



# **Agreed Upon Procedure Engagements and Compliance Requirements for Lottery Funded Scholarship and Grant Programs**

**South Carolina Commission on Higher Education,  
in partnership with Cline Brandt Kochenower & Co., P.A.**

*July 1, 2025*

## Introduction

The South Carolina Commission on Higher Education (CHE) has oversight responsibility and serves as the administrative entity for the following lottery-funded scholarship and grant programs:

1. Palmetto Fellows Scholarship
2. Palmetto Fellows STEM Enhancement Scholarship
3. Palmetto Fellows Education Enhancement Scholarship
4. LIFE Scholarship
5. LIFE STEM Enhancement Scholarship
6. LIFE Education Enhancement Scholarship
7. SC HOPE Scholarship (*Technical colleges excluded*)
8. SC Need-based Grant (NBG) (*Independent colleges and universities excluded*)
9. Foster Care NBG
10. Lottery Tuition Assistance Program (LTAP) (*Technical colleges excluded*)
11. SC National Guard College Assistance Program (SCNG CAP) \*

*\*Additionally, the CHE administers the SCNG CAP in partnership with the South Carolina National Guard.*

The CHE is responsible to ensure that all funds awarded by institutions of higher learning (IHL) comply with the prerequisites of Title 59 of the 1976 South Carolina Code of Laws (as amended), regulations established by the CHE (Reg. 62), and applicable program guidelines. The CHE has the right to examine and obtain copies of all source documentation (student data and fiscal records) as set forth in 34 CFR, Sections 99.31 (a) (3), and 99.35 (a) and (b) of the Family Educational Rights and Privacy Act Final Regulations.

The CHE will ensure that all IHLs receiving scholarship and/or grant program funding, as applicable, are reviewed at least once within a three-year cycle. Follow-up reviews will be conducted on a periodic basis when deemed necessary by the CHE.

## Agreed Upon Procedures

The CHE has outsourced agreed upon procedures (AUP) with Cline Brandt Kochenower & Co., P.A. (CBK), to evaluate whether each IHL using state lottery program funding disbursed by the CHE for a specific year (test year) complies with state requirements. The CHE reserves the right to conduct or have an unscheduled review conducted (with sufficient notification) if evidence is provided to the CHE which substantiates that the IHL has not complied with state statutes, program rules, regulations, or guidelines.

### **CBK engagement and process steps:**

1. Contact the IHL to determine AUP schedule and send IHL survey. IHLs are required to ensure that appropriate personnel are available and/or accessible for conducting the AUP.
2. When the AUP schedule is determined, CBK will email the IHL approximately three weeks before the planned engagement to obtain the student population and create an account to CBK's secure online portal for IHLs to upload the requested documentation (See Client Prepared List example below). IHLs must ensure that all documents are available and/or accessible to conduct the AUP.
3. When the population is provided, CBK will take 1-2 days to process the information and provide a sample. Prior AUP reports will be reviewed to determine if additional sampling in addition to the standard sample will be required.
4. Once the sample is uploaded to the secure portal, the IHL will be notified and will have no more than two weeks (10 business days) to upload all requested information detailed in the client prepared list.
5. Once the IHL's documentation is uploaded, program testing is delegated to a specific staff member at CBK who has been assigned a specific program.
  - a. Each CBK staff member is required to review the survey completed by the IHL.
  - b. Each CBK staff member reviews the IHL's last AUP report.

- c. Each CBK staff member reads the IHL's policies and procedures and all pertinent references to the state statutes, applicable regulations, and any other audited reports of the IHL that would provide insight to the program tested.
- 6. An analytical review of total expenditures in each state lottery scholarship and grant program will also be prepared and used to determine if the programs have been properly and timely reconciled between:
  - a. The IHL's financial aid department (documents received from step three above),
  - b. The CHE Management Information System (CHEMIS), and
  - c. IHL invoices submitted to the CHE (Source: CHE accounts payable records).

The IHL will be requested to provide explanations and supporting documentation of any program variances from the analytical review. The IHL will have no more than two weeks (10 business days) to provide written explanations.

