



South Carolina Commission on Higher Education

Agenda Item 5.05

Brig Gen John L. Finan, USAF (Ret.), Chair
Dr. Bettie Rose Horne, Vice Chair
Ms. Natasha M. Hanna
Ms. Elizabeth Jackson
Ms. Dianne C. Kuhl
Ms. Leah B. Moody
Vice Admiral Charles Munns, USN (ret.)
Mr. Kim F. Phillips
Ms. Terrye C. Seckinger
Dr. Jennifer B. Settlemyer
Mr. Hood Temple

Dr. Richard C. Sutton
Executive Director

TO: Chairman John L. Finan and Members, S.C. Commission on Higher Education
FROM: Members of the Committee on Finance & Facilities
SUBJECT: Items for Consideration on June 5
DATE: May 30, 2014

No action items were presented for approval. Attached are items for your information.

If you have any questions about a particular item, or if you need additional information, please contact Gary Glenn at (803) 737-2155.

5.05A Information on FY 2013 Agreed Upon Procedures Audit
(For Information, No Action Required)

5.05B List of Capital Projects & Leases Processed by Staff for May 2014
(For Information, No Action Required)

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION
COLUMBIA, SOUTH CAROLINA
June 30, 2013**

1. Cash Receipts and Revenues

In performing tests over cash receipts, we found one receipt that was not stamped when received and as a result appears that it was not deposited in a timely manner. We noted a check was dated December 14, 2012 and was not deposited until January 4, 2013. The lack of timely deposits creates a threat of loss or theft of cash while it is on the premises. Section 89.1 of the Appropriations Acts states revenues "must be remitted to the State Treasurer at least once each week".

We recommend the Commission adhere to policies and procedures it has in place that require all receipts are stamped when received and deposits are made on a timely basis.

In performing tests over cash receipts, we found five receipts that did not indicate preparer or approver of deposit. We were unable to determine if the same person prepared the deposit and approved the deposit. Best practices would require the preparer to list all of monies received with the approver comparing the deposit slip to the list to ensure that all receipts are deposited. The lack of approval could result in receipts not being deposited or mishandled by the preparer.

We recommend the Commission require the person preparing and approving the deposit sign the deposit indicating the appropriate individuals have performed the preparation and review.

2. Non-Payroll Disbursements and Expenditures

We found no exceptions as a result of the procedures.

3. Payroll Disbursements and Expenditures

We found no exceptions as a result of the procedures.

4. Journal Entries, Operating Transfers and Appropriation Transfers

We found no exceptions as a result of the procedures.

5. Appropriation Act

We found no exceptions as a result of the procedures.

6. Reporting Packages

Master Reporting Package:

Our review of agency prepared reporting packages revealed the Commission did not accurately complete the master reporting package. The master reporting package states the Commission did not record any lease payments under lease agreements during the fiscal year, however, lease payments

were made with an Operating Lease Reporting Package completed by management. Management did not resubmit a corrected master reporting package to reflect such assessment.

Section 1.7 Summary of Agency Responsibilities states “Each agency’s executive director and finance director are responsible for submitting....reporting package...that are accurate and prepared in accordance with instructions.”

We recommend the Commission ensure that personnel responsible for completing and approving are knowledgeable of the agency’s activities and package is reviewed for accuracy prior to submission.

Refunds Receivable Reporting Package:

The Commission’s agreed upon procedures report for the fiscal year ended June 30, 2012 included a comment pertaining to certain closing packages not being submitted timely. We tested the Commission’s fiscal year 2013 reporting packages to ensure that they were accurate, submitted timely, supported by the Commission’s accounting records and in compliance with the Office of the Comptroller General’s Reporting Policies and Procedures Manual. Our review of agency prepared reporting packages revealed that the Commission did not timely submit the Refunds Receivable Reporting Package for fiscal year 2013.

