

SOUTH CAROLINA STATE UNIVERSITY

ORANGEBURG, SOUTH CAROLINA

OMB CIRCULAR A-133 REPORTS

(With Independent Auditors' Report Thereon)

YEAR ENDED JUNE 30, 2005

SOUTH CAROLINA STATE UNIVERSITY

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SOUTH CAROLINA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>	<u>Pass-Through Expenditures to Subrecipients</u>
Research and Development Cluster			
Direct Programs:			
U.S. Department of Agriculture			
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	\$ 1,155,745	\$ -
1890 Institution Capacity Building Grants	10.216	48,488	-
Meat Goat /Small Livestock Industry and Fruit and Vegetable Project	10.302	5,046	-
U.S. Department of Defense			
Basic and Applied Scientific Research	12.300	71,825	-
U.S. Department of Transportation			
Highway Planning and Construction	20.205	3,064	-
Highway Training and Education	20.215	105,636	56,801
University Transportation Centers Program	20.701	1,431,674	211,474
National Aeronautics and Space Administration			
Aerospace Education Services Program	43.001	244,735	-
National Science Foundation			
Engineering Grants	47.041	43,239	-
Biological Sciences	47.074	58	-
Education and Human Resources	47.076	15,097	-
U.S. Department of Veterans Affairs			
Veterans State Hospital Care	64.016	18,015	-
Veterans Information and Assistance	64.115	10,205	-
U.S. Department of Energy			
Office of Science Financial Assistance Program	81.049	76,056	-
Office of Scientific and Technical Information	81.064	4,262	-
Renewable Energy Research and Development	81.087	18,240	-
Office of Environmental Cleanup and Acceleration	81.104	16,781	-
University Reactor Infrastructure and Education Support	81.114	12,178	-
U.S. Department of Education			
Minority Science and Engineering Improvement	84.120	103,139	-

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<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>	<u>Pass-Through Expenditures to Subrecipients</u>
U.S. Department of Health and Human Services			
Maternal and Child Health Federal Consolidated Programs	93.110	24,606	-
National Center on Minority Health and Health Disparities	93.375	363,491	35,547
National Center for Research Resources	93.389	24,399	-
Child Health and Human Development Extramural Research	93.865	63,105	-
Aging Research	93.866	51,224	-
		<u>3,910,308</u>	<u>303,822</u>
Pass-Through State Agencies:			
U.S. Department of Commerce			
Passed Through South Carolina Sea Grant Consortium Sea Grant Support	11.417	7,447	-
Environmental Protection Agency			
Passed Through SC Department of Health and Environmental Control Nonpoint Source Implementation Grants	66.460	13,170	-
U.S. Department of Energy			
Passed Through SC University Research and Education Foundation Stewardship Science Grant Program	81.112	(2,608)	-
Total Pass-Through State Agencies		<u>18,009</u>	-
Pass-Through Other Than State Agencies:			
U.S. Department of Commerce			
Pass-Through Florida A&M University Educational Partnership Program	11.481	203,139	-
National Aeronautics and Space Administration			
Passed Through University of Alabama Aerospace Education Services Program	43.001	4,038	-
U.S. Department of Health and Human Services			
Passed Through National Association for Equal Opportunity in Higher Education Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	8,719	-
Passed Through Central State University Family and Community Violence Prevention Program	93.910	259,426	-
Total Pass-Through Other Than State Agencies		<u>475,322</u>	-
Total Research and Development Cluster		<u>4,403,639</u>	<u>303,822</u>

