

# Education and Cultural Affairs Subcommittee

## Meeting Packet

### 12.11.2023

#### Contents

Agenda .....	2
Minutes .....	3
Agency Overview.....	6
State Inspector General Report.....	11
State Inspector General Presentation .....	50



Agenda



# South Carolina House of Representatives Legislative Oversight Committee

---

## EDUCATION AND CULTURAL AFFAIRS SUBCOMMITTEE

Chairman Timothy A. "Tim" McGinnis

The Honorable Adam M. Morgan  
The Honorable John R. McCravy, III  
The Honorable Wendell K. Jones  
The Honorable Josiah Magnuson

---

## A G E N D A

---

Monday, December 11, 2023

10:00 a.m.

Room 110 - Blatt Building

Pursuant to Committee Rule 4.7, S.C. ETV shall be allowed access for internet streaming whenever technologically feasible.

### AGENDA

- I. Approval of Minutes
- II. South Carolina Office of Inspector General report on the Commission on Higher Education
- III. Discussion of the study of the Commission on Higher Education
- IV. Adjournment



Minutes



# South Carolina House of Representatives Legislative Oversight Committee

## Chair Jeffrey E. “Jeff” Johnson

William H. Bailey  
Gary S. Brewer  
April Cromer  
Kambrell H. Garvin  
Leon Douglas “Doug” Gilliam  
Thomas Duval “Val” Guest, Jr.

William M. “Bill” Hixon  
Joseph H. “Joe” Jefferson, Jr.  
Wendell Keith Jones  
Roger K. Kirby  
Josiah Magnuson  
John R. McCravy, III

## First Vice-Chair Chris Wooten

Timothy A. “Tim” McGinnis  
Adam M. Morgan  
Travis A. Moore  
Russell L. Ott  
Marvin R. Pendarvis  
Marvin “Mark” Smith

Lewis Carter  
Director

Cathy A. Greer  
Administration Coordinator

Roland Franklin  
Legal Counsel

Riley E. McCullough  
Research Analyst

Post Office Box 11867  
Columbia, South Carolina 29211  
Telephone: (803) 212-6810 • Fax: (803) 212-6811  
Room 228 Blatt Building

## MEETING MINUTES

Tuesday, August 8, 2023  
Blatt Room 110

### Archived Video Available

- I. Pursuant to House Legislative Oversight Committee Rule 6.7, South Carolina ETV was allowed access for streaming the meeting. You may access an archived video of this meeting by visiting the South Carolina General Assembly’s website (<http://www.scstatehouse.gov>) and clicking on Committee Postings and Reports, then under House Standing Committees click on Legislative Oversight. Then, click on Video Archives for a listing of archived videos for the Committee.

### Attendance

- I. The Education and Cultural Subcommittee meeting was called to order by Representative Adam Morgan on Tuesday, August 8, 2023, in Room 110 of the Blatt Building. Representative Morgan presided over the meeting as Subcommittee Chair Tim McGinnis was absent. Four subcommittee members (Representative Adam Morgan; Representative Josiah Magnuson; Representative John McCravy; and Representative Wendell Jones) were present, and one was absent (Representative Tim McGinnis, and Representative Josiah Magnuson) for all or a portion of the meeting.

### Minutes

- I. House Rule 4.5 requires standing committees to prepare and make available to the public the minutes of committee meetings, but the minutes do not have to be verbatim accounts of meetings.

## Approval of Minutes

### Approval of Minutes

- I. Representative McCravy made a motion to approve the meeting minutes from prior meeting. A roll call vote was held, and the motion passed.

<b>Rep. Garvin's motion to approve meeting minutes.</b>	<b>Yea</b>	<b>Nay</b>	<b>Not Voting</b>
Rep. Jones	✓		
Rep. Magnuson			✓
Rep. Morgan	✓		
Rep. McCravy	✓		
Rep. McGinnis			✓

### Discussion of Commission on Higher Education

- I. Acting Chair Morgan calls the meeting to order. Members introduce themselves and Rep. Jones gives an opening prayer.
- II. Agency director, Dr. Rusty Monhollon, and members of his executive team are present. He introduces members of his executive team who will testify before the committee (i.e., Georges Tippens, Deputy Director/General Counsel; Bunny Ward, Director of Strategic Initiatives and Engagement; and Bryce Wilson, Director of Fiscal Affairs)
- III. Georges Tippens, Deputy Director and General Counsel, presented information on the following topics:
- Office of Internal Operations and Administration
    - Purpose
    - Operations
    - Comprehensive Permanent Improvement Plan
    - Human Resources
    - State Approving Agency – presented by Frank Myers, Director of State Approving Agency
- IV. Bunnie Lempesis Ward, Director of Strategic Initiatives and Engagement, presented information on the following topics:
- Office of Strategic Initiatives and Engagement

- Organizational chart
- Operations
- Human Resources
- Engagement Events
- Legislative and External Affairs
- Communications
- Transfer and Articulation
- College Completion

V. Bryce Wilson, Director of Fiscal Affairs, presented information on the following topics:

- Purpose
- Operations
- Organizational Chart
- Manual Entry
- Appropriations History
- Agency Finance
  - Funding Sources
  - Pass-Through
  - Funded Programs
- Audits
- Lottery Administration
  - Cash Balances
- Scholarship Projections/Compliance

## **Adjournment**

I. There being no further business, the meeting is adjourned.



Agency Overview





# South Carolina House of Representatives Legislative Oversight Committee

## COMMISSION ON HIGHER EDUCATION OVERVIEW

### ABOUT



- The South Carolina Commission on Higher Education (CHE) was established in 1967 and serves as the coordinating board for South Carolina's 33 public institutions of higher learning.
- CHE is committed to promoting access, affordability, and excellence within the state system of higher education.
- CHE acts both as an oversight entity on behalf of the General Assembly and an advocate for the citizens of South Carolina as they seek opportunities to improve their lives and those of their families, through higher education.

### LEADERSHIP

#### Agency Head

- Dr. Rusty L. Monhollon became CHE's president and executive director in July of 2019.
- § 59-103-90: Manage and carry out duties of Commission; ensure staff has professional competence and experience
- Commission appoints agency head to manage and carry out duties as prescribed by law and assigned by the Commission

#### Commission

- 15-member board selected per § 59-103-10
- Eight appointed by Governor, with advice and consent of Senate
- Seven appointed by the governor upon the recommendation of the legislative delegation from the Congressional district

### ROLE

The agency performs a range of work to support and coordinate the state system of higher education. Generally, this entails:

- Administering state, regional, and federal programs, in addition to state-funded lottery scholarships and grants.
- Approving new academic degree programs and institutions' revisions to mission statements.
- Collecting, analyzing, and reporting comprehensive data on postsecondary education in South Carolina.
- Coordinating the interests of federal and state government, institutions of higher education, public K12 education, students and their families, and the business community.
- Licensing non-public educational institutions operating and soliciting within the state.
- Recommending policy to the governor, the General Assembly, and relevant state agencies using data.
- Reviewing the productivity of existing academic programs and institutions' missions to see they are advancing defined state goals.

# FTEs/BUDGET

FY 2022-23



## PERFORMANCE MEASURES

- 1 **Increase Higher Education Enrollment**  
**Strategy 1:** Assist families with planning for higher education costs  
**Strategy 2:** Increase family awareness of postsecondary education opportunities  
**Strategy 3:** Obtain grants targeting K-12 population to prepare them for postsecondary education
- 2 **Promote Quality and Excellence of South Carolina's Higher Education System**  
**Strategy 1:** Promote on-time degree completion
- 3 **Improve Affordability and Accessibility of South Carolina Higher Education Programs and Services for Students and Families**  
**Strategy 1:** Promote high-quality early college opportunities  
**Strategy 2:** Advance cost-saving opportunities to obtain a postsecondary credential
- 4 **Promote Higher Education's Value to the State's Economic Growth and Human Capital Development**  
**Strategy 1:** Collaborate with peer agencies and institutions

## STATISTICS

FY 2021-22 State Appropriations to Public Colleges and Universities

**\$731,848,791**

8.4% of FY 2021-22

Total State recurring Appropriations

Total Number of Institutions	84
Public Institution Total	33
Independent Institution Total	25
Out-of-State Degree Granting	24
Fall 2021 Grand Total Headcount Enrollment	230,566
FY 2020-21 Grand Total Degrees Awarded	55,428

Source: South Carolina Legislative Oversight Committee Page 9



## State Inspector General Report



## State of South Carolina Office of the Inspector General

SENT VIA ELECTRONIC MAIL

November 22, 2023

OIG File No: 2023-6271-I

The Honorable Jeffrey E. “Jeff” Johnson  
Chairman, House Legislative Oversight Committee  
228 Blatt Building  
Columbia, South Carolina 29201

The Honorable Timothy A. “Tim” McGinnis  
Chairman, House Education and Cultural Affairs Subcommittee  
530D Blatt Building  
Columbia, South Carolina 29201

RE: Program Performance and Management Review: SC Commission on Higher Education

Dear Chairman Johnson and Chairman McGinnis:

The South Carolina Office of the State Inspector General (SIG) originally initiated a performance review on [3/24/23](#) of the SC Commission on Higher Education (CHE) for program effectiveness and efficiency based on a legislative request received by the SIG.

The SIG initiated the review under its authority found in SC Code of Laws, §1-6-30 (4), which provides for the SIG to receive complaints from any individual, including those employed by any agency, alleging fraud, waste, abuse, mismanagement, misconduct, violations of state or federal law, and wrongdoing in an agency. The scope and objectives of this review were to examine six, discrete issues involving program and personnel management during the period of fiscal year (FY) 2018-19 through FY 2022-23.

On 7/26/23, the SIG presented an initial draft to the CHE of the investigative findings for discussion. By [letter dated 8/8/23](#), the SIG notified the CHE that Dr. Monhollon and the deputy director disclosed confidential content from the draft report during public testimony before the Educational and Cultural Affairs Subcommittee of the House Legislative Oversight Committee (HLOC) in violation of South Carolina Code of Laws, §1-6-50 (C).<sup>1</sup> By [letter dated 8/22/23](#), the HLOC requested that the SIG conduct a management review of the CHE.

---

<sup>1</sup> [Text messages](#) referenced in the 8/8/23 letter.

The investigation conducted pursuant to the HLOC request incorporated the following areas into the initial, narrower scope for the period FY 2018-19 through the present.

- Organizational culture;
- Organizational structure and chain-of-command;
- Utilization and distribution of full-time equivalent (FTE) positions;
- Managerial practices and decision-making processes, employee corrective action procedures;
- Employee complaint and grievance processes; and
- Employee turnover trends.