The requirements and instructions for completing the reporting packages are included in the Reporting Policies and Procedures Manual provided by the Office of the Comptroller General. Section 1.7 of the manual provides, “Each agency’s executive director and finance director are responsible for submitting...reporting packages...that are accurate and prepared in accordance with instructions, complete, and timely.”

We recommend that the Commission ensure that all personnel reporting for completing and approving reporting packages are knowledgeable of the due dates.

Operating Lease Reporting Package:

During our review of the 2013 Operating Lease Reporting Package we noted the Commission reported future minimum payments based on the lease year and not the fiscal year of the Commission. This error was the result of management’s interpretation of the schedule and went undetected by the Commission during the review, causing the future minimum payment to be understated by \$285,892 in total.

The requirements and instructions for completing the reporting packages are included in the Reporting Policies and Procedures Manual. Section 1.7 Summary of Agency Responsibilities states “Each Agency’s executive director and finance director are responsible for submitting....reporting package...that are accurate and prepared in accordance with instructions.”

We recommend that the Commission personnel responsible for completing and reviewing the reporting packages review instructions for completing the packages.

Grants and Contribution Revenues Reporting Package:

In our review of the Grants Reporting Package we noted the beginning fund balance, grant receipts through June 30, and grant qualified payment through June 30 were incorrectly stated for one of the Commission’s grants. This resulted in the beginning fund balance being overstated by \$133,279 with the grant qualified receipts and grant qualified payments being overstated by \$1,026,365 and \$893,085, respectively. The requirements and instructions for completing the reporting packages are included in

the Reporting Policies and Procedures Manual provided by the Office of the Comptroller General. Section 1.7 of the manual provides, "Each agency's executive director and finance director are responsible for submitting...reporting packages...that are accurate and prepared in accordance with instructions, complete, and timely."

We recommend that the Commission personnel responsible for completing and reviewing the reporting packages review instructions for completing the packages.

7. Schedule of Federal Financial Assistance

We found no exceptions as a result of the procedures.

8. Status of Prior Findings

We determined that the Commission has taken adequate corrective action on each of the findings except we have repeated the finding Reporting Package noted in Section A.



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May 19, 2014

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
State of South Carolina
Columbia, South Carolina

Dear Mr. Gilbert:

The Commission on Higher Education appreciates the professionalism and diligence demonstrated by the auditors from the Hobbs Group during the conduct of our Agreed-upon Procedures Audit. We offer the following comments regarding the findings made.

REPORTING PACKAGES:

Master Reporting Package

We acknowledge that an incorrect indicator was included on our original Master Reporting Package regarding the need to prepare an Operating Lease Package. However, we discovered the error prior to the reporting date for the Operating Lease Package and submitted the package in a timely manner. Based on an email received after the submission of the Operating Lease Package, we did not think it necessary to amend the Master. However, should a similar situation arise in the future, we will submit the correction.

Refunds Receivable Reporting Package

As a recurring finding, the Commission regrets that the actions taken to address late submission of all closing packages were not effective. Although significant progress was made, our efforts were not successful in ensuring that the Refunds Receivable Reporting Package met the submission standard. We will continue to stress the importance of timely submission and focus on fully eliminating this finding in the future.

Operating Lease Reporting Package

The error on the Operating Lease Reporting Package resulted from an inaccurate interpretation of the guidance received. With the auditor's assistance, we have now created a template that correctly measures the lease payable going forward and do not expect a recurring finding regarding this package.

Grants Contribution Revenues Reporting Package

Staff made an error in recording the payment on one grant by picking up a total line rather than the disaggregated line from the Schedule of Federal Financial Assistance, which was prepared correctly. This error went undetected in the review as well. This undetected human error was not the result of weak

process or procedure. However, we will continue to focus on the quality of our work and ensuring that additional time is available to provide for a more robust review in the future.

CASH RECEIPTS

We have taken steps to strengthen our receipt process to ensure that we deposit all receipts in a timely manner, that all receipts are date stamped by the receiving unit, and that all deposit slips are signed and cosigned.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary S. Glenn". The signature is fluid and cursive, with a long horizontal stroke at the end.