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<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>	<u>Pass-Through Expenditures to Subrecipients</u>
Federal Student Aid Programs Cluster			
U.S. Department of Education			
Federal Supplemental Educational Opportunity Grants	84.007	711,741	-
Higher Education-Institutional Aid	84.031	2,930,721	-
Federal Work-Study Program	84.033	425,023	-
Federal Perkins Loan Program	84.038	2,104,526	-
Federal Pell Grant Program	84.063	7,585,885	-
Total Higher Education Cluster		13,757,896	-
Non-Cluster Programs			
Direct Programs:			
U.S. Department of Agriculture			
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	93,681	-
1890 Institution Capacity Building Grants	10.216	188,209	-
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	(621)	-
Cooperative Extension Service	10.500	1,685,664	-
Summer Food Service Program for Children	10.559	41,706	-
Rural Cooperative Development Grants	10.771	45,198	-
1890 Land Institutions Rural Entrepreneurial Outreach Program	10.856	145,719	-
Soil and Water Conservation	10.902	23,638	-
U.S. Department of Commerce			
Educational Partnership Program	11.481	2,870	-
U.S. Department of Defense			
Procurement Technical Assistance for Business Firms	12.002	3,629	-
U.S. Department of Housing and Urban Development			
Northeastern Corridor of Orangeburg Community Development Corporation	14.237	192,810	-
U.S. Department of Transportation			
Highway Planning and Construction	20.205	131,299	20,000
Highway Training and Education	20.215	2,098,525	1,902,092
University Transportation Centers	20.701	9,251	-
National Aeronautics and Space Administration			
Aerospace Education Services Program	43.001	285,469	-
National Science Foundation			
Biological Sciences	47.074	48,186	-
Education and Human Resources	47.076	811,829	642,315

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<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>	<u>Pass-Through Expenditures to Subrecipients</u>
Small Business Administration			
Small Business Development Center	59.037	159,964	-
U.S. Department of Energy			
Office of Environmental Cleanup and Acceleration	81.104	315,766	-
University Reactor Infrastructure and Education Support	81.114	37,085	-
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	(357)	-
U.S. Department of Education			
Special Education - Grants to States	84.027	106,752	-
TRIO-Student Support Services	84.042	251,048	-
TRIO-Upward Bound	84.047	152,586	-
TRIO-Educational Opportunity Centers	84.066	219,877	-
Minority Science and Engineering Improvement	84.120	56,287	-
Rehabilitation Long-Term Training	84.129	159,072	-
Business and International Education Projects	84.153	4,142	-
Special Education-Personnel Preparation to Improve Services and Results for Children With Disabilities	84.325	40,862	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	194,952	23,689
Teacher Quality Enhancement Grants	84.336	537,478	54,329
U.S. Department of Health and Human Services			
Maternal and Child Health Federal Consolidated Programs	93.110	35,946	-
National Center for Research Resources	93.389	60,315	-
Rural Health Outreach and Rural Network Development Program	93.912	144,276	-
Geriatric Education Centers	93.969	10,715	-
		8,293,828	2,642,425
Indirect Programs:			
Pass-Through State Agencies:			
U.S. Department of Agricultural			
Passed Through SC Department of Social Services Higher Education Challenge Grants	10.217	10,316	2,629
U.S. Department of Justice			
Passed Through SC Department of Juvenile Justice Enforcing Underage Drinking Laws Program	16.727	9,634	-

SOUTH CAROLINA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
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<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>	<u>Pass-Through Expenditures to Subrecipients</u>
U.S. Department of Transportation			
Passed Through Clemson University			
Highway Planning and Construction	20.205	3,279	-
Federal Transit-Capital Investment Grants	20.500	29,350	-
Federal Transit-Metropolitan Planning Grants	20.505	(999)	-
U.S. Department of Energy			
Passed Through SC University Research and Education Foundation			
University Reactor Infrastructure and Education Support	81.114	722,847	371,987
U.S. Department of Education			
Passed Through Clemson University			
Fund for the Improvement of Education	84.215	66,662	-
Passed Through SC Department of Education			
State Grants for Innovative Programs	84.298	1,228	-
Passed Through University of South Carolina			
Improving teacher Quality State Grants	84.367	2,000	-
U.S. Department of Health and Human services			
Passed Through SC Department of Social Services			
Child Welfare Services Training Grants	93.648	(3,484)	-
Total Passed Through State Agencies		840,833	374,616
Pass-Through Other Than State Agencies:			
U.S. Department of Health and Human services			
Passed Through National Youth Sports Program Fund			
Community Services Block Grant- Discretionary Award	93.570	75,625	-
Total Pass-Through Other Than State Agencies		75,625	-
Total Federal Assistance		\$ 27,371,821	\$ 3,320,863

