



South Carolina State University

Schedule of Expenditures of Federal Awards
and Reports Required by *Government
Auditing Standards* and OMB Circular A-133
Year Ended June 30, 2014

South Carolina State University

Schedule of Expenditures of Federal Awards and Reports Required by
Government Auditing Standards and OMB Circular A-133
Year Ended June 30, 2014

South Carolina State University

Contents

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Independent Auditors' Report on Compliance For Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	5-8
Schedule of Expenditures of Federal Awards	9-10
Notes to the Schedule of Expenditures of Federal Awards	11-12
Schedule of Findings and Questioned Costs	13-33
Summary Schedule of Prior Year Findings	34-53



Tel: 919-754-9370
Fax: 919-754-9369
www.bdo.com

5430 Wade Park Boulevard
Suite 208
Raleigh, NC 27607

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
South Carolina State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Carolina State University (the "University"), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determinate the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material* weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in item 2014-002 in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in item 2014-001 in the accompanying schedule of findings and questioned costs to be a significant deficiency.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The University's Response to Findings

The University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

January 6, 2015



Tel: 919-754-9370
Fax: 919-754-9369
www.bdo.com

5430 Wade Park Boulevard
Suite 208
Raleigh, NC 27607

Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Board of Trustees
South Carolina State University

Report on Compliance for Each Major Federal Program

We have audited South Carolina State University's (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2014. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.



Basis for Modified Opinion

As described in items 2014-006 and 2014-010 in the accompanying schedule of findings and questioned costs, the University did not comply with the following compliance requirements for the following major federal programs:

Finding	Major Federal Program/s	Compliance Requirement
2014-006	Payments to 1890 Land-Grant Colleges and Tuskegee University (CFDA #10.205), Historically Black Colleges and Universities Program (CFDA #14.520), Environment Remediation and Waste Processing and Disposal (CFDA #81.104), Research & Development Cluster (CFDA #Various), TRIO Cluster (CFDA #Various), and Gaining Early Awareness and Readiness for Undergraduate Programs (CFDA #84.334) (collectively, the "Mod Programs")	Activities Allowed or Unallowed and Allowable Cost/Cost Principles
2014-010	Payments to 1890 Land-Grant Colleges and Tuskegee University (CFDA #10.205)	Cash Management

Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to that program.

Modified Opinion on the Mod Programs

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Mod Programs for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-003, 2014-004, 2014-005, 2014-007, 2014-008, and 2014-009. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-006 and 2014-010 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-003, 2014-004, 2014-005, 2014-007, 2014-008, and 2014-009 to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the University as of and for the year ended June 30, 2014, and have issued our report thereon dated January 6, 2015, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the University's financial statements as a whole.

BDO USA, LLP

March 31, 2015

South Carolina State University

Schedule of Expenditures of Federal Awards

Federal Grantor/Program Title	Federal CFDA Number	Student Financial Assistance Cluster	Research and Development Cluster	Other	Total Expenditures
EXPENDITURES OF FEDERAL AWARDS:					
U.S. Department of Agriculture					
Agricultural Research_Basic and Applied Research	10.001	\$ -	\$ -	\$ (3,843)	\$ (3,843)
Pass-through from State Agency:					
Plant and Animal Disease, Pest Control, and Animal Care	10.025	-	-	21,708	21,708
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	-	1,725,155	1,465,584	3,190,739
1890 Institution Capacity Building Grants	10.216	-	238,033	186,364	424,397
Higher Education Multicultural Scholars Program	10.220	-	-	9,498	9,498
Pass-through from State Agency:					
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	-	-	4,204	4,204
Cooperative Extension Service	10.500	-	-	241,794	241,794
Pass-through from State Agency:					
Cooperative Extension Service	10.500	-	-	3,287	3,287
Total Cooperative Extension Service		-	-	245,081	245,081
Pass-through from South Carolina Department of Education:					
National School Lunch Program	10.555	-	-	38,045	38,045
Soil and Water Conservation	10.902	-	-	101,210	101,210
Pass-through from State Agency:					
Wildlife Habitat Incentive Program	10.914	-	-	6,775	6,775
Total U.S. Department of Agriculture		-	1,963,188	2,074,626	4,037,814
U.S. Department of Housing and Urban Development					
Historically Black Colleges and Universities Program	14.520	-	-	545,964	545,964
Total U.S. Department of Housing and Urban Development		-	-	545,964	545,964
U.S. Department of Transportation					
Pass-through from State Agency:					
Highway Planning and Construction	20.205	-	-	15,683	15,683
Highway Training and Education	20.215	-	-	20,894	20,894
Total U.S. Department of Transportation		-	-	36,577	36,577
National Aeronautics and Space Administration					
Pass-through from State Agency:					
NASA Space Grant Consortium	43.xxx	-	4,147	-	4,147
Science	43.001	-	106,764	-	106,764
Pass-through from State Agency:					
Education	43.008	-	38,688	-	38,688
Total National Aeronautics and Space Administration		-	149,599	-	149,599
Institute of Museum and Library Services					
Museum Grants for African American History and Culture	45.309	-	-	47,783	47,783
Total Institute of Museum and Library Services		-	-	47,783	47,783
National Science Foundation					
Mathematical and Physical Sciences	47.049	-	167,314	-	167,314
Education and Human Resources	47.076	-	161,430	64,456	225,886
Pass-through from South Carolina Research Authority:					
Office of Experimental Program to Stimulate Competitive Research	47.081	-	291,976	-	291,976
Total National Science Foundation		-	620,720	64,456	685,176
Small Business Administration					
Pass-through from University of South Carolina:					
Small Business Development Centers	59.037	-	-	35,020	35,020
Total Small Business Administration		-	-	35,020	35,020
Nuclear Regulatory Commission					
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	-	-	124,578	124,578
Total Nuclear Regulatory Commission		-	-	124,578	124,578
U.S. Department of Energy					
Office of Science Financial Assistance Program	81.049	-	838,505	10,813	849,318
Office of Environmental Waste Processing and Disposal	81.104	-	120,128	1,219,652	1,339,780
Defense Nuclear Nonproliferation Research	81.113	-	21,394	-	21,394
University Nuclear Science and Reactor Support	81.114	-	2,121	28,310	30,431
Pass-through from University of Tennessee:					
Nuclear Energy Research, Development and Demonstration	81.121	-	-	5,000	5,000
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	-	62,738	-	62,738
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.214	-	17,824	-	17,824
Total U.S. Department of Energy		-	1,062,710	1,263,775	2,326,485
U.S. Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007	706,462	-	-	706,462
Pass-through from Medical University of South Carolina:					
Special Education Grants to States	84.027	-	29,939	34,102	64,041
Higher Education_Institutional Aid	84.031	-	-	4,295,019	4,295,019
Federal Work-Study Program	84.033	342,684	-	-	342,684
Federal Perkins Loan Program	84.038	117,500	-	-	117,500