Based upon analysis of HLOC hearing testimony, the SIG deemed that a full financial management review of CHE's business practices and financial projections should be included within the "managerial practices and decision-making processes" part of the HLOC request.

Reviews and investigations by the SIG are conducted in accordance with professional standards set forth by the Association of Inspectors General's *Principles and Standards for Offices of Inspector General*, often referred to as the "Green Book." This review used the preponderance of evidence standard.

### **Executive Review**

The SIG conducted more than 106 interviews of current CHE staff, former staff, and commissioners and reviewed relevant records provided by the CHE, including employee exit interviews and an internal employee engagement survey, as well as survey results provided by the HLOC. In addition, the SIG conducted an employee climate survey and interviewed state officials responsible for statewide human capital management and budgetary/financial matters with the Division of State Human Resources (DSHR) and the Executive Budget Office (EBO), both of the Department of Administration (DOA).

The identities of persons interviewed who provided information alleging fraud, waste, abuse, mismanagement, misconduct, violations of state or federal law, or wrongdoing may be confidential in the absence of a written waiver, pursuant to South Carolina Code of Laws, §1-6-100 (A). As a result, the SIG endeavors to protect the identities of persons interviewed, and, therefore, attribution for a source of information is generally masked. The SIG, however, ensures sources who provided information in the report are persons in an authoritative position to know about the matter that was reported and may be representative of others interviewed.

The following review sets forth the SIG's findings and recommendations for use in addressing operational and policy deficiencies.

### **Background**

The CHE, established in 1967, serves as the coordinating board for South Carolina's 33 public institutions of higher learning (IHLs). In addition to partnering with institutions to deliver an effective statewide higher education system, the CHE acts both as an oversight entity on behalf of the General Assembly and an advocate for the citizens of South Carolina as they seek opportunities to improve their lives, and the lives of their families through higher education.

The CHE is governed by a 15-member board of commissioners (Commission) per [South Carolina Code of Laws, §59-103-10](#). The governor, with advice and consent of the senate, appoints eight members and seven members are appointed by the governor upon the recommendation of the legislative delegation from the respective congressional district. At the time of this review, 12 of the 15 positions were filled, and the SIG interviewed 11 of the 12 current CHE commissioners.

The South Carolina Code of Laws contains various provisions regarding the CHE, including:

- Proviso 3.1, FY 2022-23 General Appropriations Bill, Part 1B, provides that the CHE is required to conduct an annual verification and audit of IHLs that receive lottery funds on a rotational basis not to exceed three years. It also required that the CHE provide a report to the EBO, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee by October 1<sup>st</sup> of each year summarizing, by institution, how lottery funds were expended in the prior fiscal year, issues and concerns as well as institution responses to those issues and concerns discovered as a result of the commission's verification and/or audit activity during the prior fiscal year.
- South Carolina Code of Laws, §59-150-350 *et seq* designates the role of the CHE in the management, appropriation, and uses of the Education Lottery Account.
- South Carolina Code of Laws, §59-26-35, South Carolina Educator Preparation Report Card (2022), provides that the CHE, with the assistance of South Carolina Department of Education, the State Board of Education, and the Center for Research on Teacher Education, is required to form a commission to assess the state's data infrastructure and publish a report card evaluating educator preparation programs before November 1<sup>st</sup> of each year.
- South Carolina Code of Laws, §59-103-45 provides that the CHE shall establish procedures for the transferability of courses at the undergraduate level between two-year and four-year institutions or schools.
- South Carolina Code of Laws, §59-103-60 provides that CHE shall make recommendations to the Governor's Office and the General Assembly as to policies, programs, curricula, facilities, administration, and financing of all state-supported IHLs as may be considered desirable.
- South Carolina Code of Laws, §59-29-130, commonly known as the Reinforcing College Education on America's Constitutional Heritage Act (REACH Act), provides that public IHLs must require that each undergraduate student complete three semester hours in fields of study related to American government or history that include as part of the curriculum certain foundational documents. The CHE is required to ensure compliance and report its findings to the General Assembly.
- Proviso 3.5 (12), FY 2022-23 General Appropriations Bill, Part 1B provided funding for need-based grants for students with intellectual disabilities in the College Transition Program Scholarships program.

The CHE approved a statewide public agenda for higher education in 2017, identifying a broad set of goals and objectives for the state's system of higher education. In 2020, the CHE convened the South

Carolina Higher Education Advisory Committee (HEAC) to further develop recommendations for this statewide public agenda. Based on the work of the HEAC, the CHE established strategic timelines and milestones, identified necessary staff and fiscal resources, and developed processes for engaging stakeholders in pursuit of public agenda objectives. The resulting Public Agenda Implementation Plan, [ASCEND 60x30](#), adopted by the CHE in February 2021, served as a strategic blueprint, communication strategy, and umbrella term that encompassed CHE's statutory mandates to guide the Commission and CHE staff in achieving student success.

One of ASCEND 60x30's primary goals is to have 60% of South Carolinians achieve some level of post-secondary educational attainment by the year 2030.

### **SIG Analysis**

The SIG examined CHE managerial practices and the effect of those practices on the organization, its culture, its personnel, its productivity, and the programs administered by the CHE, including programs mandated by statute or proviso. The specific areas and issues examined by the SIG were audits of lottery funds in IHLs, the accumulation of lottery funds, College Transition Program Scholarships, academic programs, the South Carolina Educator Preparation Report Card, employee turnover and FTE vacancies, employee relations, State Transfer and Articulation Action Plan, African-American Loan Program, the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), internal organization and operations, space utilization and telecommuting, technology, REACH Act, segregation of duties regarding the Office of Fiscal Affairs, and Commission oversight.

### **Audit of Lottery Funds in IHLs**

The CHE was required, per [Proviso 3.1](#), to audit IHLs on a rotational basis every three years and submit a report by October 1<sup>st</sup> of each year. In its [2018 report](#), "South Carolina's Use of Educational Lottery Account Funds," the Legislative Audit Council (LAC) revisited its [2014 report](#) which recommended that the CHE implement a program to review the scholarships it disburses to higher education institutions to ensure that scholarships are properly distributed to students by the institutions. The LAC's 2018 report confirmed that the 2014 recommendation was implemented.

The CHE advised the SIG that 55 IHLs received lottery funds during FYs 2020-21 through 2022-23, but no more than 13 audits were completed during the period. In order to meet the three-year audit cycle the CHE needed to average 18 audits per FY. CHE officials explained that staffing shortfalls prevented completion of the required audits.

One CHE employee advised only one audit was completed during FYs 2020-21 through 2022-23, while seven others were being rushed to completion since the start of the SIG investigation. Another employee reported seven audits were completed. Two other officials advised 11 audits were completed. A senior official stated, *"I think the previous year there's like 1 or 2... it wasn't good... it was not good."* A SIG review of CHE documentation indicated 13 audits were completed, leaving 76% unaudited during the previous three FYs.

The following five IHLs were audited during FY 2020-21: the University of South Carolina - Columbia, the University of South Carolina - Lancaster, the University of South Carolina - Salkehatchie, the University of South Carolina - Sumter, and the University of South Carolina – Union. One IHL, Midlands Technical College, was audited during FY 2021-22. The following seven were audited in FY

2022-23: Aiken Technical College, Bob Jones University, Denmark Technical College, Morris College, Northeastern Technical College, Trident Technical College, and Williamsburg Technical College.

Proviso 3.1 provided that the verification and audit was to be funded from appropriated lottery funds. At the close of FY 2022-23, the CHE accumulated \$152,895,827 in appropriated lottery funds. The executive director advised that use of a contracted audit firm had not been contemplated.

CHE officials advised that the CHE was tardy in its submission of 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. The SIG determined the FY 2022-23 report was received by the EBO on 10/3/23.

The SIG received no reports that alleged systemic mismanagement affecting lottery disbursements to students; nevertheless, the failure to conduct timely audits created a risk of fraud.

The SIG determined through interviews conducted of the Commission that key members of the Commission's finance committee were unaware that only 13 of the 55 (24%) required audits were conducted by the agency over the three-year period of FYs 2021-2023.<sup>2</sup> Most commissioners stated they received the necessary financial information as needed to carry out their duties as CHE commissioners. All commissioners agreed with the use of available funds to hire an external audit firm to complete the required audits of the IHLs.

**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.

**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.

**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.

**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 1<sup>st</sup> of each year.

Enclosed for reference are the following documents CHE submitted to the General Assembly:

- [Appendix A – FY 2022-23 Lottery Expenditure, Verification, and Audit Report](#)
- [Appendix B – FY 2021-22 Lottery Expenditure, Verification, and Audit Report](#)
- [Appendix C – FY 2020-21 Lottery Expenditure, Verification, and Audit Report](#)

---

<sup>2</sup> There were 56 institutions for FY 2022-23.



### **Accumulation of Lottery Funds**

The LAC found that the General Assembly appropriated Education Lottery Account funds for the following programs:

- Scholarships, grants, and tuition assistance;
- Technology upgrades for IHLs;
- Higher Education Excellence Enhancement Program;
- State Board for Technical and South Carolina Technical College System;
- Partnership Among South Carolina Academic Libraries;
- Southern Regional Education Board Program and Assessments;
- Carolina Career Clusters Grant;
- School bus purchases and leases;
- Reading Partners;
- State library aid to county libraries;
- School for the Deaf and the Blind for technology, and bus purchases and leases; and
- Department of Alcohol and Other Drug Abuse Services for gambling addiction services.

The executive director identified the administration of lottery scholarships as the CHE's first priority. Through the program's three largest scholarship funds, the Legislative Incentive for Future Excellence (LIFE), the Palmetto Fellows, and the Helping Outstanding Pupils Educationally (HOPE), \$278,981,728 were disbursed to students in FY 2022-23.

CHE officials advised that the end-of-FY (EOY) cash balance of CHE lottery funds totaled \$152,895,827 at the close of FY 2022-23. Table A illustrates the amounts of lottery funds appropriated for the three largest lottery-funded scholarship programs.

Table B sets forth the accumulation of all appropriated lottery funds during the period FY 2017-18 through FY 2023-24, including the three largest lottery-funded programs. The following data were provided by the EBO, drawn from CHE submissions.

