

SHEPHERD COLLEGE
SHEPHERDSTOWN, WEST VIRGINIA

REPORT OF AUDIT
SPECIAL SERVICES PROGRAM

U.S. OFFICE OF EDUCATION
ENTITY NUMBER: 1-55-6000-799-A1

FOR THE PERIOD
JULY 1, 1979 - JUNE 30, 1980

LEGISLATIVE AUDITOR'S OFFICE
STATE OF WEST VIRGINIA

West Virginia



LEGISLATIVE AUDITOR

CHARLESTON

The Honorable Encil Bailey
Legislative Auditor
State Capitol - Main Unit
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 Shepherd College.

This audit covers the period July 1, 1979 through June 30, 1980. The results of the examination are set forth on the following pages of this report.

Respectfully submitted,

James R. Blake

James R. Blake, Supervisor
Legislative Postaudit Division

JRB:wmm

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Shepherd College
Shepherdstown, West Virginia

Report of Audit
Special Services Program

U.S. Office of Education
Entity Number: 1-55-6000-799-A1

For the Period July 1, 1979 - June 30, 1980

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 Shepherd College on August 24, 1973, and ended on June 30, 1980. During the period of this audit, July 1, 1979 through June 30, 1980, federal funds expended under the Special Services Program totaled \$44,533.00 and up to 136 students participated in the program. The program was administered by the Coordinator of Student Special Services. Financial accountability was provided by the Director of Finance and Business Affairs.

Scope of Audit

Our 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" issued by the U.S. Comptroller General (GAO) in June 1972 (1974 reprint). 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. Office of Education directives.

The audit included:

1. Expressing an opinion on the balance sheet and the related statement of changes in fund balance.
2. Evaluation of the College'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. Office of Education policies and procedures.
4. Evaluation of the College'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 Shepherd College had not generally administered the Special Services Program in accordance with the U.S. Department of Health, Education, and Welfare regulations and directives. As to 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 Shepherd College as of June 30, 1980, and the related statement of changes in fund balance for the period July 1, 1979 through June 30, 1980. (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" issued by the U.S. Comptroller General (GAO) in June 1972 (1974 reprint). 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 Shepherd College at June 30, 1980 and the changes in fund balance for the period July 1, 1979 through June 30, 1980 in conformity with generally accepted accounting principles applied on a consistent basis.

Note to Financial Statements For the Period July 1, 1979 Through June 30, 1980

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 Health, Education, and Welfare, and U.S. Office of Education fiscal control and fund accounting procedures.

Part IV - Internal Accounting and Administrative Controls and Compliance

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

We have examined the financial statements for the Special Services Program at Shepherd College for the period July 1, 1979 through June 30, 1980. Our opinion on the above statements is contained above. 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" issued by the U.S. Comptroller General (GAO) in June 1972 (1974 reprint). 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 the 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 procedure 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 Health, Education, and Welfare, we believe Shepherd College followed procedures which were adequate for proper administration of the Special Services Program during the period July 1, 1979 through June 30, 1980.

SHEPHERD COLLEGE
SPECIAL SERVICES PROGRAM
BALANCE SHEET AS OF JUNE 30, 1980

Assets

Cash on Hand and in Depository	<u>\$ -0-</u>
Total Assets	<u><u>\$ -0-</u></u>

Liabilities and Fund Balance

Liabilities	\$ -0-
Fund Balance	<u>-0-</u>
Total Liabilities and Fund Balance	<u><u>\$ -0-</u></u>

Exhibit A

SHEPHERD COLLEGE
SPECIAL SERVICES PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1980

	<u>As Reported</u>	<u>As Audited</u>
Additions:		
Total Grant Award Authorization	\$44,533.00	\$44,533.00
Funds Provided by Institution	<u>419.64</u>	<u>419.64</u>
Total Additions	<u>44,952.64</u>	<u>44,952.64</u>
Deductions:		
Program Outlays	41,234.00	41,234.00
Indirect Expenses	<u>3,299.00</u>	<u>3,299.00</u>
Total Deductions	<u>44,533.00</u>	<u>44,533.00</u>
Net Increase During the Year	419.64	419.64
Fund Balance, Beginning of Year	<u>(419.64)</u>	<u>(419.64)</u>
Fund Balance, End of Year	<u>\$ -0-</u>	<u>\$ -0-</u>

Exhibit B

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 8th day of December,
1981.



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; Shepherd College; West Virginia Board of Regents; Attorney General; Governor; and, State Auditor.