lander University
Dr. James B. Edwards, President, Medical University of South Carolina
Ms. Pearl M. Givens, Director of Financial Aid, Medical University of
South Carolina
Dr. John M. Palms, President, University of South Carolina – Columbia
Dr. Edgar Miller, Financial Aid Director, University of South Carolina-Columbia
Dr. John M. Palms, President, University of South Carolina – Union
Mr. Robert Holcombe, Financial Aid Director, University of South Carolina –
Union
Dr. John M. Palms, President, University of South Carolina – Lancaster
Ms. Staci F. White, Financial Aid Director, University of South Carolina –
Lancaster
Dr. John C. Stockwell, Chancellor, University of South Carolina – Spartanburg
Ms. Donna D. Hawkins, Financial Aid Director, University of South Carolina –
Spartanburg
Dr. John M. Palms, President, University of South Carolina – Beaufort
Mr. Russell Kent, Financial Aid Director, University of South Carolina-Beaufort
Mr. Robert E. Alexander, Chancellor, University of South Carolina – Aiken
Mr. Alfred G. Shumpert, Financial Aid Director, University of South Carolina –
Aiken
Dr. John M. Palms, President, University of South Carolina – Salkehatchie
Ms. Mary J. Hadwin, Financial Aid Director, University of South Carolina –
Salkehatchie
Dr. John M. Palms, President, University of South Carolina – Sumter
Ms. Sue A. Sims, Financial Aid Officer, University of South Carolina-Sumter
Dr. Anthony J. Digiorgio, President, Winthrop University
Ms. Robin E. Morris, Financial Aid Director, Winthrop University

INSTITUTION: The Citadel
ACN : 04-2001-28054

FINDING NUMBER: 01H09-1, Pages 291 & 292

The auditor indicated the institution failed to identify one student who withdrew before the completion of 60% of the enrollment period; therefore, the institution failed to return the required portion of Title IV funds to the lender. Questioned Cost \$3,018

FINAL AUDIT DETERMINATION:

34 CFR 668.22 of the General Provisions regulations require an institution to return a portion of a refund owed to a student to the Title IV, HEA programs if the student officially withdraws, drops out, or is expelled from the institution on or after his or her first day of class of a payment period. Refunds to the Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant, and/or Federal Pell Grant programs must be returned to the program accounts within 30 days of the date a student officially withdraws, is expelled, or the institution determines that the student has unofficially withdrawn.

In the case where a school makes a refund to a student via the Department (for a Direct Loan) or the lender (for an FFEL), the school must make the refund within 30 days after the student's official withdrawal date. If a student drops out, the school must pay the refund within 30 days of the earliest of the following three dates:

- The date the student dropped out according to the school;
- The last day of the academic term in which the student withdrew; or
- The last day of the period of enrollment for which the student has been charged.

It appears from our review of the finding that refunds were made, however, one was untimely. We trust that future audits will not show a recurrence of this type of finding.

Your response indicated that as soon as the institution was aware of its omission, the College issued a check for \$3,018 of unearned Title IV funds to the lending agency. No further action is required at this time and you may consider this finding closed.

INSTITUTION: South Carolina State University
ACN : 04-2001-28054

FINDING NUMBER: 01H24-1, Page 293

The auditor noted that the University did not perform monthly reconciliation between the Student Information System (SIS) and the Financial Reporting System (FRS) for the fiscal year ended June 30, 2001.

FINAL AUDIT DETERMINATION:

A school must keep comprehensive and accurate program and fiscal records related to its use of SFA Program funds. The importance of maintaining complete and accurate records cannot be overemphasized. Program and fiscal records must demonstrate the school's eligibility for participation in the SFA Programs and show a clear "audit trail" for SFA Program expenditures.

Regulations state that to participate in the Title IV Student Financial Aid Programs, an institution must be able to adequately administer those programs. The Secretary considers an institution to have that capability if it establishes and maintains required student and financial records and administers Title IV Programs with adequate checks and balances in its system of internal controls.