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

SOUTH CAROLINA STATE UNIVERSITY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of South Carolina State University and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Summary of Significant Accounting Policies for Federal Award Expenditures

Expenditures for student financial aid programs include the federal share of student's Federal Supplemental Educational Opportunity Grant program grants and Federal Work Study program earnings, certain other federal financial aid for students and administrative costs allowances, where applicable.

Note 3 - Federal Perkins Loan Program (CFDA Number 84.038)

The Federal Perkins Loan Program is administered directly by South Carolina State University and balances and transactions are included in of South Carolina State University's financial statements. The balance of loans outstanding under the Federal Perkins Loan program was \$1,728,378 as of June 30, 2005.



**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**

Members of the Board of Trustees
South Carolina State University
Orangeburg, South Carolina

We have audited the financial statements of the business type activity and the discretely presented component unit of South Carolina State University, as of and for the year ended June 30, 2005, which collectively comprise South Carolina State University's basic financial statements and have issued our report thereon dated October 7, 2005. Our opinion on the financial statements insofar as it relates to the amounts for the discretely presented component unit is based solely on the reports of other auditors. We conducted our audit in accordance with 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 Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Carolina State University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect South Carolina State University's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-01, 05-02, 05-03, 05-04, 05-05, 05-06, 05-07, and 05-08.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we consider items 05-01, 05-04, 05-05, and 05-08 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Carolina State University's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the management of South Carolina State University in a separate letter dated October 7, 2005.

This report is intended for the information and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Beckett + Holland, L.L.P.

Beaufort, South Carolina
October 7, 2005



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Members of the Board of Trustees
South Carolina State University
Orangeburg, South Carolina

Compliance

We have audited the compliance of South Carolina State University with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. South Carolina State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of South Carolina State University's management. Our responsibility is to express an opinion on South Carolina State University's compliance based on our audit.

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 South Carolina State 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. Our audit does not provide a legal determination on South Carolina State University's compliance with those requirements.

In our opinion, South Carolina State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 05-09 and 05-10.

Internal Control Over Compliance

The management of South Carolina State University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered South Carolina State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business type activity and the discretely presented component unit of South Carolina State University as of and for the year ended June 30, 2005, which collectively comprise South Carolina State University's basic financial statements and have issued our report thereon dated October 7, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements of South Carolina State University, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Beckett & Holland, L.L.P.

Beaufort, South Carolina
October 7, 2005

SOUTH CAROLINA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

I. Summary of auditor's results

1. The type of report issued on the basic financial statements: **Unqualified Opinion.**
2. Reportable conditions in internal control were disclosed by the audit of the basic financial statements: **Yes** Material Weaknesses: **Yes**
3. Noncompliance which is material to the basic financial statements: **None**
4. Reportable conditions in internal control over major programs: **None Reported**
Material weaknesses: **None**
5. The type of report issued on compliance for major programs: **Unqualified Opinion.**
6. Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **Yes**
7. Major federal programs: **Research and Development Cluster (various CFDA numbers), Federal Student Aid Programs (various CFDA numbers), Cooperative Extension Service – CFDA number 10.500, Education and Human Resources – CFDA number 40.076 and University Reactor Infrastructure and Education Support- CFDA number 81.114**
8. Dollar threshold used to distinguish between Type A and Type B programs: **\$758,019**
9. Auditee qualified as a low risk auditee under Section .530 of Circular No. A-133: **No**

II. Findings related to the audit of the financial statements of South Carolina State University

- 05-01 Condition: Bank reconciliations are not being timely reviewed and when action is required on a reconciling item the action steps are not being performed in a timely manner.

Criteria: Good business practices require that bank reconciliations be timely reviewed and reconciling items be acted on promptly when action is required.