- 7. The engagement is very interactive with the IHL to address any student questions CBK may have, and vet any potential findings.
- 8. Any findings are discussed with the IHL and then typed in formal format for the IHL to review.
- 9. The IHL will have two weeks (10 business days) to respond to any errors of fact in the report and to provide a written management response to the IHL findings in the report.
- 10. At completion, a preliminary report is sent to the CHE for review and approval.
- 11. Once the CHE has reviewed and approved the preliminary report, it is sent to the IHL.
- 12. Once the IHL approves the preliminary report, a final report is sent to the CHE and the IHL.
- 13. If applicable, CBK will prepare and disburse the "AUP Findings and Actions" worksheet with the final report to assist with any corrective actions or award adjustments/refunds.
- 14. Representation letters are then sent to the CHE and the IHL to complete the engagement.

This is not intended to be a complete manual of procedures, nor is it intended to supplant the auditor(s) judgment of work required. These steps are intended to assist the auditor(s) in meeting the requirements of the state laws, regulations established by the CHE, and the applicable program guidelines, which provides for a review of financial awards, reports, and student data to ensure compliance with applicable laws and regulations. Suggested procedures described may not cover all circumstances or conditions encountered at a particular IHL. However, the auditor will use professional judgment and if necessary, tailor the procedures so that the requisite objectives are achieved during the AUP.

**Client Prepared List (Example):**

The following are examples of items that will be requested from the IHL to conduct the AUP. This is also referred to as the Client Prepared List (CPL). CBK will provide the most recent list.

1. Provide a list of students who received the following scholarship and grant programs during the test year or the year under review (some may not apply):
  - a. Palmetto Fellows Scholarship
  - b. Palmetto Fellows STEM Enhancement Scholarship
  - c. Palmetto Fellows Education Enhancement Scholarship
  - d. LIFE Scholarship
  - e. LIFE STEM Enhancement Scholarship
  - f. LIFE Education Enhancement Scholarship
  - g. SC HOPE Scholarship (*Technical IHLs excluded*)
  - h. SC Need-based Grant (NBG) (*Independent IHLs excluded*)
  - i. Foster Care NBG
  - j. Lottery Tuition Assistance Program (LTAP) (*Technical IHLs excluded*)
  - k. SC National Guard College Assistance Program (SCNG CAP)

### Illustration of Student Listing:

Name	Student ID	Social Security Number	State Award	Fall 20XX	Spring 20XX	Summer 20XX	Total Amount Disbursed 20XX-20XX
Doe, John	00001	123-45-6789	NBG	\$ 400.00	\$ 400.00	\$ -	\$ 800.00
Doe, John	00002	123-45-6789	LIFE	\$ 2,500.00	\$ 2,500.00	\$ -	\$ 5,000.00
Smith, Mary	00003	987-65-4321	LIFE	\$ 2,500.00	\$ 2,500.00	\$ -	\$ 5,000.00
White, Bob	00004	555-23-4762	NBG	\$ 400.00	\$ 400.00	\$ -	\$ 800.00

2. The IHL policies and procedures that were established for awarding scholarship and grants to recipients.
3. The IHL policies and procedures for determining the residency status of each student.
4. List of remedial courses during the test year (if applicable).
5. Cost of attendance (COA) budgets applicable to the test year.
6. The IHL refund policy for students who withdraw or are suspended/expelled from the IHL.
7. The IHL policy regarding transferring credit hours and cumulative GPAs.
8. The IHL policies and procedures for post-award evaluation and continued eligibility for scholarship and/or grant recipients.

### For the Palmetto Fellows Scholarship sample provide the following:

1. Proof that the recipient is a South Carolina resident.
2. Proof of citizenship.
3. Signed certifications:
  - a. Attesting to the fact that they have not defaulted on a student loan or are in a repayment status.
  - b. Attesting to no felony convictions and no alcohol/drug related convictions.

4. The CHE student approval for Palmetto Fellows Scholarship.
5. The IHL transcript.
6. Program of study.
7. Financial aid screen from system - showing the test year COA and all aid.
8. Student account history (cumulative).
9. Award notification with terms and conditions.
10. Palmetto Fellows total eligibility terms up to test year.
11. Palmetto Fellows Enhancement total eligibility terms up to test year.
12. Non-renewal notification, if applicable.
13. List of approved courses for 14 credit-hour requirement for scholarship enhancements.
14. Contractual agreement for education enhancements (2024-2025 award year and forward).
15. Refund and repayment, if applicable.
16. Verification from IHL disability service provider of student's disability and approval of reduced course-load requirement, if applicable.
17. Military mobilization orders, if applicable.
18. CHE scholarship appeal decision letter, if applicable.