**Table A**

<b>Lottery Funding Breakdown by Palmetto, Life, and Hope Scholarship</b>							
	<b>FY2017-18</b>	<b>FY2018-19</b>	<b>FY2019-20</b>	<b>FY2020-21*</b>	<b>FY2021-22</b>	<b>FY2022-23</b>	<b>FY2023-24</b>
<b>Appropriated</b>							
<b>Palmetto</b>	\$51,927,301	\$55,362,716	\$61,809,959	\$61,809,959	\$71,173,280	\$72,139,864	\$67,328,890
<b>Life</b>	\$221,843,614	\$230,056,162	\$240,102,429	\$240,102,429	\$236,771,166	\$235,150,272	\$201,194,944
<b>Hope</b>	\$14,458,578	\$15,563,241	\$14,557,008	\$14,557,008	\$10,371,104	\$10,904,039	\$12,574,147
<b>Disbursed</b>							
<b>Palmetto</b>	\$54,390,453	\$59,868,605	\$63,058,503	\$66,563,386	\$62,541,084	\$60,401,023	N/A
<b>Life</b>	\$207,239,651	\$223,280,225	\$222,143,027	\$224,640,006	\$212,347,447	\$206,010,462	N/A
<b>Hope</b>	\$9,391,051	\$10,357,954	\$10,074,336	\$10,447,345	\$11,548,207	\$12,570,243	N/A
*Because of the COVID-19 pandemic, appropriations were frozen at the level of the previous FY.							

**Table B**

<b>Total Lottery Funds (CHE)</b>							
	<b>FY2017-18</b>	<b>FY2018-19</b>	<b>FY2019-20</b>	<b>FY2020-21</b>	<b>FY2021-22</b>	<b>FY2022-23</b>	<b>FY2023-24</b>
<b>Appropriated</b>	\$327,548,223	\$346,289,987	\$363,233,522	\$360,646,175	\$407,969,301	\$434,540,449	\$407,148,578
<b>Disbursed</b>	\$307,538,761	\$337,884,344	\$340,206,098	\$346,586,113	\$377,290,967	\$386,141,058	N/A
<b>Carry-Forward (prior year)</b>	\$9,363,710	\$27,250,667	\$35,656,310	\$58,683,733	\$72,743,795	\$103,422,129	\$151,821,520
<b>Year End Cash Balance</b>	\$27,315,547	\$35,826,273	\$59,107,360	\$73,380,228	\$104,341,745	\$152,895,827	N/A
<b>Residual Cash without Budget</b>	\$ 64,880	\$ 169,963	\$ 423,627	\$ 636,433	\$ 919,616	\$ 1,074,307	N/A

At the end of FY 2022-23, the CHE had an EOY cash balance of \$152,895,827. However, the CHE only carried forward \$151,821,520 in its budget due to \$1,074,307 being unallocated as a result of factors such as refunds from IHLs for overpayments. These refunds occurred at different points throughout the year, meaning that CHE could not accurately project how much was received. Therefore, the residual cash does not have budget authorization, meaning that CHE was unable to expend the residual cash without approval from the EBO or the General Assembly. The CHE provided no documentation it sought budget authorization from the EBO or the General Assembly to utilize the residual cash balance.

According to CHE officials, the accumulation of lottery funds was caused by flawed projections in estimating the needs of the three largest scholarship programs. The factors causing the flawed projections included an inaccurate model and insufficient data that would normally be derived from the annual verifications and audits. The EBO and a senior CHE official advised that lottery funds were appropriated based on CHE's projections. Notwithstanding the accumulation of appropriated lottery funds beginning in FY 2017-18, the CHE requested additional lottery fund appropriations from the General Assembly in each succeeding FY until December 2022 when the CHE first notified the EBO that the CHE's projections for necessary funding for the Palmetto Fellows, LIFE, and HOPE scholarships were inaccurate. Modifications were made to the model in the fall 2022 and summer 2023. As a result, the CHE required a lesser appropriation for FY 2023-24.

A CHE official stated, the *“model has over-estimated funding needed over the past three years... and has approximately \$77 million in carryforward [sic] related to LIFE.”* The failure to complete verifications and audits, as referenced above, may have contributed to flawed lottery projections. Despite evidence of modeling and/or data flaws beginning in FY 2017-18, the projections have not been corrected to date.

The SIG determined the knowledge of the accumulating lottery funds carried forward each fiscal year was general in nature among the CHE commissioners. The commissioners received quarterly budget reports that set forth various financial information, to include the carry-forward funds.

Based on the information reviewed, the SIG identified no eligible student applicant who was denied a lottery-funded scholarship.

**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.

### **College Transition Program Scholarships**

The General Assembly appropriated lottery funds in succeeding General Appropriations Bills for need-based grants and lottery funded scholarships for in-state students who could receive up to \$5,000 per semester at five eligible IHLs regardless of financial need under the College Transition Program Scholarship initiative. Table C depicts College Transition Program Scholarship funding.

**Table C**

<b>FY</b>	<b>Proviso</b>	<b>Amount appropriated</b>	<b>Amount expended</b>	<b>Percentage expended</b>	<b>Carry-forward</b>
FY 2021-22	<a href="#">Proviso 3.5 (14)</a>	\$750,000	\$295,000	39.3%	\$455,000
FY 2022-23	<a href="#">Proviso 3.5 (12)</a>	\$4,105,597	\$820,000	20%	\$3,285,597
FY 2023-24	<a href="#">Proviso 3.6 (11)</a>	\$4,105,597	N/A	N/A	N/A

The executive director advised that he believed the program was successful, and he relied on the division director to report whether there were any problems or issues with the program. He explained that appropriated funds for the program were received on a recurring basis, and CHE played no active role in advertising the program.

**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.<sup>3</sup>

---

<sup>3</sup> These funds are included in the \$152,895,827 addressed in **Finding 2**.

## Academic Programs

The [South Carolina Code of Laws, §59-103-60](#) requires that the CHE make recommendations to the Governor's office and the General Assembly as to programs, curricula, facilities, administration, and financing of all state-supported institutions as may be considered desirable. This is a core function of the CHE. [SIG emphasis]

CHE officials and a CHE commissioner advised that reviews of programs of state-supported institutions continued under the current leadership, but complained that the executive director and deputy director de-emphasized the reviews resulting in a watering-down of holding institutions accountable. One CHE commissioner stated, *"I wouldn't say we're rubber stamps, but there's definitely a lot of peer pressure to go along and get along..."*

The South Carolina Code of Laws, §59-103-35 states, "...no new program may be undertaken by any public institution of higher education without the approval of the commission." The SIG assessed that the CHE acts as a major internal control activity in South Carolina for assessing the necessity and merit of new academic programs at IHLs.

In June 2018, the CHE developed the [Policies and Procedures for New Academic Programs, Program Modifications, Program Notifications, Program Terminations, and New Centers for SC Public Colleges and Universities](#). The policy states, "...new academic program approval is one of the important functions a higher education coordinating agency performs."

Along with an internal CHE staff review, the CHE relied on the Advisory Committee on Academic Programs (ACAP) to make recommendations regarding new academic program approval. The ACAP was made up of chief academic officers from different IHLs across the state. When describing the ACAP, one CHE official stated, *"I don't want to say it's a rubber stamp, but we've never had – in my experience there, and just 'rumor mill' – we've never had a provost necessarily not approve."*

CHE staff members stated to the SIG that while the ACAP always provided feedback on new academic programs and regularly recommended revisions, there was an unspoken agreement not to outright deny a new academic program because these chief academic officers were peers at various IHLs.

The SIG reviewed documentation that the CHE executive director provided to the Office of the Governor on 9/1/23 regarding the approval of new academic programs. The SIG determined that for the five-year period of FYs 2018-19 through 2022-23 the CHE received 214 requests for approval for new academic programs by IHLs. The CHE approved 211 (98.6%) of the requests and the remaining three requests were withdrawn by the IHL that made the initial proposal, effectively resulting in a 100% approval rate for new academic programs.

The SIG assessed that the CHE oversaw a lengthy approval process for new academic programs at IHLs. Before the new program was sent to the full CHE for approval, it experienced significant revisions. CHE staff, the ACAP, and a CHE subcommittee called the Committee on Academic Affairs and Licensing prompted these revisions. This review process fulfilled the CHE's statutory obligation regarding the oversight of new academic programs proposed by IHLs.

The executive director stated that he had faith that institutions only proposed programs that were necessary and appropriate. He offered that he was an "apostate" in that he did not consider academic

program review a top CHE priority. [SIG emphasis] The SIG noted that §59-103-60 required recommendations regarding programs and curricula et al “as may be considered desirable.” As a result, the CHE appears to have some discretion in its role of program review. However, interviews conducted of CHE commissioners identified concerns about asking “tough questions” when discussing new academic programs for approval.

**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.”

## **South Carolina Educator Preparation Report Card**

The [South Carolina Code of Laws, §59-26-35](#) required the CHE to form a commission to assess the state's data infrastructure and publish the South Carolina Educator Preparation Report Card evaluating educator preparation programs before November 1<sup>st</sup> of each year. The CHE did not publish the Report Cards that were due 11/1/22 and 11/1/23.

The General Assembly did not authorize FTEs and funding for the Report Card for FY 2022-23, but six FTEs were authorized and \$750,000 was appropriated to fund the ASCEND 60x30 initiative for FY 2022-23, the duties of which could include the Report Card. As of 10/1/23, two of the six positions remained unfilled, and CHE expended only \$156,451 of the \$750,000 appropriated. Carry-forward funds associated with the ASCEND 60x30 program totaled \$593,549. A senior CHE official advised that the CHE did not contemplate out-sourcing tasks associated with the Report Card or using ASCEND 60x30 funds to develop the online dashboard for the Report Card.

In the FY 2023-24 budget plan, the CHE requested \$210,000 in recurring personnel funds in connection with the Report Card. In addition, the CHE requested \$80,000 in recurring appropriations for operational costs and a non-recurring appropriation of \$350,000 to pay the DOA Division of Technology Operations and other vendors to develop the online dashboard for the Report Card.