South Carolina State University

Schedule of Expenditures of Federal Awards

<i>Federal Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Student Financial Assistance Cluster</i>	<i>Research and Development Cluster</i>	<i>Other</i>	<i>Total Expenditures</i>
TRIO Student Support Services	84.042	-	-	238,806	238,806
TRIO Talent Search	84.044	-	-	265,281	265,281
TRIO Upward Bound	84.047	-	-	239,889	239,889
TRIO Educational Opportunity Centers	84.066	-	-	234,076	234,076
Total TRIO Cluster		-	-	978,052	978,052
Federal Pell Grant Program	84.063	10,050,456	-	-	10,050,456
Minority Science and Engineering Improvement	84.120	-	-	1,226	1,226
Rehabilitation Long-Term Training	84.129	-	-	460,958	460,958
Federal Direct Loan Program	84.268	31,853,956	-	-	31,853,956
Pass-through from State Agency:					
Twenty-First Century Community Learning Centers	84.287	-	-	188,773	188,773
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	-	-	182,706	182,706
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	-	-	561,353	561,353
Pass-through from South Carolina Department of Education:					
Improving Teacher Quality State Grants	84.367	-	-	5,642	5,642
Title III Strengthening Historically Black Colleges and Universities Program	84.382	-	438,691	-	438,691
Total U.S. Department of Education		43,071,058	468,630	6,707,831	50,247,519
U.S. Department of Health and Human Services					
Minority Health and Health Disparities Research	93.307	-	262	-	262
Pass-through from Medical University of South Carolina:					
National Center for Research Resources	93.389	-	170,687	72,606	243,293
Cancer Centers Support Grants	93.397	-	-	150,256	150,256
Pass-through from State Agency:					
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943	-	-	17,608	17,608
Total U.S. Department of Health and Human Services		-	170,949	240,470	411,419
Agency for International Development					
USAID Foreign Assistance for Programs Overseas	98.001	-	10,898	-	10,898
Pass-through from American Council on Education:					
USAID Development for University Cooperation and Development	98.012	-	9,948	-	9,948
Total Agency for International Development		-	20,846	-	20,846
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 43,071,058	\$ 4,456,642	\$ 11,141,080	\$ 58,668,780

See accompanying notes to the schedule of expenditures of federal awards.

South Carolina State University

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") summarizes the expenditures incurred under all federal awards received by South Carolina State University (the "University") for the year ended June 30, 2014, and has been prepared using the modified accrual basis of accounting. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the statement of net position, statement of revenues, expenses, and changes in net position, or cash flows of the University.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government or subawards. The information in the Schedule is presented in accordance with the provisions of the Office of Management and Budget (the "OMB") Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

2. Summary of Significant Accounting Policies for Federal Award Expenditures

Expenditures for programs of the student financial assistance cluster include the federal portion of students' Federal Supplemental Educational Opportunity Grants ("FSEOG") and Federal Work Study ("FWS") program grants, certain other federal financial aid for students, and administrative cost allowances, where applicable.

3. Federal Perkins Loan Program

The Federal Perkins Loan Program is administered directly by the University and balances and transactions are included in of the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan Program was \$1,704,498 as of June 30, 2014. The University disbursed \$117,500 under the Federal Perkins Loan Program for the year ended June 30, 2014.

4. Federal Direct Student Loan Program

During the fiscal year ended June 30, 2014, the University processed \$31,853,956 of new loans under the Federal Direct Student Loan Program. The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and, accordingly, these loans are not included on the University's financial statements; furthermore, it is not practical to determine the balance of loans outstanding to students and former students of the University under these programs at June 30, 2014.

South Carolina State University

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

5. Subrecipients

Of the federal expenditures presented in this schedule, the University provided federal awards to subrecipients as follows:

Program	Subrecipient Name	CFDA Number	Award Provided To Recipient
1890 Institution Capacity Building Grants	Texas A&M University	10.216	\$ 51,677
1890 Institution Capacity Building Grants	University of Massachusetts	10.216	51,397
Historically Black Colleges and Universities Program	Northeastern Corridor of Orangeburg	14.520	6,050
Mathematical and Physical Sciences	Clemson University	47.049	22,341
Education and Human Resources	Western Kentucky University	47.076	2,000
Office of Science Financial Assistance Program	Shedrick A. Tillman, IV	81.049	4,000
Office of Science Financial Assistance Program	Medical University of South Carolina	81.049	286,824
Office of Science Financial Assistance Program	Savannah River Nuclear Solutions LL	81.049	37,029
Environmental Remediation and Waste Processing and Disposal	Shealy Environmental Services, Inc.	81.104	7,440
Environmental Remediation and Waste Processing and Disposal	Savannah River Nuclear Solutions LL	81.104	110,000
Environmental Remediation and Waste Processing and Disposal	Shedrick A. Tillman, IV	81.104	3,000
University Nuclear Science and Reactor Support	Boart Longyear	81.114	560
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	Boart Longyear	81.214	(560)
Higher Education_Institutional Aid	Mullinix, Bonnie	84.031	2,500
Higher Education_Institutional Aid	University of North Carolina	84.031	2,500
Passed Through American Council on Education - USAID Development for University Cooperation and Development	Maka's Variety	98.012	1,500
Passed Through American Council on Education - USAID Development for University Cooperation and Development	Wailes, Eric	98.012	2,500
Total awards to subrecipients			\$ 590,758

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified Yes reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards Section

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified Yes reported

Type of auditor's report issued on compliance for major programs:

Modified:

Payments to 1890 Land-Grant Colleges and Tuskegee University
Historically Black Colleges and Universities Program
Environment Remediation and Waste Processing and Disposal
Research & Development Cluster
TRIO Cluster
Gaining Early Awareness and Readiness for Undergraduate Programs

Unmodified:

Student Financial Assistance Cluster
Title III Strengthening Historically Black Colleges and Universities Program

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, section .510(a)? Yes No

South Carolina State University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Identification of major programs:

<u>CFDA number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.205	Payments to 1890 Land-Grant Colleges and Tuskegee University
14.520	Historically Black Colleges and Universities Program
81.104	Environment Remediation and Waste Processing and Disposal
Various	Research & Development Cluster
84.007, 84.033, 84.038, 84.063, 84.268	Student Financial Assistance Cluster
84.031	Title III Strengthening Historically Black Colleges and Universities Program
84.042, 84.044, 84.047, 84.066	TRIO Cluster
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs

Dollar threshold used to distinguish between Type A and Type B programs:

_____ \$467,932 _____

Auditee qualified as low-risk auditee?