Effect: Bank reconciliations have a significant number of old reconciling items on them.

Context: The University has over thirty different bank accounts, the majority of which have limited activity. While only a small number of accounts had old reconciling items, the majority of the transactions occurred in the accounts that old reconciling items that required adjustment.

Cause: Bank reconciliations were not reviewed by management in a timely manner. Therefore, reconciling items were allowed to remain on the bank reconciliations for extended periods of time.

Recommendation: Bank reconciliations should be reviewed monthly and the appropriate action taken on reconciling items.

Management's response: See Corrective Action Plan.

SOUTH CAROLINA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

05-02 Condition: Budgets, while being prepared, are adjusted to actual at various times during the year without trying to determine the underlying cause for the budget variance.

Criteria: Good business practices requires that budgets be prepared and reviewed to stimulate early identification of operational problems and help ensure timely decisions are made for resolving problems.

Effect: By not properly investigating the underlying cause for the budget variances lessens the budget's effectiveness as a control tool.

Context: While performing analytical procedures on the revenue and expense accounts it was determined on the majority of accounts the budget and actual amounts equaled. Upon further discussions with management we were informed the budget was routinely adjusted to reflect actual amounts.

Cause: Employees were not taking the time to determine the underlying reason for the budget variance.

Recommendation: Prior to adjusting the budget amount the underlying cause for the variance should be determined. Once the underlying cause has been determined it should be analyzed to determine the appropriate course of action. Once the appropriate course of action has been determined it should be reviewed and approved by management prior to taking the corrective action.

Management's response: See Corrective Action Plan.

05-03 Condition: There are a significant number of grants and contracts receivables that are not being timely collected.

Criteria: Good business practices require the timely collection of all receivable amounts due the University.

Effect: The University has a significant number of grants and contracts receivable that are greater than sixty days old. This negatively impacts the cash flow of the University.

Context: During our review of receivables we noted a significant amount of the receivable balance was greater than thirty days old.

Cause: Employees were not timely billing the grantor agency and emphasis has not been placed on the collection process.

Recommendation: The grants and contracts department of the University should establish written billing and collection procedures on grants and contracts. Management should monitor compliance with these procedures on a regular basis.

Management's response: See Corrective Action Plan.

05-04 Condition: Fixed asset additions and deletions are not being timely recorded on the detail fixed asset listing.

Criteria: Good business practices require that the detail subsidiary ledgers be updated and reconciled to the general ledger on a regular basis.

Effect: Actual capital assets do not agree to the detail fixed asset listing.

SOUTH CAROLINA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Context: During our testing of the fixed asset additions and disposals we noted twenty percent of the transactions affecting fixed assets were not reported in the same month the transaction occurred.

Cause: Individual fixed asset transactions are being reported to the individual responsible for maintaining the detail fixed asset records in a timely manner.

Recommendation: Transactions affecting fixed assets should be reported to the individual responsible for maintaining the fixed asset records promptly upon occurrence.

Management's response: See Corrective Action Plan.

05-05 **Condition:** There were gaps in the numerical sequence of cash receipt documents.

Criteria: Good business practices require cash receipt documents to be sequentially numbered and the sequence accounted for.

Effect: Cash receipt documents are used out of sequence resulting in gaps in the sequence. These gaps make it difficult in accounting for the completeness of the population and could result in revenue being underreported on the financial statements.

Context: During our testing of cash receipts we noted five instances in our sample of twenty five transactions where cash receipts were not issued in numerical sequence.

Cause: Employees failed to monitor the sequence number of cash receipt documents when issuing cash receipts.

Recommendation: Employees should monitor the numerical sequence of cash receipts as they are issued to ensure they are used in the proper sequence.

Management's response: See Corrective Action Plan.

05-06 **Condition:** The University issued bills for housing fees using the incorrect rate.

Criteria: Good business practices require the issuance of timely and accurate billing statements.

Effect: The University issued incorrect bills for student housing fees. Bills were sent using a lower rate than approved by the board resulting in lost revenue for the University.