**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.

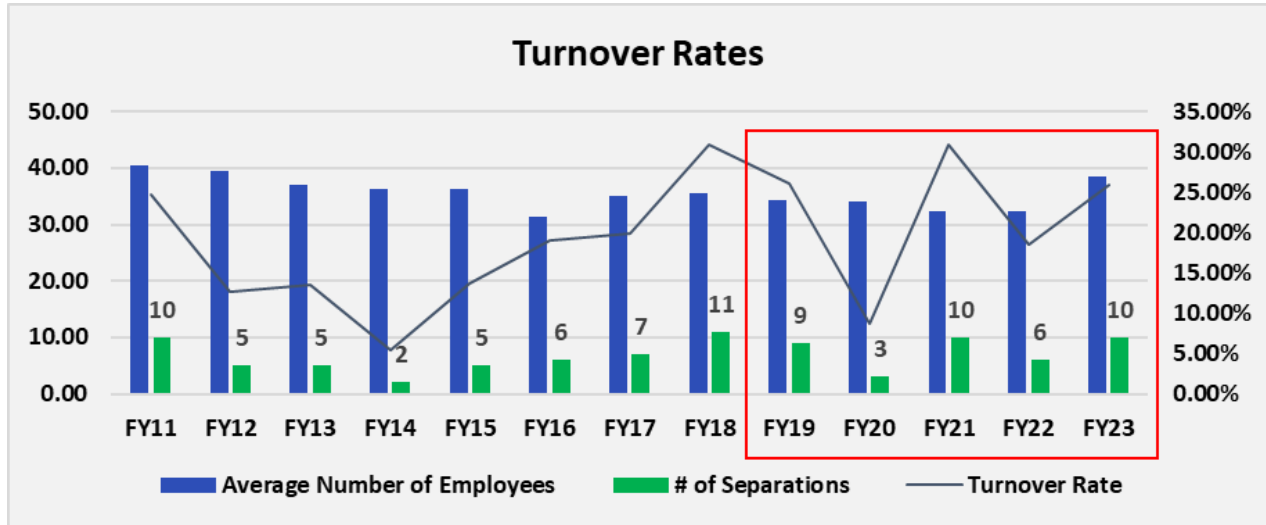
**Finding 5b:** The SIG determined the CHE failed to timely publish the South Carolina Educator Preparation Report Card on 11/1/23 in violation of [South Carolina Code of Laws, §59-26-35](#).

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

### Employee Turnover and Full-time Equivalent Vacancies

CHE documentation reflected that the total number of separations for FY 2018-19 through FY 2022-23 was 38. Table D, below, shows the turnover rates from FY 2010-11 through FY 2022-23.

**Table D**



During the FY 2018-19 through FY 2022-23 period, the CHE's turnover rate was 22%, compared to the average statewide government agency turnover rate of 19% for the same timeframe. The SIG conducted a limited sampling of six executive branch agencies with a similar composition of employees from data provided by the DSHR. The sampling demonstrated that the CHE had the third-highest annual turnover rate among the six agencies.

Of note, however, was the departure of seven African-American employees in the last year out of a total of ten employee separations. The ten separations constituted nearly 24% of the staff, in FY 2021-22 and FY 2022-23. Five of the seven African-Americans voluntarily separated and attributed their separation, in part, to their perception of racial discrimination, particularly a belief that each was passed over for promotion that benefitted a white employee.

The funded staffing level (FSL) for the CHE during FY 2021-22 was 43, including the executive director. The CHE and other state officials advised that the CHE averaged roughly 11 vacancies during the period FY 2018-19 through FY 2022-23. This number excluded an unclassified position that has been vacant since 2010. CHE positions were funded via a variety of sources, including general funds and federal grant funds. Some positions were allocated among multiple funding sources. For example, an assistant director's salary was 18% general funds, 30% federal funds, and 52% licensing revenue funds.

Despite having eight vacancies in FY 2021-22, including seven vacancies that exceeded 12 months, the CHE requested and received appropriated funds for six additional FTEs beginning in FY 2022-23 and two more FTEs in FY 2023-24.



Since June 2019, the CHE had 15 different positions vacant for one year or more. Of those 15 vacancies, ten were filled and five remained vacant as of 6/30/23. Thirteen of the vacancies were at least partially funded by state appropriated funds.

Based on data provided by the DSHR, the SIG assessed that the CHE received approximately \$1,328,792.50 in state appropriated funds for the 13 different positions that were vacant for one year or more from 6/30/19 until 6/30/23.

Table E reflects the job class title, pay band, the minimum months the each of the 13 positions were vacant during the period 6/30/19 through 6/30/23, and the estimated appropriated funds received for the positions. The estimate does not include appropriated funds received for fringe benefits associated with each position, which typically constituted an additional 35% to 40%, thereby increasing the total received to an estimated \$1,793,869.88. Table F depicts vacancies.

**Table E**

<b>Job Class Title</b>	<b>Pay Band</b>	<b>Months Vacant from 6/30/2019 to 6/30/2023</b>	<b>Estimated State Appropriate Funds Received</b>
ASST DIRECTOR-EXEC COMP	H03B	48	\$161,460.90
PROGRAM MANAGER II	BAND 08	36	\$185,903.00
PROGRAM MANAGER II	BAND 08	36	\$126,896.56
PROGRAM MANAGER II	BAND 08	36	\$185,903.00
PROGRAM COORDINATOR II	BAND 06	35	\$126,855.58
INFO SYSTEMS/BUSINESS ANALYST III	BAND 07	25	\$92,041.42
PROGRAM MANAGER I	BAND 07	24	\$100,427.00
PROGRAM COORDINATOR II	BAND 06	23	\$81,325.58
PROGRAM MANAGER I	BAND 07	16	\$44,460.46
PROGRAM MANAGER III	BAND 09	12	\$73,421.00
SENIOR IT CONSULTANT	BAND 07	12	\$49,594.00
PROGRAM MANAGER I	BAND 07	12	\$ 54,974.00
PROGRAM COORDINATOR II	BAND 06	12	\$ 45,530.00
		<b>Total:</b>	<b>\$1,328,792.50</b>

**Table F**

<b>EOY Snapshot</b>	<b>Vacancies</b>	<b>FSL</b>	<b>Vacancies as percentage of FSL</b>	<b>Average length of vacancies*</b>	<b>Number of positions vacant ≥12 months</b>
6/30/19	12	43	28%	23.08 months	7
6/30/20	10	43	23%	32.30 months	7
6/30/21	14	43	33%	24.86 months	7
6/30/22	8	43	19%	45.87 months	7
6/30/23	11	49	22%	19.36 months	5
			Average = 25%		

\*Vacancy beginning in 2010 not included.

In addition, the SIG noted that a [detailed organizational chart](#) provided to HLOC as part of the HLOC's study of the CHE included 13 temporary positions for expired grants that had not been filled since during or about 2014.

Senior CHE officials stated to the SIG that unexpended personnel funds for vacant positions were used to fund salary increases of CHE staff and other general operating costs. These officials also stated that if vacant positions were filled, the CHE would not have sufficient personnel funds available without using carry-forward funds. Referring to a scenario where all vacant positions were filled, a senior official stated the following:

*“In the short term we would use carry-forward, longer term is we’d go to the General Assembly with our hand out and say that our operating cost - here’s the data - has been insufficient over the last ten years...”*

A review of DOA salary records indicated that, as of 9/15/23, ten CHE employees, including the executive director, received annual salaries in excess of \$100,000, 19.6% of the CHE's FTEs. Numerous employees expressed concerns to the SIG about perceived inequities in the allocation of salary increases [see the section on “Employee relations” below for additional context].

CHE commissioners commented broadly on the agency's staffing needs and vacancies. Several commissioners knew of the ongoing FTE vacancies, while others believed that the current workload of the agency did not support filling the vacant FTEs. One commissioner remarked, “...each meeting saw new staff being introduced.” Other observations made by commissioners of the agency included, “...doesn't know what Rusty Monhollon does to team build...”; “...need to review the employee climate survey results and address the internal employee concerns...”; and “...a sense of alarm in staff turnover...”

**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.

## Employee Relations

Senior CHE officials advised that the results of an internal employee survey conducted in May 2023 suggested the existence of a morale problem. As a result, initiatives were implemented to improve employee relations. These initiatives included a retreat for senior staff, establishment of an employee relations committee, hosting DSHR training regarding the grievance process, and hiring a human resources (HR) liaison. Earlier, a ‘fun’ committee was established for planning and hosting “fun days.”

The SIG reviewed and analyzed the results of the [CHE-administered employee survey](#) and an [HLOC survey](#), then administered an independent survey of current and former employees. The response rate to the SIG survey was 98% (53/54) for current employees and 54% (14/26) for former employees contacted by the SIG. A sample of SIG survey results for current CHE employees may be found in Table G. The entire survey is located at [CHE Current Employees Survey Results](#).

**Table G**

<b>Results of Current CHE Employee Climate and Management Performance Survey administered by the SIG <sup>4</sup></b>	<b>Strongly Agree or Agree</b>	<b>Neither Agree nor Disagree</b>	<b>Strongly Disagree or Disagree</b>
I am proud to work for the CHE	60%	27%	13%
Morale at the CHE is good	30%	27%	43%
I am satisfied with the CHE leadership and the status of the agency	45%	23%	32%
The CHE is free of discrimination	32%	26%	42%
Personnel policies are applied consistently across employees	21%	30%	49%
I am fearful of retribution if my identity is disclosed if I speak to the SIG	43%	13%	44%

Analysis of the SIG-administered survey to the current staff indicated employees were proud to work for the CHE and were generally confident in leadership at the division level, but cited a trust deficit at the executive level. The trust deficit included reports of poor vertical and horizontal communication, lack of accountability for favored employees who failed to follow internal procedures, and a loss of focus regarding CHE’s core business functions established in state law. [SIG emphasis]

A sample of SIG survey results for former CHE employees may be found in Table H. The entire survey is located at [CHE Former Employees Survey Results](#).

**Table H**

<b>Results of Former CHE Employee Climate and Management Performance Survey administered by the SIG <sup>5</sup></b>	<b>Strongly Agree or Agree</b>	<b>Neither Agree nor Disagree</b>	<b>Strongly Disagree or Disagree</b>
I was proud to work for the CHE	21.5%	21.5%	57%
Morale at the CHE was good	0%	14%	86%
I was satisfied with the CHE leadership and the status of the agency	7%	0%	93%
The CHE was free of discrimination	7%	7%	86%
Personnel policies were applied consistently across employees	7%	7%	86%
I would recommend working at CHE to a friend or colleague	7%	7%	86%

<sup>4</sup> There were 53 responders to the CHE Current Employees Climate and Management Performance Survey.

<sup>5</sup> There were 14 responders to the CHE Former Employees Climate and Management Performance Survey.

In contrast, analysis of the SIG-administered survey to the former staff indicated employees were not proud to work for the CHE and would not recommend working at the CHE to a friend or colleague. Former employees were not confident in leadership at the division level, and expressed a lack of transparency, accountability for favored employees who failed to follow internal procedures, favoritism, poor communication, as well as noted instances of alleged discrimination, and several grievance complaints.

In addition, the SIG interviewed all 54 on-board employees and 11 former employees.<sup>6</sup> Certain themes emerged from the interviews, particularly interviews of minority employees. The themes included reports of unequal treatment of employees involving, in some cases, a perception of disparate treatment on the basis of race. Seven of the ten employees who separated during FY 2022-23 were African-Americans, and 74% of current and former African-American FTE employees interviewed by the SIG indicated that they have witnessed or experienced racial discrimination while employed at the CHE. Of all current FTEs interviewed, 55% indicated they observed or experienced discrimination.

