

WEST LIBERTY STATE COLLEGE
WEST LIBERTY, WEST VIRGINIA

REPORT OF AUDIT
SPECIAL SERVICES PROGRAM

U.S. DEPARTMENT OF EDUCATION
ENTITY NUMBER: 1-55-6000-822-A1

FOR THE PERIOD
SEPTEMBER 1, 1980 - AUGUST 31, 1982

West Virginia



LEGISLATIVE AUDITOR

CHARLESTON

The Honorable Encil Bailey
Legislative Auditor
State Capitol - West Wing
Charleston, West Virginia

Sir:

In compliance with your instructions and the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, Mr. John T. Davis was assigned to audit the Special Services Program at West Liberty State College of West Liberty, West Virginia.

This audit covers the period September 1, 1980 through August 31, 1982. The results of the examination are set forth on the following pages of the report.

Respectfully submitted,

James R. Blake
James R. Blake, Supervisor
Legislative Postaudit Division

JRB/nkk

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West Liberty State College
West Liberty, West Virginia

Report of Audit
Special Services Program

U.S. Department of Education
Entity Number: 1-55-6000-822-A1

For the Period September 1, 1980 - August 31, 1982

Part I - Introduction

Background

The Special Services Program is authorized under Title IV, Section 408, of the Higher Education Act of 1965, as amended. The program was started at West Liberty State College on September 1, 1978. For the period of this audit, September 1, 1980 through August 31, 1982, federal funds expended under the Special Services Program totaled \$204,321.98 and up to 206 students participated in the program each year. The program is administered by the Director of Special Services and financial accountability is provided by the Business Manager.

Scope of Audit

The audit of the Special Services Program was performed in accordance with the financial and compliance elements of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (revised 1981). The purpose of the audit was to formulate an opinion on the basic financial statements taken as a whole and to determine if the program was administered in accordance with applicable laws, regulations, terms of agreements and U.S. Department of Education directives.

The audit included:

1. Expressing an opinion on the balance sheet, related statement of changes in fund balance and supplementary schedules.
2. Evaluation of the institution's policies, procedures and practices used to administer the program.
3. Determination of compliance with applicable sections of the act, related federal regulations and U.S. Department of Education policies and procedures.
4. Evaluation of the institution's system of internal control, accounting and reporting, and the controls maintained in the operation of and accounting for the funds provided for the program.
5. Reconciliation of the information reported on the appropriate financial statements for the period audited.

Part II - Highlights of Audit Results

During our audit, nothing came to our attention which caused us to believe that West Liberty State College had not generally administered the Special

Services Program in accordance with U.S. Department of Education regulations and directives. However, one area of the institution's management of the Special Services Program is in need of attention: There is lack of evidence of assessment of students' academic strengths and weaknesses as required by federal regulations. This matter is discussed more fully under the "Findings and Recommendations" section of this report. (See page 3.) As for our opinion on the financial statements, see below.

Part III - Financial

Auditors' Report on Financial Statements

We have examined the balance sheet of the Special Services Program at West Liberty State College as of August 31, 1982 and the related statement of changes in fund balance for the two year period ended August 31, 1982. (See Exhibits A and B.) Our examination was made in accordance with the financial and compliance elements of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (revised 1981). Accordingly, we conducted such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Special Services Program at West Liberty State College at August 31, 1982 and the changes in fund balance for the two year period ended August 31, 1982 in conformity with generally accepted accounting principles applied on a consistent basis.

The examination referred to above was directed primarily toward formulating an opinion on the aforementioned financial statements as of and for the two year period ended August 31, 1982, taken as a whole, and was not directed toward formulating an opinion on the balance sheet at August 31, 1981, or the statement of changes in fund balance for the year then ended. The supplemental data included in Schedule 1 and 2 have been subjected to the auditing procedures applied to the examination of the basic financial statements, and, in our opinion, are stated fairly in all material respects only when considered in conjunction with the financial statements of the Special Services Program taken as a whole.

Note to Financial Statements

For the Period September 1, 1980 Through August 31, 1982

1. Summary of Significant Accounting Policies:

The financial statements for the Special Services Program at the college have been prepared in accordance with generally accepted accounting principles and provide for use of the accrual basis of accounting. Accounting principles are in agreement with the accounting practices prescribed for the program by the U.S. Department of Education.