Regulations also require that the institution must establish and maintain on current basis, financial records that reflect all program transactions, general ledger control accounts and related subsidiary accounts that identify each program transaction and separate those from all other institutional activity. The institution must keep intact and accessible all records of receipt and expenditures of Federal funds. The Perkins Loan, FWS and FSEOG Program regulations further require that program and fiscal records be reconciled at least monthly. Sound business management procedures dictate that Pell Grant records also be reconciled monthly as well. (34 CFR 668.14 & 668.24)

We remind the institution that this is repeat finding from the previous audit report. The institution is advised that repeat findings in future audits or failure to satisfactorily resolve the finding of this audit may lead to an adverse administrative action. An adverse action may include the imposition of a fine, or the limitation, suspension, or termination of the eligibility of the institution pursuant to 34 CFR Part 668 Subpart G. We trust that future reports will show that this finding has been resolved. Please have your auditor comment on the status of this finding in the "Prior Audit" section of the next non-Federal audit report. No further action is required of you at this time and you may consider this finding closed.

FINDING NUMBER: 01H24-2, Page 294

The auditor noted that the University still lacks a published fair and equitable refund policy.

FINAL AUDIT DETERMINATION:

An institution must calculate refunds in accordance with the measures outlined in the specified refund formulas. Improperly calculated refunds may result in the retention of Title IV funds to which the institution is not entitled. The incorrect retention of Title IV funds deprives other eligible students of those funds and increases the cost to the taxpayers. (34 CFR 668.22)

The auditor indicated that based on discussions with University personnel and a review of refund procedures, it was determined that the University has not amended its procedures and still does not calculate refunds based on the Federal refund guidelines.

We concur with the auditor's recommendation that the University immediately develop and implement a fair and equitable refund policy. The refunds must be calculated and distributed in accordance with Federal regulations. Individuals tasked with the responsibility of overseeing and/or performing the refund process should become knowledgeable of all State and Federal regulations pertaining to the refunds and should ensure that all calculation are documented.

Your response indicated that in an effort to resolve the ongoing problem associated with refund of Title IV aid, the University requested and received training from the Department of Education in November of 2000. Based upon conversations with University officials, we understand that the proper refund policy is being followed but will was published in the semester brochure and as an addendum to the fiscal year 2002 catalog.

We would remind the institution that this is also a repeat finding from previous audits. It is important for your institution to establish the proper refund procedures. If you are currently still having problems in this area, you may still request our assistance. Since the auditor did not establish any liability no further action is required at this time. Therefore, you may consider this audit report closed.

<u>OPE ID</u>	<u>TIN</u>	<u>INSTITUTION</u>
1. 00342300	576000217	Citadel, The Military College of South Carolina
2. 00345100	570977955	Coastal Carolina University
3. 00344600	576000950	South Carolina State University
4. 00342500	576000254	Clemson University
5. 00342800	576000265	College of Charleston
6. 00922600	570522624	Francis Marion University
7. 00343500	570327816	Lander University
8. 00343800	576000722	Medical University of South Carolina
9. 00344800	576001153	University of South Carolina
10. 00492700	576001153	University of South Carolina – Union
11. 00345300	576001153	University of South Carolina – Lancaster
12. 00695100	576001153	University of South Carolina – Spartanburg
13. 00345000	576001153	University of South Carolina – Beaufort
14. 00344900	576001153	University of South Carolina – Aiken
15. 00345400	576001153	University of South Carolina – Salkehatchie
16. 00342600	576001153	University of South Carolina – Sumter
17. 00345600	576001204	Winthrop University

State of South Carolina

<u>OPE ID</u>	<u>TIN</u>	<u>INSTITUTION</u>
1. 00342300	576000217	Citadel, The Military College of South Carolina
2. 00345100	570977955	Coastal Carolina University
3. 00344600	576000950	South Carolina State University
4. 00342500	576000254	Clemson University
5. 00342800	576000265	College of Charleston
6. 00922600	570522624	Francis Marion University
7. 00343500	570327816	Lander University
8. 00343800	576000722	Medical University of South Carolina
9. 00344800	576001153	University of South Carolina
10. 00492700	576001153	University of South Carolina – Union
11. 00345300	576001153	University of South Carolina – Lancaster
12. 00695100	576001153	University of South Carolina – Spartanburg
13. 00345000	576001153	University of South Carolina – Beaufort
14. 00344900	576001153	University of South Carolina – Aiken
15. 00345400	576001153	University of South Carolina – Salkehatchie

16. 00342600

576001153

University of South Carolina –
Sumter

17. 00345600

576001204

Winthrop University