Employees stated that much of the turnover at the CHE could be attributed to low morale caused by poor leadership, including poor vertical communication. With respect to communications with staff regarding employee perceptions of bias or discrimination, the executive director stated,

*“I probably have – I don’t know who has those perceptions. So – I mean – who are you suggesting that I go talk to? I’ve talked to – I – I make it a point to try to talk to everyone on staff on a regular basis – say ‘Hello,’ ‘How are you?’ – ‘What’s going on?’ – ‘Sorry your football team lost’ - umm, you know, those kind of things. But, have I gone – umm – to this person and asked, you know, ‘Do you think there’s bias [or] discrimination here?’ I’m not sure I’m going to get an honest answer, quite frankly.”*

Many also cited pay inequities, and some believed the reported pay inequities were attributable to disparate treatment on the basis of race. Senior CHE officials explained that pay inequities were caused, in part, by the competitive market that necessitated higher salaries to fill vacancies.

Generally, employees were happy with the CHE’s robust telecommuting program, but the SIG assessed that poor vertical and horizontal communication could be attributed, in part, to the limited face-to-face collaboration caused by telecommuting. In addition, the separation of divisions between the Lady Street and Stoneridge Drive office locations may exacerbate the communication deficit. One senior CHE official stated, *“Instead of being separated by hallways, you’re now separated by highways.”*

**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.

---

<sup>6</sup> The number of interviews of on-board employees exceeded the FSL due to interviews conducted of temporary grant employees, many of whom worked from home via telecommuting with limited interaction with other CHE staff and leadership.

## **State Transfer and Articulation Action Plan**

Per [South Carolina Code of Laws, §59-103-45 \(1\)](#), the CHE was required to establish procedures for the transferability of courses at the undergraduate level between two-year and four-year institutions or schools. In 2009, the CHE established procedures to facilitate the transfer of credits among IHLs, but impediments remained, particularly from two large public IHLs. [Proviso 117.135](#), FY 2023-24 General Appropriations Bill provided that the CHE was required to work with the technical college system and public IHLs to implement the six recommendations of the South Carolina State Transfer Task Force's [State Transfer and Articulation Action Plan](#) by 4/30/24.

In response to the recommendations, the CHE coordinated the formation of the Statewide Transfer Council. The Statewide Transfer Council was comprised of a leadership team and four working groups focused on implementing the South Carolina State Transfer Task Force's action plan. The Statewide Transfer Council included the CHE, the South Carolina Technical College System (SCTCS), Clemson University, the University of South Carolina - Columbia (USC), other public four-year universities, and a handful of independent IHLs in the state.

In September 2023, however, the SCTCS initiated independent efforts to effect a transfer and articulation agreement between the SCTCS, USC, and Clemson University. An SCTCS official stated that the SCTCS, USC, and Clemson moved forward independently on creating a transfer and articulation agreement due to stalled efforts by the CHE and the Statewide Transfer Council. An SCTCS official further advised that the CHE did not play a significant role in drafting the new proposed transfer and articulation agreement between the three agencies.

An SCTCS official stated that a change in personnel responsible for handling transfer and articulation at the CHE created concern that momentum implementing the State Transfer Task Force's State Transfer and Articulation Plan would stall. Multiple CHE officials stated that moving transfer and articulation responsibilities from the Division of Academic Affairs and Licensing (AAL) to the newly created Division of Strategic Initiatives and Engagement (SIE) contributed to delays in executing the recommendations.

On October 31, 2023 the CHE published the [Statement of Commitment to Develop a Comprehensive Statewide Transfer Agreement](#). The statement of commitment included the signatures of 26 presidents and chancellors of public IHL's in South Carolina.

It was alleged that the CHE used a third-party entity to review courses at two-year technical colleges for academic credit at four-year colleges and universities. The SIG determined the CHE collaborated with the State Higher Education Executive Officers Association (SHEEO) and the John N. Gardner Institute for Excellence in Undergraduate Education (JNGI) to facilitate a state transfer task force, which included more than 30 key South Carolina transfer-related personnel from the state's two-year technical colleges, public four-year colleges and universities, and independent colleges. Additionally, the SIG confirmed that SHEEO and JNGI merely facilitated supporting the CHE and the state transfer task force and did not utilize a third-party entity to review courses at two-year technical colleges for academic credit at four-year colleges and universities.

**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.

### **African-American Loan Program**

[Proviso 11.2](#) of the FY 2022-23 General Appropriations Bill provided \$87,924.10 for South Carolina State University and \$31,376 for Benedict College in student loans to promote recruitment of public education teachers. Benedict College has not requested the funds since FY 2017-18. The SIG confirmed with Benedict College that the program was no longer in operation at the college.

The General Appropriations Bill has appropriated \$31,375.90 to Benedict College for the African-American Loan Program every year since FY 2018-19. The total dollar amount that has not been disbursed equals \$156,879.50. Table I depicts African-American Loan Program funding.

**Table I**

<b>FY</b>	<b>Total</b>	<b>Proviso 11.2 Percentage</b>	<b>Benedict College's Allotment</b>
2018-19	\$119,300	26.3%	\$31,375.90
2019-20	\$119,300	26.3%	\$31,375.90
2020-21	\$119,300	26.3%	\$31,375.90
2021-22	\$119,300	26.3%	\$31,375.90
2022-23	\$119,300	26.3%	\$31,375.90
<b>Total</b>			<b>\$156,879.50</b>

Proviso 11.2 also states that the CHE “*shall act as the monitoring and reporting agency for the African-American Loan Program.*” The SIG assessed that the CHE did not adequately monitor the African-American Loan Program, leading to \$156,879.50 in state appropriated funds going unspent from FY 2018-19 through FY 2022-23.

**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.

### **GEAR UP Program**

The [U.S. Department of Education's GEAR UP program](#) was a federal discretionary grant program designed to increase the number of low-income students who are prepared to enter and succeed in post-secondary education. The program provided six-year or seven-year cohort grants and scholarships for low-income students. CHE was last approved to administer a GEAR UP program in FY 2017-18.

A senior CHE official advised that CHE last applied for the GEAR UP grant, albeit unsuccessfully, in or about FY 2020-21 after a failed FY 2018-19 application. Notwithstanding its dormancy in South Carolina, CHE received \$177,201 in general fund appropriations each FY during the period FY 2018-19 through FY 2022-23 for a total of \$886,005.

At the end of FY 2022-23, the CHE carried forward more than \$3,924,514 and lapsed \$254,709. CHE officials attributed part of the carry-forward to unused GEAR UP funds.

**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.

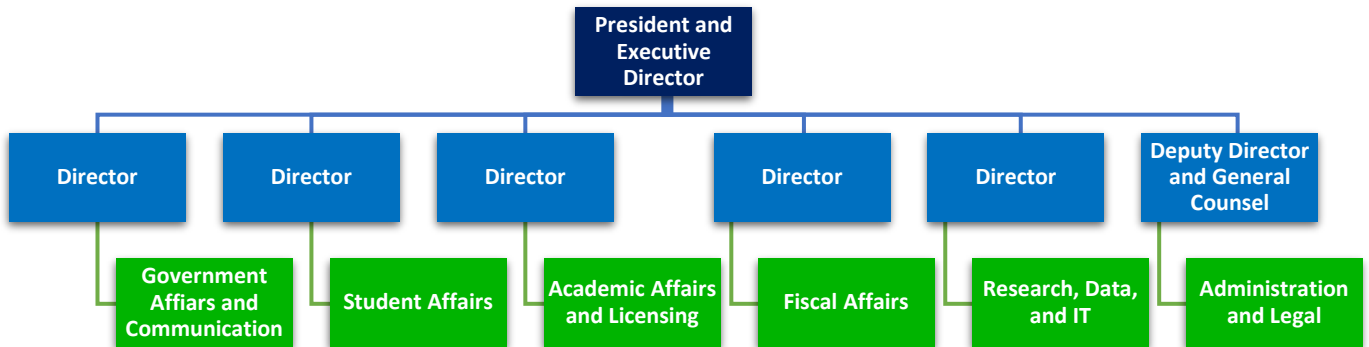


## Internal Organization and Operations

In FY 2021-22, the CHE organizational structure consisted of six divisions: 1) government affairs and communication, 2) student affairs (SA), 3) AAL, 4) fiscal affairs (FA), 5) research, data and IT, and 6) administration and legal. The senior staff included the position of Deputy Director/ General Counsel (DD/GC), which was created in November 2020.

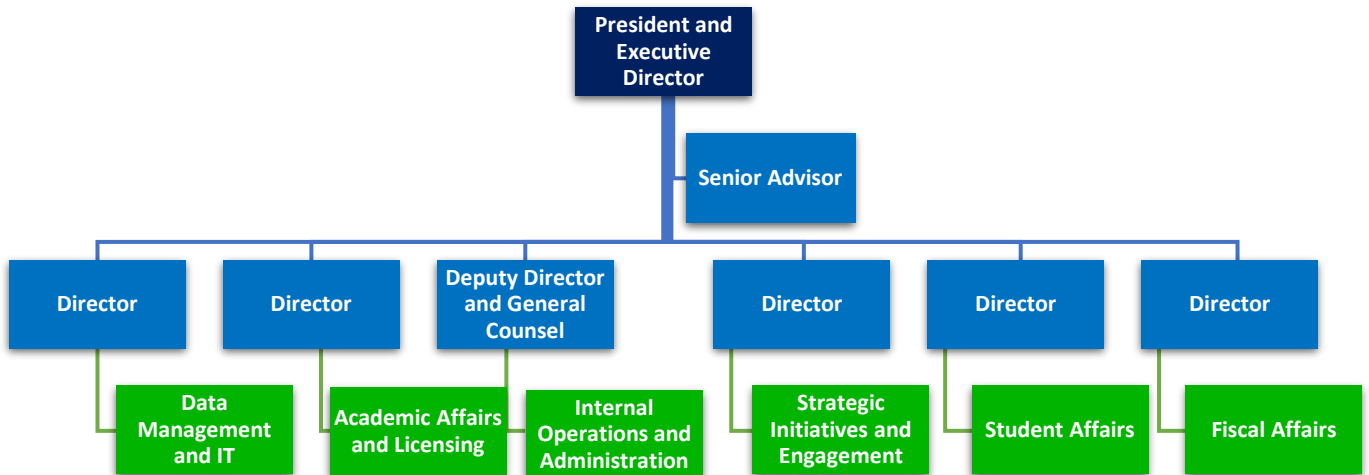
The FY 2021-22 organizational structure is depicted in Table J.

**Table J**



In FY 2022-23, the CHE was reorganized to include the revised structure of two divisions and an executive staff position as depicted in Table K.