_____ Yes x No

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part II—Financial Statement Audit Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

FINDING 2014-001

Criteria or specific requirement: *A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Condition: Annual leave is earned by eligible employees in full-time equivalent positions and is accrued as compensated absences payable by the University as of yearend. The University's dual employment ("Dual Employment") policies allows its employees in full-time equivalent positions to accept temporary, part-time employment of a consultative or technical nature within the University or with another South Carolina state agency. Through our audit procedures over the University's 2014 financial statements, we identified a significant deficiency in internal control associated with compensated absences payable and the University's Dual Employment program.

Context: *Compensated Absences Payable*

Of the approximately 410 eligible compensated absences employees at June 30, 2014, we noted that the University had recorded the maximum amount of compensated absences payable for approximately 38% of these employees and that 28 of the total eligible employees did not have any vacation that was taken and reported for the year ended June 30, 2014. Additionally, out of the 155 employees that had the maximum amount of compensated absences payable at June 30, 2014, approximately 8 of these employees did not have any vacation that was taken and reported during the year ended June 30, 2014.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Dual Employment

In testing a sample of employees that participated and were paid for dual employment during the year ended June 30, 2014, we noted the following:

- Per the University's policies, all Dual Employment Form P-12's are required to have the approval from the applicable department vice president, the Office of Human Resources Management, and the Vice President of Finance. In addition, if the dual employment expenditure was funded with federal dollars, the Form P-12 is also required to be approved by the Office of Sponsored Programs.
 - For 6 dual employment forms selected for testing, one or more approval signatures were not obtained until subsequent to the start date of the dual employment specified on the Form P-12. For 1 dual employment form selected for testing, one or more approvals signatures were not dated on the Form P-12 as required.
- For 1 of the dual employment samples, we noted that the employee's dual employment responsibilities were closely similar to that of the employee's primary job responsibilities, which not in compliance with the University's dual employment policies and procedures.
- Dual employment funded with federal dollars is required to be supported with after-the-fact certifications of the time work by the Office of Sponsored Programs. For 1 dual employment samples which were funded with federal funds, we noted that these certifications were not being completed consistently.
- For 2 of the dual employment samples, the employee was over paid (approximately \$1,000 in total).
- No time sheets were submitted for any of the samples selected for any pay periods with a start date on the Form P-12 dated prior to January 1, 2014 to substantiate that the time was worked and that the work performed for dual employment purposes did not overlap with the employee's primary occupation.

Effect: Certain vacation taken may not have been properly reported and recorded. Additionally, certain dual employment expenditures were not fully supported in accordance with the University's policies and procedures; and certain instances of over and underpayment of dual employment were noted.

Cause: Insufficient internal controls and administrative oversight.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Recommendation: To assist with the accuracy of the compensated absences payable, we recommend that the University enhance its internal controls to prevent or detect leave taken by eligible employees but not properly reported. We also recommend that the University enhance its internal controls to ensure that the University's Dual Employment policies and procedures are followed and that over/under payments do not occur.

Views of responsible officials and planned corrective actions: *Compensated Absences Payable:* The Human Resource Director sends personalized emails to all eligible employees emphasizing the University's Leave Policy. The leave communication reminds employees that managers and supervisors are expected to administer the leave policies in accordance with South Carolina law. In addition, the communication includes a reminder that all leave request forms must be submitted to HR within two days of the approved request. Employees who are not at their worksite (unless on official University business) during their regular working hours must submit a leave request form. The use of leave is monitored monthly, and the Human Resource staff has begun a process of sending quarterly reminders to department supervisors in regards to scheduling and use of annual leave listing any employees that have not taken any leave to date. In addition, supervisors are provided quarterly reports of staff with no recorded leave time through the date of the report and are required to certify the accuracy of the report or provide the necessary leave documentation so that the system can be updated accordingly. The processes implemented have resulted in an increase of 3% in reported leave in fiscal year 2014. In addition to the quarterly memo, a memo is sent out to all University employees in regards to any holiday that is not observed as a University holiday which resulted in an increase of 72% in reported leave for Good Friday alone in the fiscal year 2014. While there was significant improvement, the improvements came too late in 2014 to fully remediate the finding.

Dual Employment: The Human Resources staff is committed to reinforcing the University's policy on Dual employment; forms are carefully reviewed by management in the Office of Sponsored Programs, Finance and Human Resources. This process ensures the forms are approved by the required personnel, dual employment work times do not overlap with other scheduled work, and effective January 2014 all dual employees submit time sheets each pay period. Processes have been implemented to ensure that any overpayments are recovered in the subsequent pay period. While there was significant improvement, the improvements came too late in 2014 to fully remediate the finding.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

FINDING 2014-002

Criteria or specific requirement: *A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

Condition: Through our audit procedures over the University's 2014 financial statements, we noted a variety of internal control exceptions (summarized in the Context section of this finding), that in the aggregate represent a material weakness in internal control over financial reporting.

Context: *Financial Statement Close Process and Compilation of Financial Statements*

Certain internal controls over the financial statement close process are either not formally documented or are not documented in enough detail that would allow someone new or someone unassociated with the process to easily close the financial records of the University in a timely manner. This includes internal controls over:

- The preparation and review (independent of the preparer) of the details of the compilation of the University's financial statements, related notes to the financial statements and schedule of expenditures of federal awards.
- The financial information systems (Banner) and applications (Excel, etc.) used to compile the financial statements and related notes to the financial statements. This includes the necessary adjustments needed to convert the University's general ledger balances to the Governmental Accounting Standards Board ("GASB") required financial statement reporting presentation.
- Obtaining the audited financial statements information needed from certain discretely presented component units of the University in a timely fashion (specifically the South Carolina State University Advancement Foundation).
- The consistent application of accounting policies and positions from fiscal year to fiscal year.
- The timely clean-up of stale or aged reconciling

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

balances.

- The adoption of new accounting pronouncements (GASB 65, etc.) that are direct and material to the University's financial statements.