**For the LIFE Scholarship sample provide the following:**

1. Proof that the recipient is a South Carolina resident.
2. Proof of citizenship.
3. Signed certifications:
  - a. Attesting to the fact that they have not defaulted on a student loan or are in repayment status.
  - b. Attesting to no felony convictions and no alcohol/drug related convictions.
4. Student's FINAL official high school transcript/to include cumulative South Carolina Uniform Grading Policy (SCUGP) conversion calculation/graduation date. If early grad, provide validation.

5. SAT or ACT scores (for four-year IHLs only).
6. The IHL transcript.
7. Program of study.
8. Financial aid screen from system - showing test year COA and all aid.
9. Student account history (cumulative).
10. Award notification with terms and conditions.
11. LIFE total eligibility terms up to test year.
12. LIFE Enhancement total eligibility terms up to test year.
13. LIFE GPA calculation.
14. Provide transferred credits and LIFE GPA at the time of transfer (include transfer transcripts), if applicable.
15. If student is a first year HOPE recipient, provide support.
16. Non-renewal notification, if applicable.
17. List of approved courses for 14 credit-hour requirement for scholarship enhancements.
18. Contractual agreement for education enhancements (2024-2025 award year and forward).
19. Refund and repayment, if applicable.
20. Verification from IHL disability service provider of student's disability and approval of reduced course-load requirement, if applicable.
21. Military mobilization orders, if applicable.
22. CHE scholarship appeal decision letter, if applicable.

For the SC HOPE Scholarship sample provide the following:

1. Proof that the recipient is a South Carolina resident.
2. Proof of citizenship.
3. Signed certifications:
  - a. Attesting to the fact that they have not defaulted on a student loan or are in repayment status.



- b. Attesting to no felony convictions and no alcohol/drug related convictions.
- 4. Student's FINAL official high school transcript/to include cumulative SCUGP conversion calculation/graduation date. If early grad, provide validation.
- 5. The IHL transcript.
- 6. Program of study.
- 7. Financial aid screen from system - showing test year COA and all aid.
- 8. Student account history (cumulative).
- 9. Award notification with terms and conditions.
- 10. Notification to student of scholarship adjustments due to an over award, change in eligibility, change in residency, change in financial status, if applicable.
- 11. Refund and repayment, if applicable.
- 12. Verification from IHL disability service provider of student's disability and approval of reduced course-load requirement, if applicable.
- 13. Military mobilization orders, if applicable.
- 14. Proof of last day of attendance, if applicable.
- 15. CHE scholarship appeal decision letter, if applicable.

**For the Lottery Tuition Assistance Program sample provide the following:**

- 1. Proof that the recipient is a South Carolina resident.
- 2. Proof of citizenship.
- 3. ISIR or FAFSA waiver.
- 4. The IHL transcript.
- 5. Program of study.
- 6. Financial aid screen from system - showing test year COA and all aid.
- 7. Student account history (cumulative).
- 8. Award notification with terms and conditions.
- 9. SAP determination prior to award disbursement.

10. Proof that student did not receive LTAP for more than one certificate, diploma, or degree earned within a five-year period (unless it constituted progress in same field of study).
11. Refund and repayment, if applicable.
12. Verification from IHL disability service provider of student's disability and approval of reduced course-load requirement.
13. Military mobilization orders.

For the SC Need-based Grant sample provide the following:

1. Proof that the recipient is a South Carolina resident.
2. Proof of citizenship.
3. Signed certifications:
  - a. Annual alcohol/drug certification.
  - b. Annual certification that student does not owe refund or repayment on a state grant, Pell Grant, or Supplemental Educational Opportunity Grant and is not in default on a loan under the Federal Loan or Federal Stafford.
4. ISIR.
5. The IHL transcript.
6. Program of study.
7. Financial aid screen from system - showing test year COA and all aid.
8. Student account history (cumulative).
9. Award notification with terms and conditions.
10. SAP determination prior to award disbursement.
11. Need analysis for NBG recipients.
12. Documentation on file of terms of eligibility for maximum terms of eligibility.
13. Methodology for awarding the NBG based on test year allocation.
14. Military mobilization orders, if applicable.

For the Foster Care sample selected by CBK provide the following:

1. All 13 items above for NBG.
2. "SC Need-based grant Waiver Form for Foster Care Youth" completed by the student's DSS representative.
3. Letter from the DSS representative indicating that the student is in the custody of DSS or participating in independent living services.

