

**STATE COUNCIL OF HIGHER EDUCATION
FOR VIRGINIA**

**REPORT ON AUDIT
FOR THE PERIOD
JULY 1, 2008 THROUGH JUNE 30, 2011**



AUDIT SUMMARY

Our audit of the State Council of Higher Education for Virginia for the period July 1, 2008, through June 30, 2011, found:

- proper recording 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 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

Overview

SCHEV’s expenses for fiscal 2011 totaled more than \$67 million, and represented a decrease of nearly \$10 million from their fiscal 2010 levels. Most of the fiscal 2011 decreases relate to a \$6.5 million reduction in funding to support the Tuition Assistance Grant program in the Higher Education Student Financial Assistance program, along with a \$3 million decrease in funding for Jefferson Science Associates and Hampton University during fiscal 2011. Expenses for fiscal 2010 totaled \$77 million, and represented an increase of nearly \$6 million from fiscal 2009 levels. The increase in fiscal 2010 expenses result from \$6.6 million of funding for Jefferson Science Associates and Hampton University done in Fiscal 2010. The following table summarizes SCHEV’s appropriations as compared to actual expenses by fund for the fiscal years:

Analysis of Budget to Actual Expenses:

Funds	Fiscal Year 2011			Fiscal Year 2010	Fiscal Year 2009
	Original Budget	Final Budget	Actual Expenses	Actual Expenses	Actual Expenses
General	\$71,785,974	\$63,316,840	\$61,162,011	\$70,604,840	\$66,042,481
Special Revenue	1,045,366	1,200,366	854,365	792,263	1,013,611
Trust and Agency	-	67,366	42,185	383,170	164
Federal Trust	8,310,405	5,925,073	4,986,237	5,220,683	4,470,363
Dedicated Special Revenue	<u>250,000</u>	<u>188,235</u>	<u>54,128</u>	<u>47,235</u>	<u>63,091</u>
Total	<u>\$81,391,745</u>	<u>\$70,697,880</u>	<u>\$67,098,926</u>	<u>\$77,048,191</u>	<u>\$71,589,710</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 each program 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. The Eminent Scholars program helps attract and retain experienced staff by providing awards to outstanding faculty from a General Fund appropriation.
5. Several annual awards include the Virginia Grant Consortium Scholarships, Virginia Women's Institute for Leadership program awards, the Virginia Military Survivors and Dependents program, and optometry scholarships. The amount of funding available for each of these financial assistance programs comes from the General Fund.
6. The No Child Left Behind Act, a federal education funding program, provides grants to promote the improvement of teacher quality.
7. 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 amounts for 2011 were \$2,650 for qualified undergraduate students and \$1,150 for qualified graduate students.

The following chart illustrates the total institutions receiving TAG Funding, the total TAG recipients, and the total amount of TAG funding during fiscal years 2009, 2010, and 2011:

Fiscal Year	Total Institutions Receiving TAG Awards	Total TAG Recipients	Total TAG Award
2009	32	21,083	\$60,143,433
2010	33	21,477	\$58,418,469
2011	32	22,164	\$52,133,974

Source: Commonwealth Accounting and Reporting System and SCHEV Institutional Database

During fiscal 2011, SCHEV transferred over \$52 million to various institutions representing approximately 78 percent of its total expenses during the year.



Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
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February 1, 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 **State Council of Higher Education for Virginia** (SCHEV) for the three years ended June 30, 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 the recorded financial transactions in the Commonwealth Accounting and Reporting System, determine if SCHEV had adequate internal controls, and test SCHEV's compliance with applicable laws and regulations.

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 and regulations.

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

- Disbursing student financial assistance programs
- Payroll and other disbursements
- Appropriations
- Federal grant revenues and expenses
- Information Systems Security

We performed audit tests to determine whether 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 and regulations. 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 SCHEV properly recorded financial transactions in the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that require management's attention. 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 13, 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

WJK/alh

STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA
Richmond, Virginia

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