Limited Departmental Resources

During the course of our audit procedures, we noted that certain offices (Finance, Student Financial Aid, Grants and Contracts, etc.) appeared to be under staffed as a result of resignations, terminations, and cross-department job placements. Though our key audit contacts appeared to work longer hours to compensate for the understaffing, the limited department resources ultimately contributed to the numerous delays experienced in the University's 2014 financial statement close process, the preparation of its 2014 financial statements, and the compilation of various supporting documentation needed for the 2014 audits of the University.

Effect: Audit adjustments were identified during the 2014 audit that were material to the 2014 financial statements. Additionally, the University did not meet its fiscal year end 2014 financial reporting submission requirements until over 3 months after its original deadline of September 30, 2014.

Cause: Limited resources within certain offices (Finance, Student Financial Aid, Grants and Contracts, etc.), transitions in key Finance Office positions throughout the year as well as at or near year end, insufficient internal controls over the financial statement close process, lack of formally documented policies and procedures surrounding the preparation and review of the financial statements, insufficiently configured financial information systems, and administrative oversight.

Recommendation: We recommend that the University enhance its internal controls over its financial statement close process. These internal controls should include having formal internal controls over the preparation and review (independent of the preparer) of the financial statements, streamlining its financial information systems and applications to facilitate the preparation of the financial statements, holding the University's discretely presented component units accountable for the timely submission of their audited financial statement to the University, consistently applying accounting policies and positions from fiscal year to fiscal year, following up timely on stale/aged reconciling items, and ensuring that the University adopts and implements the provisions of new accounting pronouncements that have a material financial statement impact.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Views of responsible officials and planned corrective actions:

Financial Information Systems: The University hired a new Controller July 2014 who has determined that the issues experienced in the past were not deemed as severe as what was communicated by previous staff. The Controller has been able to generate and provide audit information in a useable format and has significantly minimized the "back and forth" requests. In addition, significant progress made in getting the trial balance in a more user friendly format. There continues to be progress made in addressing some issues that still exist with other reporting but the staff are working diligently to resolve. There has been significant improvement in financial reporting and data extraction; and the Controller's office and IT staff are diligently working to identifying solutions to effectively, efficiently and consistently extract information from the system.

Grants and Contracts Accounts: Grants and Contracts has implemented a reconciliation process that is performed quarterly to coincide with financial statement presentations. In addition, Accounts Payable provides Grants and Contracts with a list of items processed for payments, as well as those invoices that are on hold, on a semi-monthly basis so that the billing is calculated based on actual payments process instead of items entered for processing. Grants and Contracts has also worked in conjunction with the IT staff to adjust the configuration within the respective Banner forms for state appropriated accounts created this year, and modified prior year awards, so that duplicate revenue and/or expense recognition does not take place. These process changes have significantly reduced the adjustments needed at year end.

In addition, there was a significant amount of grants and contracts receivable, as well as deferred revenue, for grants and/or contracts that were not collectible but were still being carrying in the trial balance. All grants & contracts receivable deemed uncollectible were written off in fiscal year 2014, along with any deferred revenue that would not be actualized. Grants & contracts has also drafted a policy for Allowance for Doubtful Accounts that will be reviewed by Management, and the Board of Trustees, for implementation in fiscal year 2015.

South Carolina State University Advancement Foundation: The audited financial statements were received for 2009 through 2014. Management has communicated with the management of the Advancement Foundation, as well as their auditors, the filing deadlines with the State of South Carolina so that the report can be received prior to November 15th each year.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Limited Departmental Resources: The University continues to move forward with limited resources that included the process of right-sizing the organization. This process resulted in the re-allocation of roles and responsibilities where larger than anticipated learning curves were experienced. The University has taken steps to ensure they have qualified personnel in key positions Financial Aid, Procurement, Fiscal Affairs and Grants & Contracts.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part III—Federal Award Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by Circular A-133 section .510(a) (for example, material weaknesses, significant deficiencies and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program. Where practical, findings should be organized by federal agency or pass-through entity.

FINDING 2014-003

Federal Program Information: Student Financial Assistance Cluster (various CFDA #'s)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation): *Special Tests and Provisions - Disbursements To or On Behalf of Students:* If a student received Title IV financial aid while attending one or more other institutions, schools are required to request financial aid history using the National Student Loan Data System ("NSLDS") Student Transfer Monitoring Process. Under this process, a school informs NSLDS about its transfer students.

Additionally, for students that received disbursements of Direct Loans or Federal Perkins Loans, institutions must notify the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution.

Condition: The University did not add 1 student selected for testing to the NSLDS Transfer Monitoring List during the year ended June 30, 2014.

The University notified 25 students or parents more than 30 days after crediting the student's account.

Questioned Costs: None.

Context: 1 of 44 students selected for transfer monitoring testing.

25 of 40 students selected for notification testing.

Effect: The University was not in compliance with the requirements of Disbursements To or On Behalf of Students.

Cause: Insufficient internal controls and administrative oversight.

Recommendation: We recommend that the University enhances its internal controls over compliance and processes over Disbursements To or On Behalf of Students.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Views of responsible officials and planned corrective actions:

A new Director of Financial Aid was hired in November 2013, an immediately began to implement the recommending changes to the policies and/or processes as they were identified during the 2013 audit. While there was significant improvement, the improvements came too late in 2014 to fully remediate the finding.

The transfer monitoring process has been enhanced to ensure all students enrolled each term are reported to NSLDS for transfer monitoring. A review of all *First-Time Transfer* students for 2013-2014 academic year determined that one instance noted was the only occurrence not reported to NSLDS for the fiscal year.

In January 2014, new notifications procedures were implemented to send notifications on a weekly basis to loan borrowers who have had a loan payment to their student account. Additional information was provided to support that the new procedures were implemented and notifications were being made with the timeframe specified by the regulations effective Spring semester.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

FINDING 2014-004

Federal Program Information: Student Financial Assistance Cluster (various CFDA #'s)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation): *Special Tests and Provisions - Verification:* For students selected for verification, institutions are required to obtain acceptable documentation to verify the information required, match information on the documentation to the student aid application, and, if necessary, submit data corrections to the central processor and recalculated awards.

Condition: Certain students were not properly verified by the University during the year ended June 30, 2014.

Questioned Costs: None.

Context: 9 of 40 students selected for verification testing.

Effect: The University was not in compliance with the verification compliance requirements.

Cause: Insufficient internal controls over the Verification compliance requirements and administrative oversight.

Recommendation: We recommend that the University enhances its internal controls over the Verification of students.

