

MEETING MINUTES
COMMITTEE ON FINANCE AND ADMINISTRATION
DECEMBER 5, 2024

The South Carolina Commission on Higher Education's Finance and Administration Committee met on December 5, 2024. This meeting was held in compliance with the Freedom of Information Act.

1. Call to Order

Commissioner Paul Batson, Chair, called the meeting to order at 9 a.m. Upon Chair Batson's request, Yolanda Myers acknowledged Committee members, noted the establishment of a quorum, and introduced guest attendees.

In addition to Chair Batson, Committee members present for this meeting were Commissioners Edgar Dyer, Hugh Mobley, Oran Smith, Dino Teppara, and Mark Masters.

CHE staff present for this meeting were Dr. Jeff Perez, CHE President and Executive Director, Bryce Wilson, Christina Seale, Yolanda Myers, Scheri Eichelberger, Laura Belcher, Christopher Glenn, Leslie Williams, Kristen Brooks, Monica Goodwin, Tanya Weigold, Mariana Manic, Karen Woodfaulk, Tracey Solet, Endé Clark, Shardai Figgures, Mark Swart and Kenita Pitts.

2. Approval of Minutes

Chair Batson called for approval of the September 5, 2024, meeting minutes. Commissioner Dyer motioned for approval, and Commissioner Mobley seconded. The motion passed unanimously.

3. Chair's Report

Chair Batson thanked everyone for attending the meeting and noted that the meeting was packed with a lot of material and reports he is looking forward to seeing. He reported there were no action items for this meeting, and a draft version of the committee charter was distributed for discussion. Chair Batson also reported that the election of the Chair and Vice Chair positions would take place during the meeting.

4. Office of Fiscal Affairs and Operations Updates (for information only, no action)

The following items were presented by the Office of Finance and Operations, Mr. Bryce Wilson, CHE Director and Ms. Christina Seale, CHE Compliance Audit Manager:

A. CHE Quarter 1 Update

Mr. Wilson provided an update on the agency's expenditures in the first quarter that ended on September 30, 2024. He explained that amounts in column D were expended in FY 23-24, except for the rows that had "carryover" identified. Those rows are the ending balance of FY 23-24. Commissioner Mobley asked about the level of expenditures in the carryover amounts which led to a discussion by all. Mr. Wilson explained that CHE has about \$4 million in funds, which is about 10% that can be carried forward in the state's general fund. Dr. Perez also mentioned that CHE is now monitoring funds further in the future.

Mr. Wilson pointed out that the Education and Economic Development Act (EEDA) amount was high because of one transaction that was already disbursed.

Mr. Wilson further explained that the ESSER Grant is at 50% expended, and that it is a federal grant that ended in September. ESSER is still in the closeout process, so more expenditures are expected. Mr. Wilson pointed out that the Battelle Alliance had \$24 million expended in FY 23-24 and \$16 million

expended in Quarter 1 FY 24-25.

Mr. Wilson highlighted that the \$9.6 million carryforward of the LIFE Scholarship is the remaining balance after the large cash balance return of funds was made. Chair Batson asked about how the carryover amounts were derived, which led to a discussion by all. Mr. Wilson explained the calculations. Dr. Perez also mentioned that CHE is now working with the South Carolina Revenue and Fiscal Affairs Office to confirm the CHE's calculations. Mr. Wilson also mentioned that one of the main functions of the Office of Fiscal Affairs and Operations is processing the scholarship invoices from the institutions. Chair Batson stated, in summary, the fund balances in the lottery scholarship programs have been returned appropriately to the state, and CHE now has a satisfactory carryforward going into the future. The CHE now has a whole new set of formulas and new methodology for determining the needs going into the future.

B. Scholarship Compliance Audits Update

Ms. Seale provided an update on the scholarship compliance audits conducted by Cline Brandt Kochenower (CBK). As of November 22, 2024, a total of 39 of 47 institutional audits have been completed.

Out of those 39 audits completed, 20 were completed before June 30, 2024, and were therefore reported in the FY 23-24 Lottery Expenditure Report submitted October 1, 2024 (presented in the next agenda item, "C"). Ten of these institutions had a combined total of 19 findings, which resulted in refunds to the lottery funded scholarships and grant programs totaling \$33,950 and awards to students totaling \$7,500.

The remaining 19 of 39 audits completed will be captured in the next Lottery Expenditure Report for FY 24-25, which is due October 1, 2025. Ten of these institutions had a combined total of 24 findings, which resulted in refunds to the lottery funded scholarships and grant programs totaling \$112,000 and awards to students totaling \$17,800.

Of the 39 institutions that had audits completed, 20 had findings (10 in FY 23-24 and 10 in FY 24-25). Out of those 20 institutions with findings, 16 had 1-2 findings, and four had three or more findings. The majority of the findings consisted of: institutions not reconciling their records before invoicing CHE for scholarships and grant programs, which caused them to overbill CHE; annual affidavits not being signed before disbursing funds; and misawarded LIFE and HOPE scholarships during initial and continued eligibility.

