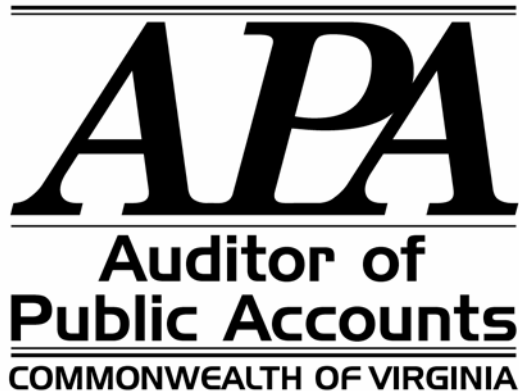


**SOUTHWEST VIRGINIA HIGHER
EDUCATION CENTER**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2004**



AUDIT SUMMARY

Our audit of the Southwest Virginia Higher Education Center for the year ended June 30, 2004, found:

- proper recording and reporting of transactions for the Center, in all material respects, in the Commonwealth Accounting and Reporting System (CARS) and in the University of Virginia's financial accounting system;
- no matters involving internal control and its operation that we consider material weaknesses; and
- no instances of noncompliance that are required to be reported.

AGENCY BACKGROUND

The Southwest Virginia Higher Education Center (the Center) seeks to strengthen the economy of southwest Virginia through education and training of the workforce. The Center's primary mission is to encourage the expansion of higher education, including adult and continuing education, associate, undergraduate, and degree graduate programs, in Southwest Virginia and foster partnerships between the public and private sectors to enhance higher education in the region. The Center also coordinates the development and delivery of continuing education, facilitates the delivery of teacher training programs, and develops specific goals for higher education in the region, in coordination with the State Council of Higher Education for Virginia.

The Center has eight academic partners, these include: Emory & Henry College, Old Dominion University, Radford University, the University of Virginia, the University of Virginia's College at Wise, Virginia Highlands Community College, Virginia Intermont College, and Virginia Polytechnic Institute and State University. George Mason University and the University of North Carolina also offer courses at the Center. In addition to promoting economic development and growth through education, in Southwest Virginia, the Center leases out meeting and conference facilities during the year. Special events include training, meetings, trade shows, banquets, interviews, and seminars.

The Center offers more than 65 undergraduate and graduate degree programs through its relationship with its academic partners. Registrations for the 2003-04 academic year increased almost 4 percent over the 2002-2003 school year. This increase contrasted with a 19 percent decrease in 2002-2003 from the 2001-2002 school year. Registrations are still somewhat less than the previous high from spring 2002.

Total Enrollment (class registrations)

Spring 2002	1,314
Fall 2002	1,052
Spring 2003	1,226
Fall 2003	1,112
Spring 2004	1,251

The Center administers the Southwest Burley Scholarship Program and the Southside Virginia Tobacco Teacher Scholarship and Loan Program funded by the Virginia Tobacco Indemnification and Community Revitalization Commission. The Center also received a Southwest Virginia Export Initiative economic development grant from the Commission.

Revenues and expenses of the Southwest Virginia Higher Education Center for the year ended June 30, 2004, were as shown in the following table:

Revenues:	
State appropriations	\$ 1,371,517
Tobacco Commission scholarship funding	3,559,934
Special event rentals and leased office space	472,787
Other operating revenues	<u>59,349</u>
Total revenues	<u>\$ 5,463,587</u>

Expenses:	
Compensation and benefits	\$ 891,053
Supplies and services	892,538
Scholarships and fellowships	3,384,199
Utilities	177,658
Depreciation	332,360
Other	<u>850</u>
Total expenses	<u>\$ 5,678,658</u>

The Center had many improvements in the past year, including a new sound system and updated lighting in the Grand Hall, and recent kitchen renovations. The Center received \$375,000 in General Obligation Bond proceeds to help fund building improvements and equipment purchases. Virginia Intermont College will occupy the new culinary classroom and pay rent for the space, which will increase the rental revenue as well as increase event rental fees.

The Center had budget cuts of \$264,000 in fiscal year 2004, which it achieved by keeping certain positions vacant, reducing the amount of funds spent on special projects such as renovations, upgrades, and purchases of new information technology equipment. The Center anticipates a 10 percent increase in General Fund revenues for the upcoming year, including a return of \$175,000 from the \$264,000 previously cut. These state fund increases will go to conference services, technology, and e-commerce. Other changes to the budget include an increase to administrative support due to the addition of the Director's assistant and the planned addition of a conference planner.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

January 19, 2005

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit and
Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Southwest Virginia Higher Education Center** for the year ended June 30, 2004. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions for the Center in the Commonwealth Accounting and Reporting System and in the University of Virginia's financial accounting system, review the adequacy of the Center's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Center's operations. These procedures included reviews of documents and records at the University of Virginia, which provides administrative support for the Center. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations, over significant cycles, classes of transactions, and account balances. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues
Expenditures

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Center'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.

The Center'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.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that financial information for the Center was properly stated, in all material respects, by the amounts recorded and reported in the University of Virginia's financial accounting system and in the Commonwealth Accounting and Reporting System. The Center 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 University of Virginia's financial accounting system and the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider material weaknesses. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 errors or fraud in amounts that would be material in relation to the financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

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.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with the Executive Director on January 19, 2005.

AUDITOR OF PUBLIC ACCOUNTS

JHS:whb
whb:51

SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER
Abingdon, Virginia

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As of July 1, 2004

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EXECUTIVE DIRECTOR

Rachel D. Fowlkes