Views of responsible officials and planned corrective actions: A new Director of Financial Aid was hired in November 2013, and immediately began to implement the recommended changes to the policies and/or processes as they were identified during the 2013 audit. While there was significant improvement, the improvements came too late in 2014 to fully remediate the finding.

The financial aid office has implemented additional verification procedures to enhance and correct the amount of manual errors which have been occurring. This process includes a second review process which is performed by a verification specialist who ensures the accuracy of the data reported to the Central Processing System. The changes were implemented for the 2014-2015 award year, processing began on or after March 1, 2015.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

FINDING 2014-005

Federal Program Information: Payments to 1890 Land-Grant Colleges and Tuskegee University (CFDA #10.205) ("1890 Program"), Historically Black Colleges and Universities Program (CFDA #14.520) ("HBCU Program"), Environment Remediation and Waste Processing and Disposal (CFDA #81.104) ("ERWPD Program"), Research & Development Cluster (CFDA #Various) ("R&D Cluster"), Title III Strengthening Historically Black Colleges and Universities Program (CFDA #84.031) ("Title III Program"), TRIO Cluster (CFDA #Various), and Gaining Early Awareness and Readiness for Undergraduate Programs (CFDA #84.334) ("GEAR Up Program")

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation): *Equipment and Real Property Management:* Institutions that expend federal funds on equipment are required to conduct a physical inventory of the equipment at least once every 2 years and reconcile results of the count to the appropriate equipment records. Additionally, equipment records are required to be maintained to properly track and monitor the equipment.

Condition: Though the University implemented new procedures during the last quarter of fiscal 2014 which would count all equipment purchased with Federal funds at least once every 2 years using periodic cycle counts, the cycle counts conducted through June 30, 2014, did not result in all equipment purchased with federal funds to have been counted at least once in the last 2 years as of June 30, 2014.

Additionally, for certain equipment purchases made during the year ended June 30, 2014 with federal funds; the University did not maintain adequate equipment records or the amount charged to the respective federal program exceeded the amount per the equipment records.

Questioned Costs: None.

Context: *Physical Inventory Count:* All Programs Listed in Federal Program Information

Equipment Records: The University did maintain appropriate equipment records as follows:

- R&D Cluster - 1 of 4 equipment expenditures selected for testing
- Title III Program - 1 of 5 equipment expenditures selected for testing

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Effect:	The University was not in compliance with the requirements of Equipment and Real Property Management.
Cause:	Insufficient internal controls over compliance and administrative oversight.
Recommendation:	We recommend that the University enhances its internal controls over compliance with the requirements of Equipment and Real Property Management.
Views of responsible officials and planned corrective actions:	<p>The physical inventory was completed December 31, 2014. The staff responsible for completing the physical inventory was directed to modify the way the university was conducting its effort in this regard, by putting together a plan and hiring student temporary help to assist with getting this task completed as quickly, efficiently, and effectively as possible. Communication was sent to all Cabinet members and departments/building managers indicating the urgency of this matter. This process ensured that the internal control associated with the physical count of the capital assets at the University is adequate, effective and proficient.</p> <p>The inventory process and procedures will be modified during FY15 and FY16, to allow for the timely completion of a full campus inventory every two years. The next inventory will be schedule for completion no later than March 2016.</p>

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

FINDING 2014-006

Federal Program Information: 1890 Program (CFDA #10.205), HBCU Program (CFDA #14.520), ERWPD Program (CFDA #81.104), R&D Cluster (CFDA #Various), TRIO Cluster (CFDA #Various), and GEAR UP Program (CFDA #84.334)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation): *Activities Allowed or Unallowed and Allowable Cost/Cost Principles:* The University is required to comply and maintain internal controls over compliance related to the applicable provisions of Activities Allowed or Unallowed and Allowable Cost/Cost Principles.

Condition: Certain expenditures were not properly approved; were not properly supported with required documentation, and/or did not appear to be allowable expenditures.

Questioned Costs: Indeterminable.

Context: The following exceptions were noted during our audit procedures:

1890 Program

- 3 of 40 expenditures selected for testing, appropriate approvals were not obtained
- 1 out of 40 expenditures selected for testing, supporting records were not maintained
- 2 of 40 expenditures selected for testing, expenditures were for unallowable cost items
- 3 of 40 expenditures selected for testing did not have salaries that were approved in accordance with the Universities policies
- 2 of 40 expenditures selected were not supported with complete after-the-fact certifications

HBCU Program

- The rates of indirect costs charged to the federal program were not supported as required

ERWPD Program

- 3 of 40 expenditures selected for testing, appropriate approvals were not obtained
- 1 out of 40 expenditures selected for testing, supporting records were not maintained
- 4 of 40 expenditures selected for testing did not have

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

salaries that were approved in accordance with the Universities policies

- 5 of 40 expenditures selected for testing were not supported with complete after-the-fact certifications
- The rates of indirect costs charged to the federal program were not supported as required

R&D Cluster

- 1 of 40 expenditures selected for testing, appropriate approvals were not obtained
- 6 of 40 expenditures selected for testing did not have salaries that were approved in accordance with the Universities policies
- 3 of 40 expenditures selected for testing were not supported with complete after-the-fact certifications
- The rates of indirect costs charged to the federal program were not supported as required

TRIO Cluster

- 1 of 25 expenditures selected for testing did not have salaries that were approved in accordance with the Universities policies
- The rates of indirect costs charged to the federal program were not supported as required

GEAR UP Program

- 2 out of 25 expenditures selected for testing, appropriate approvals were not obtained
- 1 out of 25 expenditures selected for testing, expenditures were for unallowable cost items.
- The rates of indirect costs charged to the federal program were not supported as required

Effect: The University was not in compliance with the requirements of Activities Allowed or Unallowed and Allowable Cost/Cost Principles.

Cause: Insufficient internal controls over compliance and administrative oversight.

Recommendation: We recommend that the University enhances its internal controls over the compliance requirements of Activities Allowed or Unallowed and Allowable Cost/Cost Principles.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Views of responsible officials and planned corrective actions:

Non-payroll Expenditures: The approval process in Banner was designed with thresholds at various level of responsibility which in some instances allowed for processing of expenditures without approval at the highest level. The University is updating the Banner approval process to remove the thresholds by level, so that all requisitions are routed through the full approval process regardless of the dollar amount. The system update will ensure there is consistent approvals, and documentation of approvals, for all expenditures.