Gary S. Glenn
Director Division of Finance, Facilities, & MIS
SC Commission on Higher Education

INFORMATION ITEM

Capital Projects & Leases Processed by Staff								
May 2014								
Date Approved	Project #	Institution	Project Name	Action Category	Budget Change	Revised Budget	Original Approval Date	Revised Building Condition Survey With Close-out
Maintenance Needs Projects using FY 2013-14 Lottery Allocation and Match								
4/30/2014	New	Lander	2013-14 Maintenance Needs ¹	establish project	\$0	\$850,000	-	-
Routine Staff Approvals								
5/1/2014	9580	Coastal Carolina	Softball/Baseball Complex Improvements ²	increase budget	\$2,450,000	\$15,250,933	11/15/2010	-
5/1/2014	New	Greenville TC	Building 602 Roof Replacement ²	establish project	\$0	\$66,000	-	-
5/5/2014	6093	USC Columbia	Rutledge College and Legare/Pinckney Comprehensive Renovation ²	establish construction budget	\$15,550,250	\$15,800,000	10/20/2011	-
5/6/2014	New	Clemson	Douthit Hills Student Community Construction ²	establish project	\$0	\$3,189,780	-	-
Close-Outs								
4/30/2014	9801	MUSC	CSB Air Handler #6 Replacement	decrease budget, close project	(\$8,394)	\$991,606	8/18/2008	-
4/30/2014	9807	MUSC	CSB 3rd Floor Neurosciences Renovation - Phase II	decrease budget, close project	(\$395,334)	\$1,854,666	4/19/2010	-
4/30/2014	9547	Coastal Carolina	Instructional Space Renovations	close project	\$0	\$945,000	3/2/2006	-
5/5/2014	9574	SC State	Whittaker Library Expansion/Renovation	decrease budget, close project	(\$249,984)	\$227,451	11/20/2002	-
5/5/2014	9641	SC State	Washington Dining Hall - HVAC System Repair/Replacement	decrease budget, close project	(\$177,890)	\$110	12/6/2007	-
5/5/2014	9645	SC State	Campus-wide Energy Performance Contract	close project	\$0	\$300,000	2/4/2010	Small campus wide improvements.
5/5/2014	9646	SC State	Deferred Maintenance	close project	\$0	\$1,073,693	3/13/2012	Small campus wide maintenance projects.
5/5/2014	9650	SC State	Deferred Maintenance 2012	close project	\$0	\$1,809,059	11/30/2012	Small campus wide maintenance projects.
5/13/2014	6021	USC Columbia	Public Health Research Building Construction	decrease budget, close project	(\$17,276,934)	\$548,872	5/13/2005	-
5/13/2014	6024	USC Columbia	Support Facilities Relocation/Land Acquisition	decrease budget, close project	(\$17)	\$63,983	5/13/2005	-
5/13/2014	6036	USC Columbia	707 Catawba/350 Wayne Street Acquisition	decrease budget, close project	(\$5,387)	\$24,613	11/29/2006	-
5/13/2014	6054	USC Columbia	Athletic Coaches Support Building Construction	decrease budget, close project	(\$7,300,266)	\$11,699,734	5/1/2008	-
5/13/2014	6074	USC Columbia	Spigner House Renovation	decrease budget, close project	(\$3,666)	\$1,096,334	12/11/2009	-
5/13/2014	9817	MUSC	3rd Floor Mammography Clinic Renovation	decrease budget, close project	(\$567,752)	\$1,632,248	2/16/2011	-
5/14/2014	6076	USC Columbia	SOM VA Campus Central Plant Chiller Replacement	decrease budget, close project	(\$490,502)	\$809,498	2/17/2010	Building condition increased from 61 to 62 Maintenance needs were reduced by 2.5%.
5/19/2014	9727	USC Columbia	Jones PSC Renovation	decrease budget, close project	(\$78,663)	\$14,770,337	9/6/1994	-
5/19/2014	9910	USC Columbia	B.A. Master Plan and Renovation (A/E)	decrease budget, close project	(\$266,858)	\$1,233,142	7/30/2001	-
5/19/2014	6017	USC Columbia	NERR Education and Training Center Construction	close project	\$0	\$2,932,472	4/11/2005	-
5/19/2014	6027	USC Columbia	Biomedical Block Parking Garage Construction	decrease budget, close project	(\$1,600,000)	\$17,400,000	5/23/2005	-
5/19/2014	6037	USC Columbia	Whaley House Acquisition	decrease budget, close project	(\$5,375)	\$31,255	1/19/2007	-
5/19/2014	6042	USC Columbia	Capstone Top of Carolina Renovation	decrease budget, close project	(\$12,529)	\$687,471	4/19/2007	-
5/19/2014	6089	USC Columbia	Williams Brice Stadium Video Board Support Construction	decrease budget, close project	(\$124)	\$6,499,876	8/15/2011	-
5/19/2014	9899	Piedmont TC	Abbeville County Extension Center Construction	decrease budget, close project	(\$48,286)	\$1,511,748	10/11/2004	-