For the SC National Guard College Assistance Program sample provide the following:

1. Student's eligibility determination pulled by the IHL from the CHE database.
2. The IHL current transcript.
3. Program of study.
4. Financial aid screen from system - showing test year COA and all aid.
5. Student account history (cumulative).
6. Test year award amount.
7. Total benefits received by students from SCNG CAP (for maximum lifetime).
8. SAP determination prior to current award.
9. If applicable, refund and repayment.
10. If applicable, military mobilization orders.

## AUP Findings & Actions Spreadsheet (Example):

To Return to SC Commission on Higher Education						To Award to Student				
Finding #	Amount	Finding	Program	Student Name	Student ID	Amount	Finding	Program	Student Name	Student ID
1										
2										
3										
4										
5										
6										
7										
8										
9										

Funds to return to CHE by [ ]

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Mail Refund Check(s) to:  
 Mr. Bryce Wilson  
 Office of Finance and Operations  
 SC Commission on Higher Education  
 1122 Lady Street, Suite 400  
 Columbia, SC 29201

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Information to include with check to CHE:

- \$ - FY24 Palmetto Refund due to AUP Finding
- \$ - FY24 Palmetto STEM Enhancement Refund due to AUP Finding
- \$ - FY24 Palmetto Education Enhancement Refund due to AUP Finding
- \$ - FY24 LIFE Refund due to AUP Finding
- \$ - FY24 LIFE STEM Enhancement Refund due to AUP Finding
- \$ - FY24 LIFE Education Enhancement Refund due to AUP Finding
- \$ - FY24 HORE Refund due to AUP Finding
- \$ - FY24 SC Need Based Grant Refund due to AUP Finding
- \$ - FY24 Foster Care Grant Refund due to AUP Finding
- \$ - FY24 SC National Guard CAP Refund due to AUP Finding
- \$ - FY24 Lottery Tuition Assistance Program (LTAP) Refund due to AUP Finding
- \$ - **Total Refund Check**

Appropriate adjustment(s) to the student(s)

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Email the following documentation to:  
 Christina Seale @ cseale@che.sc.gov

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Student account history showing how the finding was corrected, i.e. student account adjustments using institutional credits.  
*Even though CHE is unable to reimburse the institution for prior year funds, it is appropriate for the institution to make the necessary adjustment(s) to the student(s).*

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*If the institution chooses not to award the eligible student(s), provide the names of those students to Ms. Seale.*

\*\*\* DO NOT include any PII through email. You may send PII information through CBK's Portal. \*\*\*

IHLs must reimburse the program if an AUP discloses that funds were expended out of compliance with the provisions of the act, any relevant statutes, pertinent rules, and regulations. IHLs should ensure the IHL office of financial aid maintains records to support all refunds or repayments.

In addition to an immediate reimbursement from the IHL, if the AUP substantiates that the IHL failed at a greater level to comply with the provisions of the act, any relevant statutes, or pertinent rules and regulations, the CHE shall notify the IHL in writing imposing one of the following:

- Decrease in the next year's appropriation (only applicable to Need-based Grant programs).
- Conditions (the IHL will be required to adhere to certain conditions to continue participation, i.e. additional testing, repeat AUP, etc.)
- Suspension (the IHL will be suspended from participation for a designated time period).
- Termination (the IHL will be terminated from participating in the scholarship or grant program).

## **Records Retention**

IHLs are required to maintain copies of all pertinent documentation including but not limited to student data supporting the eligibility of each recipient of a scholarship/grant award in accordance with program regulations.

The scholarship and grant records mentioned above, except for transcripts, should be kept for a minimum of three years from graduation or termination or until no longer needed as the CHE deems appropriate. Transcripts must be retained as a permanent record for a minimum of 50 years from graduation or termination.

## **Monitoring and Awarding Procedures**

IHL must develop standard monitoring and awarding procedures for state scholarship and grant program expenditures to include procedures covering, at a minimum, the awarding process and the eligibility criteria for each program. These procedures will be posted on the CHE website at <https://che.sc.gov/lottery-expenditure-verification-and-audit-reports#PoliciesandProcedures>.

The procedures should be reviewed annually by the IHL and submitted to the CHE by October 1 each year - if no changes have been made from prior year procedures, the IHL may notify the CHE that no changes were made and that the procedures posted on the CHE's website are current. Notifications should be provided to Christina Seale, CHE compliance audit manager, at [cseale@che.sc.gov](mailto:cseale@che.sc.gov).