Payroll Expenditures: The University's current processes allow for staff allocation changes to be communicated both formally (on University forms) and informally (written or electronic). The University will be updating the process to ensure whichever communication is received becomes a part of the employee's payroll file. In addition, Human Resources will provide confirmation to Sponsored Programs and Grants & Contracts once the allocation change has been processed, so that the necessary updates can be made to the after-the-fact certification forms.

Indirect Costs: To ensure that the approved rate is properly documented, Sponsored Programs will request that the rate be included on all future award documents. In addition, the University's post award conference procedures will be updated to include correspondence to the sponsor to confirm the approved indirect cost rate in instances where the rate is not clearly delineated on the award document.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

FINDING 2014-007

Federal Program Information: Title III Program (CFDA #84.031)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation): *Davis-Bacon Act:* The University is required to include in its construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the U.S. Department of Labor regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6).

Condition: For 3 construction contractors selected for testing, the University did not include a requirement within the construction contract that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. The University also did not obtain the required certified payrolls from the 3 contractors for labor costs.

Questioned Costs: None.

Context: 3 of 3 construction contractors selected for testing.

Effect: The University was not in compliance with the requirements of the Davis-Bacon Act.

Cause: Insufficient internal controls over compliance and administrative oversight.

Recommendation: We recommend that the University enhance its policies and procedures over the requirements of the Davis-Bacon Act.

Views of responsible officials and planned corrective actions: The University's efforts to "right-size" the organization has resulted in the elimination of some positions. As a result there were some gaps in institutional knowledge surrounding the location of various files (paper and electronic) maintained by eliminated positions. The University is also taking steps to transition its paper files to electronic documents which will be included in normal back-up procedures.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

FINDING 2014-008

Federal Program Information: ERWPD Program (CFDA #81.104), R&D Cluster (CFDA #Various)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation): *Subrecipient Monitoring:* The University is required to monitor subrecipients' use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers the Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

Condition: Although the University did have subrecipient contracts, the University did not have appropriate documentation to support proper monitoring of subrecipients during the year ended June 30, 2014, as required.

Questioned Costs: None.

Context: R&D Cluster - 3 of 3 subrecipients selected for testing
ERWPD Program - 2 of 2 subrecipients selected for testing

Effect: The University was not compliant with the requirements of Subrecipient Monitoring.

Cause: Insufficient internal controls over compliance and administrative oversight.

Recommendation: We recommend that the University enhances its internal controls over the requirements of Subrecipient Monitoring.

Views of responsible officials and planned corrective actions: The University has various sub-recipient monitoring procedures in place including desk reviews, receipt of progress report, confirmation of SAMS eligibility confirmation, etc.; however, the conversion to electronic processes has resulted in some of the steps not being properly documented. Sponsored Programs will be updating their processes to ensure that all sub-recipient monitoring is properly documented including the receipt of required reports (i.e., A-133, statement of work, etc.).

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

FINDING 2014-009

Federal Program Information: R&D Cluster (CFDA #Various), Title III Program (CFDA #84.031), and TRIO Cluster (CFDA #Various)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation): *Reporting:* The University is required to maintain internal controls over compliance related to the provisions of the applicable compliance requirements of Reporting. Amounts reported should agree to financial records that support the audited financial statements and the Schedule of Expenditures of Federal Awards.

Condition: Certain reports did not appear to have been submitted as required.

Questioned Costs: None.

Context: R&D Cluster - 5 of 5 grants selected for report testing
Title III Program - 1 of 2 grants selected for report testing
TRIO Cluster - 1 of 2 grants selected for report testing

Effect: The University was not in compliance with the requirements of Reporting.

Cause: Insufficient internal controls over compliance and administrative oversight.

Recommendation: We recommend that the University enhances its internal controls over compliance requirements of Reporting.

Views of responsible officials and planned corrective actions: The University has historically filed the necessary quarterly and annual reports timely, or with an approved extension, in order to secure future grant funding; however, the conversion to electronic reporting has resulting in the "proof of submission" and/or changes in reporting deadlines not being consistently documented. Sponsored Programs and Grants & Contracts will modify their current procedures to include documentation of timely filing (i.e., submission screens, confirmation emails, etc.) of quarterly and annual reports.

In addition, Sponsored Programs will be updating their processes to include obtaining financial reports prepared by Grants & Contracts, including correspondence related to submission, which will create a centralized hub for all reports and ensure proper monitoring and timely.

South Carolina State University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

FINDING 2014-010

Federal Program Information: 1890 Program (CFDA #10.205)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation): *Cash Management:* Funds drawn down for a federal program are to be utilized for that specific federal program. Additionally, when entities are funded on a reimbursement basis, program costs must be incurred before reimbursement is requested from the Federal Government.

Condition: During our audit procedures over the Cash Management of the 1890 Program, we noted that 1890 Program and the related state matching funds are drawn down into one of the University's operating accounts. As of July 1, 2013, claims on cash for the 1890 Program were greater than the total cash balance within this operating account. As a result, as of July 1, 2013, the University was effectively borrowing funds from the 1890 Program to fund operations as well as the University requesting reimbursement prior to incurring allowable expenditures. We also noted that the University temporarily borrowed funds from July 2013 through February 2014.

Questioned Costs: Indeterminable.

Context: 1 of 1 balance tested.

Effect: The University was not compliant with the cash management compliance requirements during the year ended June 30, 2014.

Cause: Insufficient internal controls over compliance and administrative oversight.

Recommendation: We recommend that the University enhances its internal control over cash management of this 1890 Program. Additionally, the University should open a new bank account that is solely used to deposit and disburse 1890 Program funds.

Views of responsible officials and planned corrective actions: While there was significant improvement, the improvements came too late in 2014 to fully remediate the finding. The University received approval for temporary use of the 1890 funds during a fiscal crisis in early 2014, which were fully repaid February 2014. In addition, the University transferred all 1890 funds to a separate bank account in August 2014.

South Carolina State University
Summary Schedule of Prior Year Findings

Year Ended June 30, 2014

This section identifies the audit findings that were required to be reported in the prior year by Circular A-133 section .510(a) (for example, material weaknesses, significant deficiencies and material instances of noncompliance, including questioned costs), as well as any prior year abuse findings involving federal awards that are material to a major program.