**Table K**



The reorganization was comprised of six divisions: 1) data management and IT; 2) AAL; 3) internal operations and administration (IOA); 4) SIE; 5) SA; and 6) FA.

Government Affairs and Communication was renamed as SIE, and Administration and Legal was moved into IOA, which was led by the DD/GC. In addition to the reorganization, the DD/GC and the IOA and Data Management and IT divisions relocated during or about October 2023 to newly leased space at the Stoneridge Drive office building.

The six divisions were supervised by directors, who received salaries ranging from \$107,686 to \$137,924, with the exception that IOA was supervised by the DD/GC. Each division had an average of about seven FTE and temporary grant subordinates.

In addition, the executive director created a senior advisor position, supervising two employees. The position's duties included supporting the executive director in managing stakeholder relationships, policy development, strategic initiatives, and special projects, as well as tracking the progress of and ensuring project completion.

The executive director advised that the reorganization followed the General Assembly's appropriation for FY 2022-23 of \$750,000 and the authorization of six new FTE positions to implement the ASCEND 60x30 initiative (discussed above). The new funding, along with funding for the South Carolina Educator Preparation Report Card, increased the CHE's FY 2021-22 complement from 43 FTEs to 51 FTEs over FY 2022-23 and FY 2023-24, with the increased positions primarily assigned to the newly-created SIE in support of ASCEND 60x30. The executive director advised he used the new positions to create the SIE as an outward-facing effort to help drive student success, but only two positions were filled and \$156,451 of the \$750,000 was expended.

One of the primary goals of ASCEND 60x30 was to have 60% of South Carolinians attain some level of higher education by the year 2030. In February 2021, the CHE reported that South Carolina's current education attainment rate was 46.8%. The CHE stated in its February 2021 report that it would "regularly" report to the Commission on the state's progress in increasing educational attainment. An EBO official stated that the CHE has not provided any metrics to the EBO regarding the success or progress of the ASCEND 60x30 initiative since 2021.

Interviews and the review of internal surveys indicated that a significant portion of the staff did not support the reorganization. Many staff members complained that the reorganization was not explained to the staff and was primarily designed to provide senior staff positions for favored employees, although the SIG notes that the reorganization did not create additional divisions. The executive director also stated that the plan was discussed in several staff meetings.

The employee concerns included the creation of the senior advisor position at a \$105,000 annual salary, the DD/GC position at a \$99,620 (now \$126,628) annual salary, and the creation of the SIE director position at a \$121,650 annual salary, whose qualifications were questioned by several employees. Some staff expressed concern that the non-mandated ASCEND 60x30 initiative diminished focus on the CHE's statutorily-required core business functions.

Prior to the restructuring, the executive director advised that he supervised internal operations from his office, which he deemed to be inefficient and prevented him from focusing on the vision and major initiatives of the agency. Subsequently, he created the IOA to take on day-to-day operational responsibilities.

The deputy director's line authority was limited to supervision of the IOA even though the deputy director's title suggested supervision over all components, including AAL, SA, and FA. Division directors were not rated by the deputy director, and both the executive director and the deputy director explained that they believed division directors would resist being rated and supervised by the deputy director. The SIG assessed that the deputy director's assignment as head of IOA and the physical

separation from AAL, SA, and FA caused by relocation to Stoneridge Drive are likely to further dilute the deputy director's authority.

As the director of IOA, the deputy director supervised HR functions while also serving as the general counsel. Employees expressed concern that employee HR complaints were received by the dual-hatted deputy director. In response, the executive director hosted training by DSHR regarding employee HR complaints to explain that complaints should be submitted directly to DSHR. In addition, the executive director's 2021 evaluation indicated that the deputy director was responsible for the CHE's budget, even though the deputy director was outside the finance director's chain-of-command. EBO staff advised, however, that the deputy director deferred when asked questions about the budget in an October 2023 meeting. Employees stated there was confusion about roles and responsibilities within the CHE.

The SIG assessed that the deputy director was interposed for nearly every transaction between division directors and their rating official, the executive director. Division directors said the interposition created confusion about the chain-of-command.

Employees consistently expressed frustration that the divisions operated as silos with little cross-talk or collaboration, even though division programs often complemented programs contained in other divisions. Of current FTE employees, 75% complained about poor communication and silos. According to division directors, their meetings, chaired by the executive director, did not include discussion of division-level initiatives and activities to promote inter-division communication, collaboration, and de-confliction. One survey comment stated, *"Everyone hoards information and resources and no one wants to collaborate."*

A senior official advised that one example of siloed operations occurred when a division director published material externally without coordinating with the communications officer. In another example, a division director, in the presence of the executive director and deputy director, announced at a division director meeting an internal procedure change regarding the approval process for publishing reports. The division director instructed his/her peers to direct any questions about the new 21-step approval process to a subordinate of the division director, accepting questions only from the deputy director.

Employees also expressed frustration over processes that they considered unreasonably burdensome, including travel and supply paperwork. Employees complained that all requests for office supplies and travel must be approved by the deputy director, which causes weeks of delay. For example, an employee said his/her request for replacement staples, which cost less than ten dollars, required filling out three different forms. One employee stated, *"We are murdering ourselves with process."* A senior CHE official stated requests required only one form, possibly two at most.

SIG analysis of interviews demonstrated that eighty-two and one-half percent (82.5%) of current FTE employees interviewed believed the CHE was mismanaged; 57.5% indicated they perceived a troubled organizational culture and structure; and 55% of the employees indicated they believed the CHE was poorly led.<sup>7</sup>

---

<sup>7</sup> The SIG notes that interview responses differed from survey responses, such as those shown in Table G. During interviews, the confidentiality protections provided by statute were expressly provided to interviewees, which the SIG believes enhances candor.

Senior staff advised initiatives were implemented to encourage collaborative communication, including a team-building retreat for division directors, but the communication deficits contributed to the perception of a disengaged executive leadership team.

**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.

### **Space Utilization and Telecommuting**

In July 2021, the DSHR approved CHE Policy HR-507 – Telecommuting Policy, its corresponding agreement and application documents, and a return-on-investment business case showing a projected cost savings of \$99,068. The savings were primarily derived from savings on leased space and reduced annual costs to desktop support and landline telephone services. As of 8/11/23, twenty-nine (29) employees were approved for telework, each having an approved agreement, application, and safety checklist on file at the CHE. Twenty-six (26) were FTEs and three (3) were temporary grant employees that handled military veteran education and training.

Consensus emerged among all interviewees that telecommuting served as a highly effective tool for recruitment and retention. They unanimously expressed that it enabled the CHE to maintain and enhance work efficiencies, effectiveness, and a healthy work-life balance. Additionally, a significant majority stated that they would separate from the CHE if telecommuting was not an option.

Notwithstanding widespread employee support for the telecommuting program, staff members advised that the executive director frequently waived a CHE policy that established a telework eligibility threshold at twelve months of satisfactory employment. Staff cited the executive director’s frequent policy waivers for new employees as an example of inequitable treatment and management of staff. The executive director advised that he followed the policy, which permitted waivers. A senior staff member advised that division directors filtered requests, and the executive director “almost always” approved requests supported by division directors that were forwarded for the executive director’s review. The senior staff official stated that one employee’s application for hire was conditioned on the approval of telecommuting, and the executive director approved the request. The SIG assessed that the frequent waiving of the policy undermined the perception of its fairness.

An 8/14/23 CHE memorandum stated that the Lady Street space was comprised of nineteen offices. In addition, carrels using dividers created other work station space. The SIG observed the Lady Street office space and found it to be crowded with excess furniture and equipment, resulting in a cluttered and uninviting appearance. See [photographs](#) of office space at 1122 Lady Street appended hereto.

The SIG observed that as many as five offices and meeting spaces were used for storage purposes, including file boxes and surplus equipment. Some of the file boxes contained student transcripts from closed institutions. A senior official stated that a purchase order was approved to digitize a portion of the stored files. The SIG assessed, however, that storage of the files and surplus equipment in the Lady Street space was inefficient, when secure, less-expensive off-site storage could have created usable office space at Lady Street. The SIG also assessed that by stacking storage boxes filled with files on top of each other, the CHE was exposing its staff to a safety risk.

In order to alleviate crowded conditions, the CHE contracted for an annex at 220 Stoneridge Drive, Columbia, SC, which the CHE began to occupy during or about October 2023.

The SIG identified the following breakdown of the 26 FTEs telecommuting agreements by division and executive staff in Table L.

**Table L**

Division	FTE Telecommuters	FTE Vacancies
Student Affairs	6	1
Data Management and IT	3	1
Academic Affairs and Licensing	6	5
Fiscal Affairs	4	1
Internal Operations and Administration	2	2
Strategic Initiatives and Engagements	4	1
Senior Advisor	1	0
<b>Total</b>	<b>26</b>	<b>11</b>

**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.

## **Technology**

CHE officials advised that the use of office and meeting space to store files was necessary because files had not been digitized. A senior official advised that a plan had been initiated to digitize the files, contained student personally identifiable information, but employees said that the CHE was slow to adopt technological solutions to make the CHE processes in several program areas more efficient.

For example, employees indicated that approximately 4,500 Palmetto Fellows lottery scholarship applications were received annually in paper form, consisting of about 20,000 pages. A CHE employee stated that information from the paper application was manually entered into an Excel spreadsheet and compared to information electronically submitted by the applicant's high school guidance counselor for verification purposes. The student's application information was manually entered into the CHE Management Information System. After entry, the applicant and universities to which the student applied were manually notified by email that the application was approved for the scholarship, then applications were alphabetized, filed, and stored for five years.

A CHE official stated that two individuals were responsible for manually entering all Palmetto Fellows lottery scholarship applications. The official also stated that this process took approximately 20 minutes to complete each application from start to finish.

Later in the process, the student created a web form to inform the CHE what college the student selected, then CHE employees manually keyed in the school code, producing 3,000 more sheets of paper which were printed and filed with each application.<sup>8</sup>

Employees advised a new system to automate the processing of scholarship applications has been in the procurement process since 2021 due to a lack of collaboration between CHE divisions. The new system will improve Palmetto Fellows processing, scholarship appeal processing, and all college access event registration and data elements.

The CHE's legacy IBM AS400 servers were unable to directly receive information from IHLs that use newer programming language. The CHE uses COBOL, a much older computer language that requires an interface to migrate data from the IHLs. A contracted systems analyst was paid \$60 per hour to migrate the data.

**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.

---

<sup>8</sup> The 4,500 applications ended in about 3,000 scholarship disbursements because some applicants chose to attend IHLs out-of-state.

