

NEW COLLEGE INSTITUTE

**REPORT ON AUDIT
FOR THE YEARS ENDED
JUNE 30, 2010 AND 2011**



AUDIT SUMMARY

Our audit of the New College Institute (Institute) for the years ended June 30, 2010 and 2011, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- a matter involving internal control and its operations during 2010 that new management subsequently corrected in 2011 discussed below; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

The Institute receives a significant amount of support from grantors, particularly the Tobacco Indemnification and Community Revitalization Commission and the Harvest Foundation. During the year ended June 30, 2010, the Institute did not appropriately segregate grant funds by source in its accounting records. This inappropriate accounting for grants led prior management to inadvertently submit the same expenses for reimbursement to two separate grantors.

New management, put in place during the year ended June 30, 2011, discovered and resolved this issue with both grantors. Grantors agreed to allow the Institute to retain the excess funds and expend them as an advance on a future year's grant. Further, management put in place accounting processes and controls to ensure future compliance with grant terms during fiscal year 2011 in order to mitigate the risk of this type of error reoccurring.

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INSTITUTE HIGHLIGHTS

New College Institute (Institute) is a state-funded educational entity that provides access to bachelor's degree completion programs, master's degrees, teacher endorsement programs, teacher recertification courses, and other academic offerings through partnerships with colleges and universities. The Institute augments the academic offerings of its college and university partners with an outreach program of community workshops, individual counseling, and non-credit courses.

The Institute serves as a resource and referral center with its educational outreach program by maintaining and disseminating information on existing educational programs, college admission requirements, and college financial aid. To meet the educational needs of Southern Virginia, the Institute collaborates with the Institute for Advanced Learning and Research in Danville and the Southern Virginia Higher Education Center in South Boston.

The Institute receives funding through General Fund appropriations, Special Fund grants and contracts, and the New College Foundation. The schedule below summarizes revenue and expenses for fiscal years 2010 and 2011 activities. As part of the Governor's statewide budget reduction plan, there was a reduction of the original General Fund appropriation, resulting in final budgets for the Institute of \$1,371,772 and \$1,483,832 for fiscal years 2010 and 2011 respectively.

Grant Accounting

The Institute receives a significant amount of support from grantors, particularly the Tobacco Indemnification and Community Revitalization Commission and the Harvest Foundation. During the year ended June 30, 2010, the Institute did not appropriately segregate grant funds in its accounting records. This lack of appropriate accounting for grants led prior management to inadvertently submit the same expenses for reimbursement to two separate grantors. New management, put in place during the year ended June 30, 2011, discovered and resolved this issue with both grantors involved. Grantors agreed to allow the Institute to reclassify excess funds as an advance on the next year's grant. Further, management put in place accounting processes and controls to ensure future compliance with grant terms.

The Institute received a \$1.1 million revised grant from the Virginia Tobacco Indemnification and Community Revitalization Commission. Approved October 28, 2010, the extension of the grant term is through June 30, 2013. While there were no expenses for the grant in fiscal year 2011, the Institute began work on a laboratory project during 2012 and expects to proceed with several programs throughout the grant term.

The Institute receives significant support from the New College Foundation (Foundation), some of which represents costs the Foundation pay directly. The Foundation provided \$659,855 and \$562,692 for fiscal years 2010 and 2011, respectively, of in-kind support in the form of payments to Colleges and Universities who contract with the Institute. The Foundation also made cumulative payments on behalf of the Institute for ongoing services and equipment needs. None of these transactions are in the Commonwealth Accounting and Reporting System, but are on the Schedule of Activities below to more accurately reflect the funding necessary to support the institute.

New College Institute
Schedule of Activities
For the years ending June 30, 2011 and 2010

	2011	2010
Sources:		
State operating appropriations	\$1,483,832	\$1,371,772
Tobacco commission grant	-	216,931
New college foundation direct support	22,749	236,624
In-kind support from foundation	562,692	659,855
Other revenue	-	100,030
Total sources	2,069,273	2,585,212
Uses:		
Compensation and benefits	930,655	837,714
Academic contracts and support	677,062	780,976
Administrative and professional services	272,200	373,810
Information technology	149,033	139,116
Travel costs	5,384	2,016
Total uses	\$2,034,334	\$2,133,632



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
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April 24, 2012

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **New College Institute** for the years ended June 30, 2010 and 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the Institute's internal controls, test compliance with applicable laws and regulations and review corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

The Institute's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

- General financial accounting controls
- Contractual service, lease, and payroll expenses
- Small purchase charge card
- Cash receipting and disbursement
- Equipment safeguarding and control

We performed audit tests to determine whether the Institute's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Institute's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the New College Institute properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Institute records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted a matter involving internal control and its operation that we consider necessary to be reported to management that occurred during fiscal year 2010 and was subsequently corrected during fiscal year 2011 prior to the beginning of the audit engagement. We consider this matter to be resolved. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on May 16, 2012. This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

AWP/alh

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as of June 30, 2011

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