FINDING 2013-001

Type of finding:	Financial statement finding.
Summary of prior year finding:	The Vendor List represents the list of employees, third parties and other parties (collectively, the "Vendors") that Banner recognizes as approved Vendors and thus allows purchase orders and payments to be processed for each of the Vendors. During our procedures over the University's procurement process, we noted that the University did not appear to have formal internal controls over the Vendor List. It was noted that there were approximately 19,550 vendors that were included on the Vendor List as of June 30, 2013. This was identified as significant deficiency in internal control over financial reporting.
Current year status:	The University performed a comprehensive clean-up of the Vendor List during the year ended June 30, 2014 that resulted in the total Vendors to approximately 11,400. This clean-up included the University purging all vendors that have not had any new activity/transactions with the University in the past 2 years. As a result, no similar significant deficiency was noted during the 2014 audit.
Corrective action plan:	As there was no similar significant deficiency finding noted during the 2014 audit, a corrective action plan is not applicable.

South Carolina State University
Summary Schedule of Prior Year Findings

Year Ended June 30, 2014

FINDING 2013-002

Type of finding:	Financial statement finding.
Summary of prior year finding:	<p>The South Carolina State University Advancement Foundation (the "Advancement Foundation") was not discretely presented in the University's 2013 financial statements as required by required by Government Accounting Standards Board Section 2600, <i>Reporting Entity and Component Unit Presentation</i> ("GASB Section 2600").</p> <p>Additionally, though the South Carolina State University Research and Development Foundation (the "R&D Foundation") was created in fiscal year 2005, it was not properly communicated to the Controller's Office until fiscal year 2013. During fiscal year 2013, the R&D Foundation initiated certain federal transactions which involved the University without the proper authorization from the University. Though these transactions were detected by the University and terminated, the University was exposed to certain unnecessary compliance risk, especially since these transactions included federal funds.</p> <p>The above was identified as significant deficiency in internal control over financial reporting.</p>
Current year status:	<p>The Advancement Foundation provided its audited June 30, 2014 financial statements to the University and it was discretely present as required by accounting principles generally accepted in the United States of America.</p> <p>Additionally, to minimize its compliance risk, the University dissolved the R&D Foundation in August 2013.</p> <p>Given the above information, no similar significant deficiency finding was identified during the 2014 audit.</p>
Corrective action plan:	As there was no similar significant deficiency finding noted during the 2014 audit, a corrective action plan is not applicable.

South Carolina State University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2014

FINDING 2013-003

Type of finding:	Financial statement finding.
Summary of prior year finding:	Though the University had internal controls in place for the recognition of leave taken and reported by eligible employees, the University did not have a formal internal control in place to prevent or detect leave taken but not reported. As a result in University recognized the maximum amount of compensated absences payable for approximately 40% of eligible employees as of June 30, 2013. Additionally, out of the 168 employees that had the maximum amount of compensated absences payable at June 30, 2013, 19 employees did not have any vacation that was taken and recorded during the year ended June 30, 2013. This was identified as significant deficiency in internal control over financial reporting.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-001.
Corrective action plan:	Refer to corrective action plan within Finding 2014-001 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings

Year Ended June 30, 2014

FINDING 2013-004

Type of finding:	Financial statement finding.
Summary of prior year finding:	The financial statement close of grants and contracts accounts for the year ended June 30, 2013 were closed approximately 5 weeks after all other accounts were closed and resulted in significant post-closing adjustments that were recorded by the University to write off certain overstated state appropriations that had been previously recognized by the University as well as post-closing adjustments to properly state grants receivable and unearned revenue at June 30, 2013.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-002.
Corrective action plan:	Refer to corrective action plan within Finding 2014-002 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2014

FINDING 2013-005

Type of finding:	Financial statement finding.
Summary of prior year finding:	The University did not have proper internal controls over its Dual Employment program to ensure that expenditures incurred under this program are processed and supported in accordance with the University's policies and procedures. This was identified as significant deficiency in internal control over financial reporting.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-001.
Corrective action plan:	Refer to corrective action plan within Finding 2014-001 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2014

FINDING 2013-006

Type of finding:	Financial statement finding.
Summary of prior year finding:	The University did not have adequate internal controls over the administration of its physical counts of its capital assets. This was identified as significant deficiency in internal control over financial reporting.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-005.
Corrective action plan:	Refer to corrective action plan within Finding 2014-005 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2014

FINDING 2013-007

Type of finding:	Financial statement finding.
Summary of prior year finding:	The University did not have adequate internal controls over the preparation and review of the schedule of expenditures of federal awards ("SEFA"). This resulted in significant variances between the SEFA and underlying supporting documentation that required correction to properly state the SEFA for the year ended June 30, 2013. This was identified as significant deficiency in internal control over financial reporting.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-002.
Corrective action plan:	Refer to corrective action plan within Finding 2014-002 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2014

FINDING 2013-008

Type of finding:	Financial statement finding.
Summary of prior year finding:	The University did not have adequate internal controls over financial information system extractions and the compilation of financial statements which contributed to significant delays in the issuance of financial statements. This was identified as significant deficiency in internal control over financial reporting.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-002.
Corrective action plan:	Refer to corrective action plan within Finding 2014-002 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2014

FINDING 2013-009

Type of finding:	Financial statement finding.
Summary of prior year finding:	The University did not have a reasonable number of resources in certain offices (Finance, Student Financial Aid, Grants and Contracts, etc.) which contributed to certain audit adjustments as well as significant delays in the financial statement close process, the preparation and compilation of audit requests and the issuance of the final financial statements. This was identified as significant deficiency in internal control over financial reporting.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-002.
Corrective action plan:	Refer to corrective action plan within Finding 2014-002 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2014

FINDING 2013-010

Type of finding:	Federal awards finding.
Federal program:	Student Financial Assistance Cluster (various CFDA #'s)
Summary of prior year finding:	<i>Special Tests and Provisions - Disbursements To or On Behalf of Students:</i> If a student received financial aid while attending one or more other institutions, schools are required to request financial aid history using the NSLDS Student Transfer Monitoring Process. Under this process, a school informs NSLDS about its transfer students. The University did not request financial aid history using the NSLDS Student Transfer Monitoring process for transfer students that received financial aid.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-003.
Corrective action plan:	Refer to corrective action plan within Finding 2014-003 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings

Year Ended June 30, 2014

FINDING 2013-011

Type of finding:	Federal awards finding.
Federal program:	Federal Direct Student Loans (CFDA#: 84.268) and Federal Perkins Loan Program (CFDA#: 84.038)
Summary of prior year finding:	<i>Special Tests and Provisions - Disbursements To or On Behalf of Students:</i> Institutions must notify the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution. The University notified certain students or parents more than 30 days before crediting the student's account.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-003.
Corrective action plan:	Refer to corrective action plan within Finding 2014-003 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2014

FINDING 2013-012

Type of finding:	Federal awards finding.
Federal program:	Student Financial Assistance Cluster (various CFDA #'s)
Summary of prior year finding:	<i>Special Tests and Provisions - Verification:</i> For students selected for verification, institutions are required to obtain acceptable documentation to verify the information required, matched information on the documentation to the student aid application, and, if necessary, submitted data corrections to the central processor and recalculated awards. Student's income tax, child support paid, or untaxed income per the University's verification worksheet did not match the amounts per the underlying documentation.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-004.
Corrective action plan:	Refer to corrective action plan within Finding 2014-004 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings

Year Ended June 30, 2014

FINDING 2013-013

Type of finding: Federal awards finding.