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



### **REACH Act**

In December 2021, the CHE published [REACH Act](#) Guidelines to IHLs through direct correspondence and by posting the guidelines on its website. The CHE's AAL conducted a compliance review of all syllabi and syllabi templates submitted by IHLs. During the review, two instances of noncompliance were identified and rectified. On 4/29/22, the CHE submitted its compliance report to the General Assembly. A senior official advised that the 2023 annual report, which is due 12/31/23, will be delayed until approximately February 2024 due to the separation of the Director of AAL.

To ensure continued compliance, the CHE advised that AAL conducts a sample review of ten syllabi or 10% (whichever is larger) per institution prior to the start of a new academic year.

The SIG determined that the CHE established an adequate audit review process to ensure continued compliance with the REACH Act.

**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.**

## Office of Fiscal Affairs - Segregation of Duties

The CHE engaged with the DOA for \$100,000 annually in a shared services arrangement per a [7/8/19 Memorandum of Agreement](#) to administer the human resources needs of the CHE. The agreement also referenced that the DOA would provide administrative services that included finance and accounting services in the form of:

- Accounts payable processing and support;
- Human resources recruitment, selection, classification and compensation, employee relations, benefits and payroll processing, reporting, training and guidance;
- Budgetary services in the form of monthly operating statements and budget guidance; and
- Procurement services in the form of purchasing solicitations, purchase order creation, procurement guidance and reporting; and assistance in the completion of year-end reporting packages and administrative reports.

According to a CHE official, there were three employees assigned finance duties: the finance director, the accounts payable (AP) clerk, and the accounts receivable (AR) clerk. According to the finance director, the CHE's undocumented business continuity plan involved cross-training the AP and AR clerks, with the finance director as the internal control when one of the clerks was required to perform both duties because of illness, vacation, or separation.

The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework* (2013), section “Segregating Duties” recommends dividing or segregating duties to reduce the risk of error or inappropriate or fraudulent actions among responsibilities for recording, authorizing, and approving transactions, and handling the related assets.

The SIG assessed that combining the duties of AP and AR personnel would compromise internal controls designed to prevent fraud and expose the CHE to an increased fraud risk.

In the CHE's FY 2022-23 Budget Report, the CHE reported total funds and programs of \$50,472,730, with funding sources that included state general, revenue, Education Investment Act & Trust, and federal funds. During FY 2022-23, appropriated lottery funds separately amounted to \$ 434,540,449.

The SIG assessed that two front line FTEs and one supervisory FTE responsible for all CHE finance matters created a risk of error and fraud when total funds entrusted to the CHE were \$485,013,179.<sup>9</sup>

**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.

---

<sup>9</sup> [CHE 8/8/23 Presentation to the HLOC – Responsibilities and Functions of FA.](#)

### **Commission Oversight**

The Commission utilized a subcommittee process to conduct its work. This is an effective format to utilize the strengths of each commissioner in order to bring forward a final product for discussion and consideration by the full commission.

The principal subcommittees were the Finance and Facilities, Academic Affairs and Licensing, and the Strategic Initiatives and Engagement subcommittees that generally aligned to the agency's divisions by the same name. These subcommittees are at the forefront of the agency's core mission.

The SIG found that the commissioners relied upon the executive director to address the day-to-day operations of the agency and provide the necessary information to the commissioners in order for each to make an informed decision as a deliberative body and authority.

The SIG identified gaps in the dissemination of information by the executive director to key subcommittees as it related to financial and audit matters. The SIG determined that the majority of the commissioners were not kept informed of the accumulated lottery funds that totaled more than \$152 million. The SIG further determined that key finance committee members were not aware of the agency's failure to conduct lottery scholarship verifications and audits the lottery funds audits as required.

CHE commissioners were aware of the agency's May 2023 internal climate survey results and that morale among CHE employees was low. However, the commissioners were unaware that seven of ten employees separated during FY 2022-23 were African-American, and that funds intended for vacant positions were used for salary increases for on-board employees.

The Commission rated the executive director at the Exceeds level for FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23 as depicted in Table M.

**Table M**

<b>Annual Objectives/Rating: Exceeds (E), Meets (M)</b>	<b>FY2019-20</b>	<b>FY2020-21</b>	<b>FY2021-22</b>	<b>FY2022-23</b>
Leadership	E	E	E	E
Strategic Planning	E	E	E	E
Customer Focus	E	E	E	E
Workforce Focus / Human Resources	E	E	E	M
Process Management/Continuous Improvement	E	E	E	E
Financial Management	E	E	E	E
<b>Overall Rating</b>	<b>E</b>	<b>E</b>	<b>E</b>	<b>E</b>

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

## Conclusion

Senior executives and agency heads face many challenges with the multiple dimensions of leading executive branch agencies in state government. Most, if not all, default to focusing on their individual strengths and training while delegating areas in which they are not proficient to their subordinates.

Management is often assessed in the following dimensions: operational management, fiscal management, and human capital management. In many of these dimensions, the CHE has been found deficient.

In **operational management**, the CHE failed to conduct statutorily-mandated verifications and audits of lottery fund use at public institutions, creating a risk of fraud. The CHE also failed to timely complete the South Carolina Educator Preparation Report Card. The executive director acknowledged statutorily-mandated academic program reviews have been de-emphasized in favor of ASCEND 60x30. Vertical and horizontal communication was inadequate, and the *de facto* chain-of-command was inconsistent with the published organizational chart.

The CHE's **fiscal management** failed to correct a flawed model for projecting lottery fund disbursements resulting in an accumulation of \$152,895,127 at the close of FY 2022-23.

Over the course of several years, the CHE received \$886,005 for the dormant GEAR UP program and lapsed \$254,708.82. The CHE mismanaged appropriations for the African-American Loan Program intended for Benedict College in the amount of \$156,879.50. The CHE received appropriations of \$1,793,869.88 during the period 6/30/2019 through 6/30/2023 for FTE positions that remained vacant for one year or more. Senior CHE officials acknowledged that insufficient budgeted funds were available to fund all currently vacant positions in the event they were filled. In addition, the integration of AP and AR duties in the plan created a risk of fraud.

The CHE's **human capital management** reflected an average vacancy rate of 25% during the period FY 2018-19 through FY 2022-23, with many of the absences extending for prolonged periods.

While turnover was a concern as it was for many state agencies, the separation of ten employees in FY 2022-23, seven of whom were African-Americans, was noteworthy, especially when 74% of current and former African-American FTE employees interviewed by the SIG indicated that they have witnessed or experienced discrimination while employed at the CHE.

Leadership may be assessed in terms of the executive's success in inspiring, motivating, and earning the respect of subordinates. Fifty-five percent (55%) of the current FTE employees interviewed indicated the CHE was poorly led. The SIG assessed that the CHE leadership lacked imagination in failing to consider out-sourcing certain tasks - at least in the short term - for the lottery verification and audit program, the South Carolina Educator Preparation Report Card, and some ASCEND 60x30 tasks when vacancies inhibited task program implementation. In addition, CHE leadership lacked imagination in freeing up Lady Street office space for productive use.

President Dwight D. Eisenhower identified five traits of a successful leader:

1. Leaders select the right people for the team.
2. Leaders have the moral courage to put their own jobs "on the line."

3. Leaders empower their subordinates.
4. Leaders **decide**.
5. Leaders **must take accountability** for their actions.

Lieutenant General (U.S. Army ret.) Harold “Hal” Moore identified four principles for successful leaders:<sup>10</sup>

1. A leader can do one of two things – inspire confidence or infect the organization with pessimism and indecision.
2. There is always one more thing a leader can do to improve a situation. Stated another way, “What am I not doing that I should be doing?”
3. The only wrong when nothing is happening is there is nothing happening – “Do Something.”
4. Leaders trust their instincts.

The SIG assessed that the CHE requires significant introspection to attain mission effectiveness and efficiency.

The SIG is grateful to the CHE leadership, staff and commissioners for the courtesies extended to the SIG during this review.

Sincerely,



Brian D. Lamkin  
State Inspector General

cc: The Honorable Wes Hayes, Chairman, SC Commission on Higher Education  
Rusty L. Monhollon, Ph.D., President and Executive Director, SC Commission on Higher Education  
The Honorable Thomas C. Alexander, Chairman, Senate Legislative Oversight Committee  
Trey Walker, Chief of Staff, Office of the Governor  
Melanie Barton, Deputy Chief of Staff and Senior Education Advisor, Office of the Governor

---

<sup>10</sup> In 1965, then Lt. Colonel Hal Moore, U.S. Army, 1<sup>st</sup> Battalion, 7<sup>th</sup> Cavalry, led the first major battle of American forces in Vietnam, popularized in the 2002 movie, “We Were Soldiers.”

# CHE REPORT FINDINGS AND RECOMMENDATIONS

## Audit of Lottery Funds in IHLs

**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 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.

**Recommendation 1a:** The SIG recommends that the CHE expend appropriated lottery funds to contract with an external audit firm to conduct annual verifications and audits of IHLs that received lottery scholarship funds.

**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.

**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 1<sup>st</sup> of each year.

## Accumulation of Lottery Funds

**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.

## College Transition Program Scholarships

**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.<sup>1</sup>

<sup>1</sup> These funds are included in the \$152,895,827 addressed in **Finding 2**.

## Academic Programs

**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 promulgate 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.”

## South Carolina Educator Preparation Report Card

**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.

## Employee Turnover and Full-time Equivalent Vacancies

**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.

## Employee Relations

**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.

## State Transfer and Articulation Action Plan

**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.

### African-American Loan Program

**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.

### GEAR UP Program

**Finding 10:** The SIG determined that repeated budget requests for GEAR UP funds, which the CHE received funding for FYs 2018-19 through 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.

### Internal Organization and Operations

**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.

### Space Utilization and Telecommuting

**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.

### Technology

**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.

### REACH Act

**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.**

### Office of Fiscal Affairs - Segregation of Duties

**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.

### Commission Oversight

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



## State Inspector General Presentation

# PROGRAM PERFORMANCE AND MANAGEMENT REVIEW: **South Carolina Commission on Higher Education**

South Carolina House of  
Representatives  
Legislative Oversight Committee

---

EDUCATION AND CULTURAL  
AFFAIRS SUBCOMMITTEE

State Inspector General  
Brian D. Lamkin, CFE, CIG

Office of the State Inspector General

December 11, 2023



# State Inspector General (§1-6-10 et seq)

- "... responsible for investigating and addressing allegations of **fraud, waste, abuse, mismanagement, misconduct, violations of state and federal law, and wrongdoing** in agencies."  
(§1-6-20)
  - Agencies = state executive branch and school districts



# Predicate

- Original review
- Legislator's request
- Six specific questions

# Predicate

- Original review
- Legislator's request
- Six specific questions
- Expanded review
- HLOC request
- Management and finance review

# Scope and Objectives

- **Organizational culture**
- **Organizational structure and chain-of-command**
- **Utilization and distribution of full-time equivalent (FTE) positions**
- **Managerial practices and decision-making processes, employee corrective action procedures**
- **Employee complaint and grievance processes**
- **Employee turnover trends**

# ASCEND 60x30

- The CHE's public agenda is centered around ASCEND 60x30
- Primary goal: Help South Carolina reach a 60% post-secondary educational attainment rate by 2030.
  - No effective internal statistical measure.
- Appropriation: recurring \$750,000 for ASCEND 60x30 in FY 2023.
  - Only expended \$156,451 of the \$750,000 [**\$593,549** balance].



