

SOUTHERN VIRGINIA HIGHER EDUCATION CENTER

**REPORT ON AUDIT
FOR THE YEARS ENDED
JUNE 30, 2009 AND 2010**

APA

**Auditor of
Public Accounts**

COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Southern Virginia Higher Education Center, 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 operations 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.

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AGENCY HIGHLIGHTS

The Southern Virginia Higher Education Center (SVHEC) was originally a continuing education center, and later became an off-campus site of Longwood University. In 2005, the Commonwealth established the SVHEC as an independent state agency to foster economic development in the region by expanding educational access. The agency's mission is to advance southern Virginia economically, culturally, and socially by providing citizens with affordable, accessible educational opportunities through partnerships and regional cooperation. To that end, the SVHEC has arrangements with nine educational institutions to offer Associate's, Bachelors, Master's, and Doctorate degrees. The SVHEC offers more than 70 certificates and degree programs including nursing, business, digital art and design, product design and development, education, and engineering.

The SVHEC receives funding through General Fund appropriations and Special Funds in the form of grants and private donations, bookstore sales, and fees for services. The schedule below summarizes actual activity for the last two years.

Analysis of Operating Revenues and Expenses for fiscal years ended June 30, 2009 and 2010

	<u>2009</u>	<u>2010</u>
Revenues:		
General fund appropriations	\$ 1,755,656	\$ 1,907,539
Receipts from state grants	348,286	301,336
Auxiliary enterprises (bookstore)	297,332	58,256
Private grants and contracts	125,799	333,113
Fees for services	117,776	235,746
Other	<u>36,436</u>	<u>60</u>
Total revenues	<u>\$ 2,681,285</u>	<u>\$ 2,836,050</u>
Expenses:		
Compensation and benefits	\$ 1,435,297	\$ 1,694,801
Supplies and other services	1,272,295	963,432
Equipment	<u>87,385</u>	<u>223,269</u>
Total expenses	<u>\$ 2,794,977</u>	<u>\$ 2,881,502</u>

Source: Commonwealth Accounting Systems (CARS)

The increase in 2010 revenue reflects two new multiple year grants offset by reductions due to the discontinuation of the bookstore in the summer of 2009. The two new grants totaling \$660,000 relate to a Tobacco Commission grant and a private grant. The decision to close the bookstore was due to budget cuts and other demands on personnel.

The increase in 2010 expenses reflects additional staff hired to administer the six-year Virginia Advance Studies Strategies (VASS) Exxon-Mobile grant, as well as computer lab equipment acquired for the new Business of Art and Design Programs. Offsetting these increases was the reduction of cost of goods purchased for the bookstore, which closed in the summer of 2009.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

January 29, 2011

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 **Southern Virginia Higher Education Center** for the years ended June 30, 2009 and 2010. 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 SVHEC'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 SVHEC'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.

- Lease payments
- Payroll expenses
- Procurement and accounts payable processing
- Appropriations
- Grant reimbursements and allowability of expenses

We performed audit tests to determine whether the SVHEC'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, and inspection of documents, records, and contracts. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the SVHEC properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The SVHEC 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 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 February 8, 2011.

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

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AGENCY OFFICIALS

Southern Virginia Higher Education Center

BOARD OF TRUSTEES

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William A. Abbott

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Dr. Andrew Fogarty

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Dr. Earle W. Moore

Dr. Ken Perkins

Tom Raab

Dr. Carlyle Ramsey

Nancy Talley

Patricia Thomas

ADMINISTRATIVE OFFICERS

Dr. Betty Adams, Executive Director