Federal program: Federal Direct Student Loans (CFDA#: 84.268) and Federal Perkins Loan Program (CFDA#: 84.038)

Summary of prior year finding: *Special Tests and Provisions - Enrollment Reporting:* The University is required to maintain effective internal controls over compliance with the requirements of Enrollment Reporting. The University has an internal control over compliance with the requirements of Enrollment Reporting to submit a file to NSLDS each month to report student status changes. The control did not operate effectively for 1 month tested.

Current year status: No similar finding was identified during the 2014 audit.

Corrective action plan: As there was no similar finding noted during the 2014 audit, a corrective action plan is not applicable.

South Carolina State University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2014

FINDING 2013-014

Type of finding:	Federal awards finding.
Federal program:	Federal Direct Student Loans (CFDA#: 84.268)
Summary of prior year finding:	<i>Special Tests and Provisions - Disbursements to or On Behalf of Students:</i> Institutions may not disburse or deliver the first installment of Direct Loans to first-year undergraduates who are first time borrowers until 30 days after the student's first day of classes. The University disbursed funds to 2 first-year undergraduates who were first time borrowers before 30 days from students' first day of classes.
Current year status:	No similar finding was noted during the 2014 audit.
Corrective action plan:	As there was no similar finding was noted during the 2014 audit, a corrective action plan is not applicable.

South Carolina State University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2014

FINDING 2013-015

Type of finding:	Federal awards finding.
Federal program:	Federal Pell Grant Program (CFDA#: 84.063)
Summary of prior year finding:	<i>Reporting - Financial Reporting:</i> Institutions receiving Pell grants are required to maintain internal controls over the reporting of Pell payment data to the U.S. Department of Education through the Common Origination and Disbursement ("COD") System. One of the University's internal controls over Pell grants is to submit Pell origination files in a batch weekly as awards are made and disbursed. For 1 week, this internal control was not operating effectively.
Current year status:	No similar finding was noted during the 2014 audit.
Corrective action plan:	As there was no similar finding was noted during the 2014 audit, a corrective action plan is not applicable.

South Carolina State University
Summary Schedule of Prior Year Findings

Year Ended June 30, 2014

FINDING 2013-016

Type of finding:	Federal awards finding.
Federal program:	1890 Program (CFDA #10.205), ERWPD Program (CFDA #81.104), R&D Cluster (CFDA #Various), and Title III Program (CFDA #84.031)
Summary of prior year finding:	<i>Equipment and Real Property Management:</i> Institutions that expend federal funds on equipment are required to conduct a physical inventory of the equipment at least once every 2 years and reconcile results of the count to the equipment records. The University did not conduct a full physical inventory of all equipment purchased with federal funds as required.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-005.
Corrective action plan:	Refer to corrective action plan within Finding 2014-005 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings

Year Ended June 30, 2014

FINDING 2013-017

Type of finding:	Federal awards finding.
Federal program:	1890 Program (CFDA #10.205), ERWPD Program (CFDA #81.104), R&D Cluster (CFDA #Various), and Title III Program (CFDA #84.031)
Summary of prior year finding:	The University is required to maintain internal controls over compliance related to the applicable provisions of Activities Allowed or Unallowed and Allowable Cost/Cost Principles. This includes internal controls over purchases of goods and services to ensure that only allowable expenditures are approved for processing and payment. The University did not properly approve 34 non-payroll related expenditures in accordance with its policies and procedures.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-006.
Corrective action plan:	Refer to corrective action plan within Finding 2014-006 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings

Year Ended June 30, 2014

FINDING 2013-018

Type of finding:	Federal awards finding.
Federal program:	1890 Program (CFDA #10.205), ERWPD Program (CFDA #81.104), R&D Cluster (CFDA #Various), and Title III Program (CFDA #84.031)
Summary of prior year finding:	The University is required to maintain internal controls over compliance related to the applicable provisions of Activities Allowed or Unallowed and Allowable Cost/Cost Principles. This includes internal controls over payroll and related benefits charged to a federal program. For certain payroll related expenditures selected for testing we noted one or more of the following instances: The amounts charged to the federal program could not be reconciled to approved salary documentation and/or after-the-fact certifications were either not completed or not appropriately approved in accordance with the University's policies and procedures.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-006.
Corrective action plan:	Refer to corrective action plan within Finding 2014-006 for management's corrective action plan.

South Carolina State University
Summary Schedule of Prior Year Findings

Year Ended June 30, 2014

FINDING 2013-019

Type of finding:	Federal awards finding.
Federal program:	1890 Program (CFDA #10.205) and Title III Program (CFDA #84.031)
Summary of prior year finding:	<i>Cash Management:</i> When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. For 2 transactions selected for cash management testing, the University requested reimbursement from the Federal Government prior paying for the underlying expenditure.
Current year status:	We noted that this finding was not fully remediated during fiscal year 2014 for the 1890 Program and is a part of Finding 2014-010. No similar finding was noted for the Title III Program during the 2014 audit.
Corrective action plan:	Refer to corrective action plan within Finding 2014-010 for management's corrective action plan as it pertains to the 1890 Program.

South Carolina State University
Summary Schedule of Prior Year Findings

Year Ended June 30, 2014

FINDING 2013-020

Type of finding:	Federal awards finding.
Federal program:	1890 Program (CFDA #10.205)
Summary of prior year finding:	During our audit procedures over the cash management of the 1890 Program, we noted that Land-Grant and the related state matching funds are drawn down into one of the University's operating accounts. As of June 30, 2013, claims on cash for the 1890 Program were greater than the total cash balance within this operating account. As a result, as of June 30, 2013, the University was effectively borrowing funds from the 1890 Program to fund operations.
Current year status:	This finding was not fully remediated during fiscal year 2014 and is part of Finding 2014-010.
Corrective action plan:	Refer to corrective action plan within Finding 2014-010 for management's corrective action plan.