¹See supporting narrative.

²Approved by CHE on May 1, 2014 as part of FY2014-15 CPIP year one.

Leases Processed by Staff
May 2014

Date Approved	Action	Institution	Project Name	Purpose/Additional Info	Rates	Term
5/6/2014	New	USC Columbia	USC Speech and Hearing Research Center Lease	The University will lease 17,719 SF of office space located at 1310 Lady Street, Suite 300 (Keenan Building). This lease allows the Speech and Hearing Research Center to continue to provide patient-based services and research closer to the University. The University will be responsible for operating costs of \$2.97 per SF. Parking is included, and the landlord is providing a complete upfit of the space at no additional charge to the University.	Base Rent the first two years will be \$11.00 per SF resulting in an annual rent of \$194,909.04. Thereafter, base rent increases 2% annually resulting in a total estimated lease cost of \$998,111.40.	5 years; no renewal options

LANDER UNIVERSITY

PROJECT NAME: 2013-14 Maintenance Needs
REQUESTED ACTION: Establish Project
REQUESTED ACTION AMOUNT: \$850,000
INITIAL CHE APPROVAL DATE: N/A

Project Budget	Previous	Change	Revised
Professional Services Fees	\$0	\$106,500	\$106,500
Roofing	\$0	\$650,500	\$650,500
Other	\$0	\$68,000	\$68,000
Contingency	\$0	\$25,000	\$25,000
Total	\$0	\$850,000	\$850,000

Source of Funds	Previous	Change	Revised
Lottery Appropriation 2013-14*	\$0	\$266,807	\$266,807
General University Plant Funds	\$0	\$583,193	\$583,193
Total	\$0	\$850,000	\$850,000

**Per lottery proviso 3.5, these funds are allocated for repair and maintenance and may only be distributed to an institution to the extent the funds are matched (1:1) by the institution. Matching funds exclude supplemental, capital reserve, lottery, or other non-recurring appropriated state funds. Because these funds are appropriated, under the PIP definition for higher education projects, a permanent improvement project must be established. Since these projects are considered legislatively authorized and the matching funds are legislatively mandated, CHE has delegated staff the authority to process submitted projects if the projects are set up to conform to the lottery proviso.*

DESCRIPTION:

The University requests approval to establish a project to replace the Genesis Hall (12,000 SF) and Barratt Hall (25,000 SF) roofs, as well as repair asphalt throughout the campus parking lots due to substantial asphalt deterioration.

E&G MAINTENANCE NEEDS REDUCTION:

Based on Fall 2013 data, Genesis Hall has a roof system rating of 3.1667 out of 5, and Barratt Hall has a roof system rating of 2.1667 out of 5. The two buildings have combined existing maintenance needs of \$737,039 over the next twenty years.

ANNUAL OPERATING COSTS/SAVINGS:

The project is not expected to generate additional operating costs at this time.