Context: During our testing of student housing revenue we noted the University used an incorrect rate in preparing the bills. This resulted in approximately \$250,000 in lost housing revenue to the University.

Cause: The billing rates were not reviewed for accuracy prior to being issued.

Recommendation: Prior to the issuance of bills the billing rates to be used should be reviewed by a second person for accuracy.

Management's response: See Corrective Action Plan.

05-07 **Condition:** The University bookstore operated at a deficit for the year ended June 30, 2005.

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Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Criteria: Section 42.12(1) of the 2005 State Appropriation Act requires that fees applicable to personal subsistence operations be sufficient to fully cover the direct operating and capital expenses of providing such facilities and services.

Effect: The University was in violation of South Carolina law at June 30, 2005 and for the year then ending.

Cause: The University bookstore failed to generate sufficient revenues to cover the direct operating expenses of providing the services.

Context: South Carolina State University has four auxiliary enterprises. For the year ended June 30, 2005 the University bookstore's expenses exceeded revenues generated.

Recommendation: The University should take steps to ensure sufficient revenues are generated in the future to cover the expenses incurred.

Management's response: See Corrective Action Plan.

05-08 **Condition:** General ledger accounts were not being reconciled to the underlying supporting documentation on a regular basis.

Criteria: Good business practices require general ledger accounts to be reconciled on a regular basis.

Effect: A significant number of adjustments were required to be made after the year end closing of the books.

Context: For the year ended June 30, 2005 South Carolina State University recorded approximately seventy journal entries after the books had been closed for the year.

Cause: Employees were not reviewing general ledger accounts on a regular basis.

Recommendation: In order to make the financial reporting as meaningful as possible, the University should reconcile the general ledger accounts for cash, accounts receivable, capital assets, etc. to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulated but can be identified and attributed to a particular period. The reconciliations should be reviewed and approved by management with the approval being documented on the reconciliation.

Management's response: See Corrective Action Plan.

SOUTH CAROLINA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

III. Findings and questioned costs related to the audit of major federal award programs

Department of Education

Federal Perkins Loan Program–Federal Capital Contribution – CFDA #84.038

05-09 Reportable Condition: Amounts reported in Part III Section A of the FISAP report for the year ended June 30, 2005 did not agree with amounts recorded in the University's general ledger for the year ended June 30, 2005.

Criteria: Amounts included in financial reports are required to agree with amounts reported in the entity's underlying accounting records.

Effect of Condition: Amounts reported in Part III Section A of the FISAP were not supported by the University's underlying accounting records.

Context: The University has over reported certain line items in prior years. Due to the cumulative nature of the report the University is unable to reduce an amount previously reported.

Cause of Condition: Amounts reported in Part III of the FISAP are cumulative in nature. As a result once an amount has been reported it can never be reduced. In prior years certain categories in the loan principal canceled section had been over reported. The report is submitted electronically and is programmed in such a way that the University is not able to reduce the amounts that were over reported in prior years.

Questioned Costs – None.

Recommendation: The University should contact the Department of Education directly to determine if there is some way to adjust prior year numbers downward.

Management's response: See Corrective Action Plan.

Department of Agriculture

Payments to 1890 Land-Grant Colleges and Tuskegee University – CFDA #10.205

05-10 Reportable Condition: The University failed to submit the required financial and status reports in a timely manner.

Criteria: Grant documents required submission of financial and status reports within a given time frame.

Effect of Condition: The University failed to comply with the reporting requirements of the grant.

Context: The University failed to submit the annual report timely.

Cause of Condition: There was not an effective method for monitoring grant reporting requirements and deadlines.

Questioned Costs – None

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Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Recommendation – The University should implement procedures that will enable them to prepare and submit the required reports in a timely manner.

Management's response: See Corrective Action Plan.

SOUTH CAROLINA STATE UNIVERSITY
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2005

Finding 04-17 – Audit Report Not Submitted Within Required Deadline

Condition: This finding stated that the required Single Audit Reports were not filed within the time required by OMB Circular A-133 Subpart C – Section 320.