Commissioner Mobley asked in regard to the audits with the discrepancies, was there a sense that the institutions overall had a process to rectify the issues going forward. Ms. Seale stated that the institutions were very responsive, and most of them had already put the recommended corrective actions in place before the audit was complete and issued refunds if applicable.

Chair Batson asked if there were any situations that would rise to the level of a closer look and more frequent audits. Ms. Seale stated that there were a couple of institutions that stood out and they will be monitored closer and more frequently. Chair Batson also asked Ms. Seale if she could expand on the audit plan up through June 30, 2025. Ms. Seale stated that by June 30, 2025, they are expecting to have 27 audits reported for FY 24-25, and then for the years after the audits will be back on track. This will cause some institutions to be audited back-to-back: 47 of 56 institutions were just audited during the calendar year ending December 31, 2024.

Commissioner Dyer asked if there were any repeat offenders. Ms. Seale said that CBK had been given the prior audit reports to review before the audits and that nothing had been mentioned in regard to repeat

findings. Commissioner Dyer also wanted to clarify that the findings mentioned in Ms. Seale's report were caused by the institutions and not CHE. These are institutional errors that CHE is required to report back to the general assembly.

Commissioner Smith asked how the institutions go about getting the affidavits signed. Ms. Seale explained that some institutions have electronic, whereas some still have paper files so the process is different at each institution.

C. Lottery Expenditure Report Review

Mr. Wilson provided an overview of the Lottery Expenditure Report that is required by Proviso 3.1 to be prepared and submitted by October 1 each year. This was the first time that Mr. Wilson presented this report to the Commission. It is a comprehensive report that compares the expenditures in FY 22-23 to expenditures in FY 23-24. The expenditures are presented by institution and in total. This report also presents the audits completed during FY 23-24 as Ms. Seale mentioned previously.

Chair Batson commented that it was a very thorough report and asked if the CHE received any feedback from the recipients. Mr. Wilson and Dr. Perez said they have not received any feedback.

D. CHE's Agreed Upon Procedures (AUP) Engagement

Mr. Wilson provided an overview of the AUP engagement that was done by the South Carolina Office of the State Auditor (OSA) for FY 23-24 and select procedures for FY 22-23. This was the first time that Mr. Wilson presented this report to the Commission. The CHE had five findings, four of which were attributed to reporting packages. The CHE prepares its reporting packages in conjunction with the Department of Administration (DOA), since the CHE uses its shared services.

Chair Batson asked Mr. Wilson to explain for everyone what an agreed upon procedures engagement is. Mr. Wilson explained that the CHE and OSA agree upon certain procedures before OSA starts its review. OSA will select certain programs to review, and that is all that OSA looks at. The programs agreed upon for this engagement are in the AUP report.

E. Battelle Alliance Update

Mr. Wilson provided an update on the Battelle Savannah River Alliance (BSRA) reporting. Proviso 11.24 of the fiscal year 2023-24 Appropriations Act appropriated \$40 million for BSRA, allocated among the three members: Clemson University (\$16 million), University of South Carolina (\$16 million), and South Carolina State University (\$8 million). All funds have been distributed to BSRA. The first quarter ended September 30, 2024, and the BSRA members are now required to quarterly report to CHE their progress towards commitments and obligations along with actual expenditures.

Chair Batson commented that these funds simply pass through the CHE, and the CHE is required to report on the funds. Also, the institutions involved are making the operational decisions on the expenditures. Dr. Perez and Mr. Wilson both confirmed that was correct.

Commissioner Smith asked if there was anything in the BSRA agreement (approved plan) that stated what proportion of funds must be distributed amongst the program elements or is that based on how the members decide to expend the funds. Dr. Perez said that staff could get an answer for him. This led to a discussion by all. Chair Batson and Commission Dyer both stated that they were in the initial meetings/briefing and that they recalled the CHE being a pass through, and then the CHE was required to obtain the reports from BSRA and then pass them along.

5. Other Business (for information only, no action)

A. Draft version of the Committee on Finance and Administration Charter

Chair Batson stated that the CHE has been formally drafting charters for the responsibilities and actions of each committee and asked Dr. Perez to comment on it. Dr. Perez stated that the Committee on Finance and Facilities is now called the Committee on Finance and Administration (CFA), which is more in line with the functions and operations within CHE. Also, the Office of Information Technology and Data Analysis will fall under CFA. This will be voted on in the next meeting in February 2025.

6. Election of Chair and Vice Chair

Chair Batson opened up the floor to nominate the position of Chair. Commissioner Mobley nominated Paul Batson, and Commissioner Dyer seconded. Commissioner Smith moved that the nominations be closed and the Chair be re-elected by acclamation. The motion was seconded by Commissioner Dyer and passed unanimously.

Chair Batson moved to nominate Commissioner Dyer as Vice Chair, and Commissioner Smith seconded. Commissioner Smith moved that the nominations be closed and the Vice Chair be re-elected by acclamation. The motion was seconded by Commissioner Mobley and passed unanimously.

7. Adjournment

When there were no more comments or remarks, Commissioner Mobley motioned for adjournment, and Commissioner Dyer seconded.

The meeting adjourned at 9:59 a.m.