

Paine College furloughs attributed to federal student aid cuts

By **Tracey McManus**

Staff Writer

Friday, May 23, 2014 8:49 PM

Last updated Saturday, May 24, 2014 8:57 AM

Comments (17)

8+1 1

Like 19

Follow Education

Ten furloughs days will be implemented this summer for Paine College administrators, faculty and staff to offset shortages incurred from cuts to federal student aid programs.

RELATED STORIES

[Paine College announces summer furloughs](#)

[Federal review found Paine student aid violations](#)

[Paine working to resolve financial woes](#)

[Paine supporters say the college is too important to lose](#)

[Paine could get additional year to fix financial problems](#)

[Paine given a year to correct financial mismanagement](#)

[Paine grads hear message of mission](#)

[Paine trustee's memo claims federal money meant for students used to pay bills, payroll](#)

[Paine facing millions in revenue shortfall, documents say](#)

[Audit uncovers financial mismanagement at Paine College](#)

[Federal official answers questions about health care law at Paine College](#)

[Paine College students protest financial aid problems, condition of dorms](#)

In a faculty meeting Wednesday, school president George C. Bradley pointed to cuts in Pell Grant, Parent Plus Loan and Work Study programs that have made it harder for families to pay for college at institutions across the country, according to a news release.

In fiscal 2013, Paine spent \$10 million in student financial aid programs compared to almost \$13 million in 2011, according to financial audits of those years obtained by *The Augusta Chronicle*. The college also received \$375,000 less in a federal grant aimed at strengthening historically black colleges between those years.

Along with the blow to student aid programs, Paine's financial base is also riddled with expenditures that exceed the college's revenue, high credit lines and bookkeeping failures, according to the audit on the 2012 and 2013 fiscal years conducted by professional services firm BDO.

As of June 30, Paine was operating at a loss, with expenditures exceeding revenues by almost \$300,000. Revenue fell by more than \$2 million from the previous year and Paine maxed out its nearly \$4 million line of credit with Morgan Stanley Smith Barney LLC.

Paine officials did not immediately respond to questions regarding the audit Friday.

The BDO audit on the year ending June 30 also found some of the same bookkeeping failures

identified in the 2011 fiscal year by independent auditors Cherry Bekaert and Holland.

BDO found Paine did not have internal controls over financial operations, so ledger accounts were not being reconciled. At the end of the year, management had to record activity that happened months earlier.

Cherry Bekaert and Holland also had to make adjustments to journal entries in the audit of the 2011 fiscal year and stated the College did not have sufficient personnel to properly prepare financial statements.

Both audits found errors with Paine's ability to track and reconcile cash, and BDO stated "some documentation could not be located by the college in a timely fashion or in certain cases at all."

Audits of the 2011, 2012 and 2013 years state Paine did not have knowledgeable personnel in place to prepare financial documents and in all three years did not prepare the required Schedule of Expenditures of Federal Awards, which is a document that records how an institution spends its federal monies.

BDO found that in the 2013 fiscal year, students paid their required charges but the college did not appropriately charge the students' accounts, resulting in a number of credit balances left in the sub-ledger.

The audit showed Paine had \$2.2 million in student receivables not yet collected as of June 30, compared to \$974,000 the year before.

Similar to findings from a U.S. Department of Education review conducted at the college last year, BDO also found various mismanagement with federal student financial aid.

Out of 51 student accounts selected for testing, two were found to have received more Pell Grant money than what was allowed.

Paine also did not properly report Pell Grant and Direct Loan disbursements to federal databases for 15 of 60 tested students.

BDO also found errors in how Paine was spending federal grants – out of 60 tested expenditures paid for with federal research money, six did not have evidence they had been approved; 11 of 60 tested expenditures from the Strengthening Historically Black Colleges grant did not have evidence they were approved; and nine of 60 tested expenditures used with money for student support services did not have evidence they were approved.