Recommendation: The auditor recommended procedures be implemented to have records and financial statements completed in a timely manner so that the reports could be submitted within the required deadlines.

Current Status: The required Single Audit Reports for the year ended June 30, 2005 were submitted within the required deadlines. No similar findings were noted in the audit for the year ended June 30, 2005.

Finding 04-18 – Financial Report in Error – CFDA #84.038 Federal Perkins Loan Program – Federal Capital Contributions

Condition: This finding stated the University reported loans made in July, August and September 2004 as loans disbursed on the Fiscal Operations Report and Application to Participate (FISAP) for the award period ended June 30, 2004. The amount of outstanding loans on the FISAP did not agree to the general ledger by approximately \$58,000.

Recommendation: The auditor recommended the University ensure that all amounts reported on the FISAP agree with the amounts recorded in the general ledger.

Current Status: While the University corrected the above finding for the year ended June 30, 2005, there were other line items in the FISAP for the award year ended June 30, 2005 that did not agree with the amounts reported in the general ledger.

Finding 04-19 – Required In-kind Contribution Not Met – CFDA #10.217 Higher Education Challenge Grants

Condition: This finding stated the University was required to provide an in-kind contribution equal to the amount received from federal sources. The finding stated there were total federal receipts of \$26,776 and a total in-kind match of \$24,697. This resulted in potential questioned costs of \$2,079.

Recommendation: The auditor recommended the University ensure that all required matching is met before claims for reimbursements are prepared.

Current status: The University has implemented procedures that enable the principal investigator and the grants accountant to clearly identify and report in-kind match funds for each award. The University requires the principal investigator to clearly document in-kind match sources and expenses pledged for applicable awards and maintain verifiable records that clearly reflect such expenses for the performance periods. These records may include, but are not limited to, payroll records and space allocation costs not included in the indirect cost calculation. The match documentation is reviewed prior to submission of the claim for reimbursement. No similar findings were noted in the audit for the year ended June 30, 2005.

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Finding 04-20 – Expenditures Reported Under Wrong CFDA Numbers – CFDA #10.205 Payments to 1890 Land-Grant Colleges and Tuskegee University and CFDA #81.104 Office of Environmental Cleanup and Acceleration

Condition: This finding stated the schedule of federal expenditures as originally prepared by the University listed a grant under CFDA #10.205 instead of 81.104.

Recommendation: The auditor recommended the University implement procedures to ensure the schedule of federal expenditures is prepared accurately.

Current status: The University requires Grants and Contract Accounting to work with Sponsored Programs and the Sponsor to ensure that correct information is provided for each award. Grants and Contracts enter the appropriate CFDA number electronically into FRS when creating accounting records and the same information will be maintained in the award paper copy files. This step has been included in the checklist that is required to be completed when establishing grant and contract related general ledger accounts. The completion is required to be documented on the checklist. CB&H noted in the grant and contract files selected for testing during the year ended June 30, 2005 the checklist indicated the procedure to be performed and the documentation of its performance was included in the grant files. No similar findings were noted in the audit for the year ended June 30, 2005.

Finding 04-21 – Required Reports Not Filed. CFDA #10.205 Payments to 1890 Land-Grant Colleges and Tuskegee University, CFDA #81.104 Office of Environmental Cleanup and Acceleration, CFDA #66.460 Nonpoint Source Implementation Grants

Condition: This finding stated for one grant the University was required to file quarterly financial status reports, however, a single report covering the period October 1, 2002 through December 31, 2003 was filed. The finding further stated the University did not file the required annual performance report and financial status report to the Forestry Service by December 1, 2004. Also, the grant agreement under CFDA #66.460 required the University to file a financial report for each twelve month period, but the last report filed was for the period November 2002 through June 30, 2004.

Recommendation: The auditor recommended the University file all required federal reports in a timely manner.

