

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

*Federal money paid bills, trustee writes*

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A Paine College trustee said federal money intended for students was used instead to pay the school's payroll and past-due bills in December and January, according to documents obtained by *The Augusta Chronicle*.



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**Paine College**

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The school received an \$800,000 payment from the U.S. Department of Education in December, a portion of which was to be refunded to students, but the funds “were used entirely to pay payroll,” according to a memo written to the Board of Trustees on April 20 by Wayne Kendall.

By the end of 2011, the memo states, Paine owed students about \$1.2 million in refunds from student aid money that had not been given out.

The school received another federal drawdown of \$1 million in January, but instead of making refunds to students, as required by federal regulations, officials used most of it to pay bills that were 60 days past due, according to the memo.

Kendall wrote that his memo is based on interviews with some recently terminated school employees, and he details an “extremely poor” financial audit, spending issues and terminations in the business office that caused the fiscal management of the college to be “thrown into disarray.”

Representatives from the U.S. Department of Education would not comment on issues raised in the memo or respond to questions about what the federal money was intended for. However, department press secretary Justin Hamilton said allegations of mismanagement of federal funds can

trigger a federal investigation.

“In general we take allegations of misuse of federal funds very seriously,” Hamilton said. “When we find them or are made aware of them, we investigate them and take appropriate action.”

A financial audit dated March 22 found that Paine lost eligibility to one federal loan program and is at risk of losing more for inaccurately reporting student enrollment and financial data to the government. The school also had a \$3.6 million revenue shortfall as of March.

Repeated requests by *The Chronicle* over the past month to interview Paine President George Bradley have been denied.

Vice President of Institutional Advancement Brandon Brown said Thursday that the college has no comment on the use of federal money for payroll and bills.

**KENDALL’S MEMO** attributed much of the school’s financial issues to instability in the business office, which also delayed completion of the financial audit for fiscal years 2010 and 2011 by Augusta certified public accounting firm Cherry, Bekaert and Holland.

The audit was due to the Board of Trustees in October, but the draft version was not delivered until December, and the final audit was not completed until late March.

Turnover in the business office peaked in February when Controller Kelly Kindell, Vice President for Administrative and Fiscal Affairs Leroy Summers and Student Financial Services Manager Nancy Summers were fired. Assistant Controller Melissa Evans-Hall resigned three weeks later, according to the memo.

“In the span of three weeks time the entire mid- to upper-level management in the business office at the college was gone,” Kendall wrote. “Chaos ensued in the aftermath of these terminations and resignations.”

After these changes, about 30 students protested on campus March 21 over financial aid checks they said bounced or were not delivered at all.

As of April, Kendall said, students were still claiming they hadn’t received financial aid checks.

**TWELVE DAYS BEFORE** the audit was completed March 22, CPA Bonnie Cox told Kendall in an e-mail that she still had “huge concerns” before she could issue the final audit. Cox described the financial situation as a “mess” and implored Kendall to hire an internal CPA to reconcile accounts and “get things straight.”

Messages left by *The Chronicle* seeking comment from Kendall and Cox were not returned.

According to the e-mail, Cox said she could not complete the audit earlier because the college had not provided her with bank reconciliations or responses to the findings of the December draft audit. She was also alarmed at Bradley's indication that he "found bills left unpaid of over \$1 million" and feared that Paine had not reported all expenses and liabilities to auditors.

Cox warned that if the college did not submit the final audit by the end of March it would default on federal funding, and she stressed the significance of the college's inability to complete the audit within nine months of June 30, the end of the fiscal year, as required.

The final audit found that Paine officials did not return leftover financial aid money to the government after students withdrew in 2010-11, did not change students' enrollment statuses after they withdrew and recorded some loans as disbursed when they never actually gave students the money, among other violations.

In his April memo, Kendall said he feared that the severity of the audit findings "puts the college in jeopardy of receiving crippling future sanctions or suspensions of funding from the Department of Education."