Part IV - Internal Accounting and Administrative Controls and Compliance

Auditors' Conclusions on Internal Accounting and Administrative Controls and Compliance Information

We have examined the financial statements for the Special Services Program at West Liberty State College for the period September 1, 1980 through

August 31, 1982. Our opinion on the above statements is contained on page 2 of this report. As a part of our examination we have made a study of the institution's system of internal accounting control to the extent we considered necessary to evaluate the system as required by "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (revised 1981). Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Based on our study, which included tests of compliance with instructions and guidelines provided by the U.S. Department of Education, we believe West Liberty State College followed procedures which were adequate for proper administration of the Special Services Program during the period September 1, 1980 through June 30, 1982.

Findings and Recommendations - Internal Accounting and Administrative Controls and Compliance

Lack of Evidence of Assessment of Students' Academic Strengths and Weaknesses

Special Services Program participants' files contain no evidence of assessment of the students' strengths and weaknesses, and program support developed to improve the students' skills.

Part 157.13 of the federal regulations for the Special Services Program requires that students' files include, among other things, an assessment of the student's academic strengths and weaknesses, and the program support developed to improve the student's skills.

During this audit, College officials made arrangements to assure that the above information is included in all student participants' files in the future.

WEST LIBERTY STATE COLLEGE
SPECIAL SERVICES PROGRAM
BALANCE SHEET AS OF AUGUST 31, 1982

Assets

Cash on Hand and in Depository \$ 5,511.47

Liabilities and Fund Balance

Liabilities:

Accounts Payable \$ 374.16

Accrued Indirect Expense 12,303.29

Total Liabilities 12,677.45

Fund Balance (7,165.98)

Total Liabilities and Fund Balance \$ 5,511.47

Exhibit A

WEST LIBERTY STATE COLLEGE
SPECIAL SERVICES PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE PERIOD SEPTEMBER 1, 1980 THROUGH AUGUST 31, 1982

Additions:	
Funds Provided by Federal Government	\$204,956.35
Deductions:	
Program Outlays	192,018.69
Indirect Expense	<u>12,303.29</u>
Total Deductions	<u>204,321.98</u>
Net Increase During the Period	634.37
Fund Balance, Beginning of Period	<u>(7,800.35)</u>
Fund Balance, End of Period	<u><u>(\$ 7,165.98)</u></u>

Exhibit B

WEST LIBERTY STATE COLLEGE
SPECIAL SERVICES PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE PERIOD SEPTEMBER 1, 1981 THROUGH AUGUST 31, 1982

	<u>As Reported</u>	<u>As Audited</u>
Additions:		
Funds Provided by Federal Government	\$90,000.00	\$90,000.00
Deductions:		
Program Outlays	89,968.50	89,968.50
Indirect Expense	<u>7,197.48</u>	<u>7,197.48</u>
Total Deductions	<u>97,165.98</u>	<u>97,165.98</u>
Net (Decrease) During the Year	(7,165.98)	(7,165.98)
Fund Balance, Beginning of Year	<u>-0-</u>	<u>-0-</u>
Fund Balance, End of Year	<u>(\$ 7,165.98)</u>	<u>(\$ 7,165.98)</u>

Schedule 1

WEST LIBERTY STATE COLLEGE
SPECIAL SERVICES PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE PERIOD SEPTEMBER 1, 1980 THROUGH AUGUST 31, 1981

	<u>As Reported</u>	<u>As Audited</u>
Additions:		
Funds Provided by Federal Government	\$114,956.35	\$114,956.35
Deductions:		
Program Outlays	102,050.19	102,050.19
Indirect Expense	<u>5,105.81</u>	<u>5,105.81</u>
Total Deductions	<u>107,156.00</u>	<u>107,156.00</u>
Net Increase During the Year	7,800.35	7,800.35
Fund Balance, Beginning of Year	<u>(7,800.35)</u>	<u>(7,800.35)</u>
Fund Balance, End of Year	<u>\$ -0-</u>	<u>\$ -0-</u>

Schedule 2

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Encil Bailey, Legislative Auditor, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 11th day of January,
1983.

Encil Bailey

Encil Bailey, Legislative Auditor

Copy forwarded to the Commissioner of the Department of Finance and Administration to be filed as a public record. Copies forwarded to the U.S. Department of Education; West Liberty State College; West Virginia Board of Regents; Governor; Attorney General; and, State Auditor.