Current Status: The University now requires that a checklist reflecting the dates of financial status and performance reports be included in each award record. The financial reporting requirements are being monitored by the Grants and Contracts Accounting Director. Similar findings were noted in the audit for the year ended June 30, 2005.

Finding 04-22 – Expenditure Records Not Maintained by Grant Period – CFDA #81.104 Office of Environmental Cleanup and Acceleration, CFDA #11.481 Educational Partnership Program

Condition: This finding stated the University did not maintain separate general ledger accounts for grants that were a three year project with a separate approved budget for each year so that compliance with the approved budget for each of the three funding years could be tracked.

Recommendation: The auditor recommended the University ensure its financial record keeping system is set up in a manner to allow the required comparison of budget and actual by funding period.

Current Status: The University's Grants and Contracts Accounting department, in conjunction with Sponsored Programs is working to ensure that awards are tracked via separate subsidiary

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(budget to actual) ledgers and general ledgers. Financial activities and related transactions for award performance periods will be available for the Principal Investigator's review and management. The accounts will be set up as necessary by the Grants and Contracts Accounting department to reflect these relationships. For multi year grants that were selected for testing during the year ended June 30, 2005 it was noted that general ledger accounts were set up for each year of the grant. No similar findings were noted in the audit for the year ended June 30, 2005.

Finding 04-23 – Subrecipient Expenditures Incorrect on Schedule – CFDA #20.215 Highway Training and Education, CFDA #43.999 Other NASA Programs, CFDA #47.074 Biological Sciences, CFDA #84.336 Teacher Quality Enhancement Grants, CFDA #12.431 Basic Scientific Research

Condition: This finding states the initial schedule of payments to subrecipients was not correct and had to be reworked with the total payments to subrecipients increasing from approximately \$1,717,000 to \$1,983,000.

Recommendation: The auditor recommended the University implement procedures to ensure that the schedule of federal expenditures is prepared accurately.

Current Status: Grants and Contracts Accounting department, in conjunction with Sponsored Programs, has placed increased emphasis on ensuring the proper CFDA number is assigned to the award prior to the award being entered into the University's accounting system. In this way FRS attributes will be used to collect sub-recipient information for reporting purposes. During our testing of grants with subrecipients for the year ended June 30, 2005 it was noted the University modified its checklist of steps to be performed when setting up a grant. The area relating to subrecipients was expanded to better document the steps required to be performed in order to obtain the proper information from the financial accounting system. No similar findings were noted in the audit for the year ended June 30, 2005.

Finding 04-24 - Procedures Not in Place to Monitor Subrecipients – CFDA #20.215 Highway Training and Education, CFDA #43.999 Other NASA Programs, CFDA #47.074 Biological Sciences, CFDA #84.336 Teacher Quality Enhancement Grants, CFDA #12.431 Basic Scientific Research

Condition: This finding states the University did not have any procedures in place to identify subrecipients that should have submitted a single audit report to the University and also the University failed to review and evaluate audit findings of the subrecipients and the corrective action plan of the subrecipients. The finding further states there were no documentation of any other monitoring procedures performed during the year.

Recommendation: The auditor recommended the University implement procedures to ensure single audit reports are received from subrecipients and reviewed on a timely manner. The auditor further recommended the University to consider whether other types of monitoring are required.

Current Status: The University's Grants and Contract Accounting department has implemented a process in which a written request is sent to each sub-recipient on or before March 15th annually requesting the sub-recipient to provide their single audit reports to the University by April 30th. If there is no response by the due date the University follows up with telephone calls and/or e-mails. A checklist is required to be placed in the grant files to document the process. During the audit for the year ended June 30, 2005 we noted where the checklist was being included in the grant files that had subrecipients and the steps required by the checklist were being performed and documented. No similar findings were noted in the audit for the year ended June 30, 2005.



