

SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER

**REPORT ON AUDIT
FOR THE TWO-YEAR PERIOD ENDED
JUNE 30, 2009**



AUDIT SUMMARY

Our audit of the Southwest Virginia Higher Education Center for the two-year period ended June 30, 2009, found:

- proper recording and reporting of all transactions, in all material respects, in the University of Virginia's accounting system;
- no matters involving internal control and its operations necessary to bring to management's attention; and
- no instances of noncompliance or other matters with applicable laws and regulations.

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AGENCY HIGHLIGHTS

The Southwest Virginia Higher Education 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 graduate degree 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 offers more than 60 undergraduate and graduate degree programs through its relationship with its academic partners. During fiscal years 2009 and 2008, the Center offered courses for the following Institutions.

Emory and Henry College	University of Virginia's College at Wise
King College	Virginia Commonwealth University
Norfolk State University	Virginia Highlands Community College
Old Dominion University	Virginia Intermont College
Radford University	Virginia Polytechnic Institute and State University
University of Virginia	

The Center administers the Southwest Burley Scholarship Program (Scholarship Program) and the Southside Tobacco Loan Forgiveness Program (Loan Program) funded by the Virginia Tobacco Indemnification and Community Revitalization Commission (Commission). The Commission establishes the eligibility requirements for the Scholarship and Loan Program.

The Scholarship Program assists current Southwest Virginia residents who were former Burley tobacco quota holders or growers and their direct descendants with up to \$2,000 for tuition and academic fees per year. The mission of the Loan Program is to provide a stimulus for economic revitalization in communities within Southside Virginia by encouraging native Southside Virginians to complete a degree, and return to and settle in a locality within Southside Virginia. Current residents of Southside Virginia localities can receive up to \$3,000 for tuition and academic fees per year.

The table below summarizes the activity of the Scholarship and Loan Programs during academic years 2008-2009 and 2007-2008:

	Southwest Burley Scholarship Program			Southside Tobacco Loan Forgiveness Program			
	Number of Academic Institutions Receiving Aid	Number of Students Receiving Aid	Total Amount Paid	Number of Academic Institutions Receiving Aid	Number of Students Receiving Aid	Total Amount Paid	
	2008-2009	65	524	\$923,705	86	1085	\$2,582,962
	2007-2008	62	559	\$969,085	81	939	\$2,251,263

Source: Loan Ledger++

The University of Virginia currently provides administrative support to the Center; as such all of the Center's fiscal activity is captured in the University of Virginia's accounting system. The following schedule summarizes the Center's operating revenues and expenses for fiscal years 2009 and 2008.

Student tuition and fees include revenue collected for the College of Older Adults, the Weekend Adult Lifetime Learning Program, and Loan Program collections; when recipients have not complied with the established criteria. *State and local grants and contracts* account for \$3.9 million, or 57 percent, of the total fiscal year 2009 revenues and consist mainly of aid received from the Commission for the Scholarship and Loan Program funds, and some administration funding.

Student aid expense accounts for \$3.6 million, or 55 percent, of the total fiscal year 2009 expenses and represents the payments to the academic institutions for recipients of the Scholarship and Loan Program. The *sales and services of education departments* account for rooms the Center leases out during the year for special events include training, meetings, trade shows, banquets, interviews, and seminars.

Analysis of Operating Revenues and Expenses

Fiscal Years Ended June 30, 2009 and June 30, 2008

Revenues:	<u>2009</u>	<u>2008</u>
Student tuition and fees	\$ 212,460	\$ 321,954
State operating appropriations	1,937,237	2,019,306
State and local grants and contracts	3,940,713	3,510,838
Sales and services of educational departments	668,310	591,787
Federal grants and contracts	<u>54,482</u>	<u>72,776</u>
Total revenues	<u>\$6,813,202</u>	<u>\$6,516,661</u>
Expenses:		
Compensation and benefits	\$1,682,465	\$1,384,933
Supplies and other services	988,350	1,355,911
Student aid	3,644,367	3,442,471
Depreciation	342,983	371,933
Other	<u>1,410</u>	<u>100</u>
Total expenses	<u>\$6,659,575</u>	<u>\$6,555,348</u>

Source: University of Virginia's Accounting System

The above table does not include capital appropriations of \$694,388 and capital gifts and contracts of \$1.4 million for fiscal year 2009. Current capital projects of the Center include the Center addition that adds two new classrooms, storage space, and a more well-defined entry into the building. The Center also plans the construction of the Southwest Virginia Clean Energy Research and Development Center with a grant from the Commission. The Research and Development Center will be a 14,000 square foot energy field lab building expected to open in 2011.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

June 21, 2010

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 **Southwest Virginia Higher Education Center** for the two-year period ended June 30, 2009. 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 University of Virginia's accounting system, review the adequacy of the Center'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 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.

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.

Revenues
Expenses
Appropriations
Notes payable

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. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, contracts, and observation of the Center's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Center properly stated, in all material respects, the amounts recorded and reported in University of Virginia's accounting 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 accounting 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 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 June 28, 2010.

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

SJJ/clj

SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER
BOARD OF TRUSTEES
As of June 30, 2009

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Virginia Highlands Community College

Daniel LaVista, Director
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Michael Puglisi, President
Virginia Intermont College

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Virginia Tech

EXECUTIVE DIRECTOR

Rachel D. Fowlkes