# Audit of Lottery Funds

- Audited only 13 of the 55 (24%) IHLs that received South Carolina Education Lottery scholarship money over the past three fiscal years.
- The CHE conducted:
  - 5 audits in FY 2021,
  - 1 audit in FY 2022, and
  - 7 audits in FY 2023.
- CHE cited auditor position turnover for not conducting these audits.

# Accumulation of Lottery Funds/ Projections

- Lottery fund cash balance is over **\$152 million**
  - Inaccurate projections for the three lottery scholarships (Palmetto Fellows, LIFE, and HOPE).
- Projection errors started before COVID-19 and have persisted.
  - For FY 2023, added almost \$50 million to lottery funds carry-forward.
- CHE did not:
  - 1) identify alternatives to utilize the funds, or
  - 2) notify the General Assembly and the EBO about inaccurate projections until December 2022.
- **CHE should return excess appropriated lottery funds to the General Assembly.**

# College Transitions Program Scholarships

- Appropriated funds for FYs 2022 and FY 2023 totaled \$4,855,597.
  - Carry-forward of **\$3,740,597** into FY 2024.
- CHE failed to notify the General Assembly and the EBO that institutions only requested:
  - \$295,000 for FY 2022
  - \$820,000 for FY 2023.
- CHE was appropriated an additional **\$4,105,597** for FY 2024.
- **CHE should return \$3,740,597 in unused funds to the General Assembly.**

# Academic Programs

- By statute, CHE acts as an internal control activity for the state vis-a-vis IHLs.
  - CHE approval is required for new academic programs at IHLs.
- CHE staff expressed senior leadership de-emphasized academic program review.
- Dr. Monhollon stated that he did not believe academic program review was a top priority.
  - He trusted IHLs to only propose academic programs that were necessary and would be successful.

# South Carolina Educator Preparation Report Card

- In May 2022, the General Assembly tasked CHE with creating and publishing the South Carolina Educator Preparation Report Card.
- To date, CHE has not published a dashboard, **which was due on 11/1/22 and 11/1/23.**
- Senior CHE officials stated they did not have the funds or FTEs to work on the Report Card until FY 2024.

# South Carolina Educator Report Card (cont'd)

- **FY 2024: CHE was granted two additional FTEs and \$300,000 in recurring funds**
  - **As of 10/15/23, no one was hired.**
  - **Existing employees were assigned to create the Report Card.**
- **CHE did not contemplate out-sourcing the tasks or utilizing unspent ASCEND 60x30 funds [\$593,549] to meet the requirement.**

# Employee Turnover and FTE Utilization

- CHE's turnover rate was 22% [38 separations] over 4 FYs.
- 7 of 10 separations in FY 2023 were African-Americans.
  - 74% of current and former African-American employees interviewed indicated they witnessed or experienced discrimination at CHE.
- CHE requested staffing increases at a time when 13 FTE vacancies remained unfilled for one year or more over 4 FYs constituting waste of an estimated \$1,793,870.

# Employee Relations

**CHE conducted its first employee engagement survey in May 2023. Below is a sample of CHE's survey results.**

Results of Current CHE Employees Survey administered by the CHE ( <i>Only 25 CHE employees responded to the survey</i> )	Strongly Agree or Agree		Neither Agree nor Disagree		Strongly Disagree or Disagree	
Morale where I work is generally high.	28%	7	8%	2	64%	16
I am satisfied with communication between management and staff.	36%	9	8%	2	56%	14
Things are pretty organized around here.	32%	8	12%	3	56%	14
There is enough reward and recognition given at CHE for doing good work.	16%	4	24%	6	60%	15
During the past six months, I have seriously considered leaving CHE for another job.	40%	10	20%	5	40%	10



# State Transfer and Articulation Action Plan

- **The South Carolina State Transfer Task Force proposed 6 recommendations for implementation to improve transfer and articulation in the state, due in April 2024.**
- **CHE official: Only 1 of the 6 was fully implemented; the other 5 were at various stages of implementation, and some were not close.**

# African-American Loan Program

- The CHE failed to notify the General Assembly and the EBO that Benedict College was no longer requesting the funds for the program.
- CHE received funding for 5 years that was not disbursed to Benedict College constituting waste of **\$156,879.50**.
- **CHE should return \$156,879.50 to the General Assembly.**

# GEAR UP

- **GEAR UP: a federal grant to increase and promote college readiness using early intervention services.**
  - CHE was last approved for GEAR UP in or about 2018,
  - CHE only applied for the grant once since (June 2021)
- **The Executive Director told the Commission that the 2021 grant proposal was “*a strong application*” and “*optimistic it will be funded.*”**
  - The grant was not awarded.

# GEAR UP (cont'd)

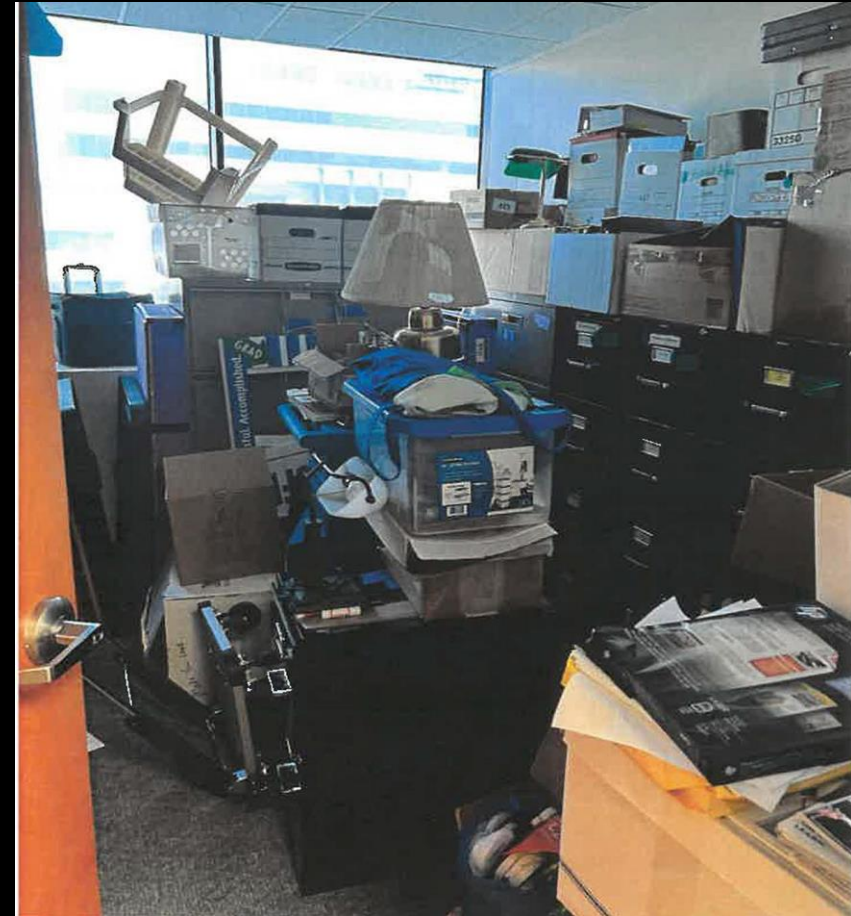
- When discussing that same grant application, a senior official stated *“I thought it was a hot pile of s\*\*\*,”* and *“I was not surprised... at all... that we did not get it.”*
- CHE received state GEAR UP appropriations for 5 years even though the program was not active, constituting waste of **\$886,005.**
- **CHE should return \$886,005 to the General Assembly.**

# Internal Organization and Operations

- **Current staff Interviewed:**
  - **82.5%** believed CHE was mismanaged;
  - **57.5%** expressed CHE had a troubled organizational culture and structure;
  - **55%** believed CHE was poorly led; and
  - **75%** complained about poor communication and silos.
- **The Deputy Director does not have org chart line-authority over division heads.**
  - **Dual-hatted as General Counsel.**
  - **Direct supervision over Human Resources.**

# Space Utilization and Telecommuting

- CHE's space cost was inefficient.
- **70.2%** of the onboard FTEs were in a telecommuting status, while Lady Street office space was underutilized.
- Five offices were used for storage purposes and surplus equipment
  - Secure, less-expensive off-site storage could have been used.



# Technology

- **Manual entry required for all 4,500 Palmetto Fellows annual lottery scholarship applications and the school code for each application.**
  - **Paper files stored on-site.**
  - **Implementation of a new software program to process Palmetto Fellows applications was stalled.**
- **A contracted systems analyst was paid \$60/hour to migrate incompatible IHL data to CHE's legacy IBM AS400 COBOL servers.**

# REACH Act

- In December 2021, CHE published REACH Act Guidelines to IHLs.
  - CHE conducted a compliance review of all syllabi and syllabi templates submitted by IHLs.
- CHE established an adequate audit review process for compliance with the REACH Act.
- In compliance. Nothing of note to report.



# Office of Fiscal Affairs - Segregation of Duties

- CHE has three fiscal affairs (FA) employees, including the supervising director.
  - Undocumented business continuity strategy:
    - Cross-train the AP and AR clerks, with the finance director acting as an internal control when one of the clerks was required to perform both AP and AR duties.
- CHE is responsible for **\$485,013,719** in total funds, programs, and lottery funding.
- Only two front-line FA employees and one supervisory employee created a risk of error and fraud.

# Assessment of CHE Employees' Qualifications/ Experience to Job Duties and Responsibilities

- Incumbent's qualifications and experience met or exceeded minimum requirements of CHE's position descriptions.
- In compliance. Nothing of note to report.

# Commission Oversight

**Majority of Commissioners were unaware:**

- **\$152 million in accumulated lottery funds;**
- **Failure to conduct lottery scholarship audits and verifications;**
- **7 of 10 separations of FY 2023 were African-Americans;**
- **Unexpended program funds were used for salary increases.**

**The executive director did not inform the Commission of significant developments.**

# Conclusion

- Operational management
- Fiscal management
  - Waste identified: **\$155,732,581.18**
- Human capital management