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CORRECTIVE ACTION PLAN

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2005-1 IMPROVE REVIEW OF BANK RECONCILIATIONS

The University has trained the staff accountants in the proper procedures for bank reconciliations. These reconciliations are currently being performed on a monthly basis and reviewed and approved by the Accounting Manager which is independent of the reconciliation preparation process. The requirement to have the reviewer analyze all inter-bank transfers for the same date has been implemented. The reviewers have been instructed to attach supporting documentation for all reconciling items and to examine all checks unusual items (e.g. payee, erasures, amounts, and endorsements). The Accounting Manager will monitor recurring reconciling items and take appropriate action to clear the item as it is deemed stale but no later than 6 months. The University has corresponded with a representative from Bank of America. We will begin sending a monthly disbursement tape to the bank and the bank will generate an outstanding checklist to be used to support reconciliations.

2005-2 COMPARE BUDGET TO ACTUAL RESULTS

Effective October 31, 2005 the University has implemented monthly reviews of the budget versus actual status. The Budget Director prepares the report which is then reviewed by the AVP for Fiscal Affairs for irregularities or unusual statuses. This will help ensure that revenues and expenditures are being properly posted to the correct accounts and that the University can take timely corrective action.

2005-3 GRANTS AND CONTRACTS COLLECTION EFFORTS

The University continues to put forth efforts to timely receive reimbursements from granting agencies in order to minimize the grant receivables. Within the grants and contracts department the staff has been increased from five to eight. The University is currently seeking to hire a highly skilled Director of this Department. The University is dedicated to providing the necessary training to supply the staff with the necessary knowledge to perform their duties efficiently and effectively. The University will also be implementing a new financial system, effective July 1, 2006. With the implementation of the new system the Controllers Office is designing the account structure to simplify the grant account maintenance.

2005-4 CAPITAL ASSETS

This weakness can best be prevented by emphasizing the importance of the faculty and staff notifying the Property and Inventory officer of capital assets that are to be disposed. The University will send notifications to the entire faculty and staff reminding them of the importance of this communication. This will assist in ascertaining that all changes that occur with an asset, i.e. location changes, surplus, repairs, stolen, trade-in, etc., are communicated and reported to the Property and Inventory Officer immediately to allow sufficient time to process paperwork and to cut down on investigative processing time. The Property and Supply Office will monitor the existence of the University's capital assets throughout the year.

2005-5 CASH RECEIPTS

The Cashier's office douse pre numbered receipts. The gaps were created as a result of the different cashiers haphazardly using receipts from varying boxes of receipts. The cashiers currently are required to use receipts in sequential order. For example, box 1 would have receipts 1-1000 and box 2 would have receipts 1001-2000. The cashiers may not use the box 2 receipts until the receipts from box 1 have been exhausted. The Head Cashier reviews the receipt copies on a monthly basis to ensure the sequences are maintained and all receipts exist.

2005-6 BILLING OF TUITION AND FEES

This was the result of the incorrect dorm pricing tier being communicated to the Information Technology Department in the creation of the housing rate tables. The AVP for Fiscal Affairs will review the future rate tables prior to being applied to the student system to ensure accuracy.

2005-7 AUXILIARY ENTERPRISE OPERATING AT A DEFICIT

Effective July 2005 the University outsourced its bookstore operations to Follett Higher Education Group. The University will bear no costs for this function and will receive commissions on the bookstore sales. As a result the bookstore auxiliary enterprise will not operate at a deficit in the future.

2005-8 RECONCILE GENERAL LEDGER ACCOUNTS

The Controller's Office will review balance sheet balances on a monthly and reconcile these balances to the supporting documentation. All reconciling items will adjusted/corrected if necessary.

2005-09 FEDERAL PERKINS LOAN PROGRAM-FEDERAL CAPITAL CONTRIBUTION-CFDA #84.038

The Controller's Office will contact the Department of Education and correct the deficiency.

2005-10 PAYMENTS TO 1890 LAND-GRANT COLLEGES AND TUSKEGEE UNIVERSITY-CFDA#10.205

The Director of the Office of Grants and Contract Accounting has created and implemented a checklist to be used in monitoring grant/contract financial status reporting requirements as outlined in the award documentation.