



**STATE COUNCIL OF HIGHER EDUCATION
FOR VIRGINIA**

REPORT ON AUDIT

FOR THE PERIOD

JULY 1, 2011 THROUGH JUNE 30, 2013

AUDIT SUMMARY

Our audit of the State Council of Higher Education for Virginia (SCHEV) for the period July 1, 2011, through June 30, 2013, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operation necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

–TABLE OF CONTENTS–

	<u>Pages</u>
AUDIT SUMMARY	
AGENCY HIGHLIGHTS	1-2
INDEPENDENT AUDITOR’S REPORT	3-4
AGENCY OFFICIALS	5

AGENCY HIGHLIGHTS

The State Council of Higher Education for Virginia (SCHEV) is the coordinating body for higher education, and its mission, as outlined in the Code of Virginia, is “to promote the development of an educationally and economically sound, vigorous, progressive, and coordinated system of higher education.” SCHEV makes higher education public policy recommendations to the Governor and General Assembly in such areas as capital and operating budget planning, enrollment projections, institutional technology needs, and student financial aid.

SCHEV also administers a variety of educational programs that benefit students, faculty, and parents. SCHEV’s primary financial objective is to administer a variety of Commonwealth student financial aid programs, and it also administers certain federal financial assistance programs.

FINANCIAL OPERATIONS

SCHEV’s expenses for fiscal 2013 totaled more than \$66.5 million, and represented a slight decrease of \$1 million from their fiscal 2012 levels. In both fiscal year 2012 and 2013, approximately 90 percent of SCHEV’s expenses represent transfer payments to institutions of higher education for financial aid programs. The second largest expense category for both fiscal year 2012 and 2013 was personal services, which represented six percent of SCHEV’s total expenses each year. The tables below provide an analysis of budget to actual expenses for both fiscal year 2012 and 2013.

Analysis of Budget to Actual Expenses Fiscal Year 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
General	\$ 81,585,860	\$ 64,936,668	\$ 63,089,839
Special Revenue	1,055,049	1,055,049	568,433
Internal Service	290,000	290,000	-
Trust and Agency	-	67,000	9,944
Federal Trust	7,830,457	6,684,867	2,832,988
Dedicated Special Revenue	<u>250,000</u>	<u>200,365</u>	<u>43,687</u>
Total	<u>\$ 91,011,366</u>	<u>\$ 73,233,949</u>	<u>\$ 66,544,891</u>

Analysis of Budget to Actual Expenses Fiscal Year 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>
General	\$ 75,201,949	\$ 64,286,247	\$ 62,032,162
Special Revenue	1,045,366	1,195,366	738,785
Internal Service	290,000	290,000	-
Trust and Agency	-	67,000	16,575
Federal Trust	9,549,429	8,183,202	4,691,537
Dedicated Special Revenue	<u>250,000</u>	<u>177,572</u>	<u>82,418</u>
Total	<u>\$ 86,336,744</u>	<u>\$ 74,199,387</u>	<u>\$ 67,561,477</u>

Source: Commonwealth Accounting and Reporting System

Financial Assistance Programs

SCHEV administers and transfers amounts to institutions of higher education for financial aid programs. The programs receive both state and federal funds, and following is a brief description of some of the significant programs that SCHEV administers.

1. The Tuition Assistance Grant Program is the single largest financial aid program. The General Fund pays for the program, and additional information about the program is in the next section.
2. The College Scholarship Assistance Program is a need-based financial assistance program open to students attending both public and private higher education institutions in Virginia. Funding for this program combines state appropriations with federal funding from the Federal Leveraging Educational Assistance Partnership program. The Appropriation Act provides the level of funding available and provides a maximum award amount for the program.
3. The Two-Year College Transfer Grant Program provides financial assistance to eligible students for the costs of attending a public or private institution of higher education in Virginia. Funding for this program comes from the General Fund and payment goes to institutions of higher education on behalf of students who qualify for financial assistance.
4. Several annual awards include the Virginia Women's Institute for Leadership Program awards, the Virginia Military Survivors and Dependents Program, and optometry scholarships. The funding for each of these financial assistance programs comes from the General Fund.
5. The No Child Left Behind Act, a federal education funding program, provides grants to promote the improvement of teacher quality.
6. The Gaining Early Access and Readiness for Undergraduate Programs (GEAR UP) federal grant program encourages children to stay in school and prepare for college, provides professional development opportunities for teachers, and provides programs for parents to illustrate the value of postsecondary education.

Tuition Assistance Grant Program

The Tuition Assistance Grant (TAG) Program provides financial assistance to Virginia residents attending, as either undergraduate or graduate students, a private, non-profit, accredited college or university within the Commonwealth. The General Fund provides the sole source of support for the TAG program.

TAG awards are standardized and based upon the graduate or undergraduate status of the students. Total amounts available and maximum individual TAG awards are set forth in the Appropriation Act. The maximum award amount for 2012-2013 was \$3,200 for qualified undergraduate students and \$2,200 for qualified graduate students.



Commonwealth of Virginia

Auditor of Public Accounts

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February 11, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John M. O'Bannon, III
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **State Council of Higher Education for Virginia (SCHEV)** for the period July 1, 2011 through June 30, 2013. 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 SCHEV's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

SCHEV'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, regulations, contracts, and grant agreements.

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.

- Transfer payments for student financial assistance
- Contractual services expenses
- Payroll expenses
- Small purchase charge card
- Voyager gas card
- Petty cash
- Appropriations
- Information System Security

We performed audit tests to determine whether the SCHEV'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, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of SCHEV's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the State Council of Higher Education for Virginia properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. SCHEV 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 no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements 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 February 19, 2014.

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

EMS/alh

STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA
Richmond, Virginia

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