

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
KEYSER, WEST VIRGINIA

REPORT OF AUDIT
SPECIAL SERVICES PROGRAM

U.S. DEPARTMENT OF EDUCATION
ENTITY NUMBER: 1-55-6000-793-A1

FOR THE PERIOD
JULY 1, 1982 - JUNE 30, 1985

LEGISLATIVE AUDITOR'S OFFICE
STATE OF WEST VIRGINIA

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, we have examined the Special Services Program at Potomac State College of West Virginia University.

Our examination covers the period July 1, 1982 through June 30, 1985. The results of the examination are set forth on the following pages of this report.

Respectfully submitted,

Theodore L. Shanklin
Theodore L. Shanklin, CPA, Director
Legislative Postaudit Division

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Potomac State College of West Virginia University
Keyser, West Virginia

Report of Audit
Special Services Program

U.S. Department of Education
Entity Number: 1-55-6000-793-A1

For the Period July 1, 1982 - June 30, 1985

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 Potomac State College of West Virginia University on July 1, 1971. During the period of this audit, July 1, 1982 through June 30, 1985, Federal funds expended under the Special Services Program totaled \$158,002.05 and up to 186 students participated in the program each year. The program is administered by the Director of Special Student Services, and financial accountability is provided by the Assistant to the Dean for 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 (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 agreement 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 Potomac State College of West Virginia University had not generally administered the Special Services Program in accordance with U.S. Department of Education regulations and directives. However, one area of the College's financial management of the Special Services Program is in need of attention. More specifically, the disbursements reported on the Financial Status Report for 1982-1983 is understated by \$50.05 when compared to the supporting accounting records. This matter is more fully discussed on page 10 of this report.

Part III - Auditors' Report on Financial Statements

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

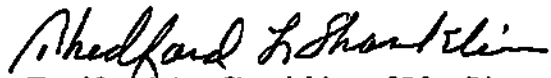
Sir:

We have examined the balance sheet of the Special Services Program at Potomac State College of West Virginia University as of June 30, 1985 and the related statement of changes in fund balance for the three-year period ended June 30, 1985. (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 Potomac State College of West Virginia University at June 30, 1985 and the changes in fund balance for the three-year period ended June 30, 1985 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 three-year period ended June 30, 1985, taken as a whole, and was not directed toward formulating an opinion on the balance sheets at June 30, 1983, or June 30, 1984, or the statement of changes in fund balance for the years then ended. The supplemental data included in Schedules 1, 2, and 3 have been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, are fairly stated in all material respects only when considered in conjunction with the financial statements of the Special Services Program taken as a whole.

Respectfully submitted,



Theford L. Shanklin, CPA, Director
Legislative Postaudit Division

February 4, 1987

Auditors: Raymond Shingler, CPA, Supervisor
Donald T. Moore, Auditor-in-Charge

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
SPECIAL SERVICES PROGRAM
BALANCE SHEET AS OF JUNE 30, 1985

<u>Assets</u>	
Cash on Hand and on Deposit	<u>\$13,815.37</u>
Total Assets	<u>\$13,815.37</u>
 <u>Liabilities and Fund Balance</u>	
Liabilities:	\$ 427.30
Accrued Direct Expense Payable	<u>4,122.33</u>
Accrued Indirect Expense Payable	4,549.63
Total Liabilities	<u>9,265.74</u>
Fund Balance	<u>\$13,815.37</u>
Total Liabilities and Fund Balance	<u>\$13,815.37</u>

See Notes to Financial Statements

Exhibit A

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
SPECIAL SERVICES PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE THREE-YEAR PERIOD ENDED JUNE 30, 1985

Additions:		
Funds Provided by the Federal Government		\$165,621.00
Funds Received from Title III		<u>6,293.97</u>
Total Additions		171,914.97
Deductions:		
Direct Expense		146,301.96
Indirect Expense		<u>11,700.09</u>
Total Deductions		158,002.05
Other Changes:		
Funds Transferred to CWS		(3,000.00)
Funds Returned to the U.S. Department of Education		<u>(5,000.00)</u>
Total Other Changes		<u>(8,000.00)</u>
Net Increase for the Period		5,912.92
Fund Balance, Beginning of Year		<u>3,352.82</u>
Fund Balance, End of Year		<u><u>\$ 9,265.74</u></u>

See Notes to Financial Statements

Exhibit B

Notes to Financial Statements for the Period
July 1, 1982 through June 30, 1985

(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.

(2) Fund Balance, Beginning Year

The ending fund balance at June 30, 1982 was overstated by \$1,853.34. This overstatement was caused by not accruing expenses of the same amount. The restated fund balance follows:

Fund Balance, Ending Year (June 30, 1982)	\$5,206.16
Accrued Expenses Not Recorded	<u>(1,853.34)</u>
Fund Balance, Beginning Year	<u>\$3,352.82</u>

Part IV - Auditors' Report on Internal Accounting Control

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

Sir:

We have examined the financial statements for the Special Services Program at Potomac State College of West Virginia University for the three-year period ended June 30, 1985, and have issued our report thereon dated February 4, 1987.

As part of our examination, we made a study and evaluation of the system of the internal accounting controls of Potomac State College of West Virginia University to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities and Functions. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

1. Receipts
2. Disbursements
3. Accumulating and Reporting Expenditures

Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of performing the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of Potomac State College of West Virginia University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Potomac State College of West Virginia University taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness, except as described in the "Findings and Recommendations" section of this report.

This report is intended solely for the use of management and the U.S. Department of Education and should not be used for any other purpose.

Respectfully submitted,



Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

February 4, 1987

Auditors: Raymond Shingler, CPA, Supervisor
Donald T. Moore, Auditor-in-Charge

Part V - Auditors' Report on Compliance

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

Sir:

We have examined the accompanying financial statements for the Special Services Program at Potomac State College of West Virginia University for the three-year period ended June 30, 1985 and have issued our report thereon dated February 4, 1987. As a part of our examination, we made a study and evaluation of those internal administrative methods and procedures established by Potomac State College of West Virginia University to administer and account for the Special Services Program in accordance with instructions and guidelines provided by the U.S. Department of Education and the following compliance requirements:

- I. Eligibility of Project Participants
- II. Selection of Project Participants
- III. Record of Student Progress
- IV. Evaluation of Project Effectiveness

We understand that procedures and systems in conformity with the criteria contained in these instructions and guidelines are considered by Education to be adequate for its purposes in accordance with the provisions of the Higher Education Act, as amended. Based on this understanding of our study and evaluation, we believe the institutions procedures and systems were adequate for Education's purposes.

In addition, our examination also included tests of controls to insure compliance with the provisions of certain major conditions identified in the Federal criteria and Special Grant Terms and Conditions. Based upon our examination we found that for the items tested the institution complied with these provisions.

Further, based on our examination and the procedures referred to above, nothing came to our attention to indicate that Potomac State College of West Virginia University had not complied with the material terms and conditions identified in the first paragraph above of Potomac State College of West Virginia University's Special Services Program.

This report is intended solely for the use of Potomac State College of West Virginia University, the cognizant audit agency and other Federal audit agencies and should not be used for any other purpose.

Respectfully submitted,


Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

February 4, 1987

Auditors: Raymond Shingler, CPA, Supervisor
Donald T. Moore, Auditor-in-Charge

Findings and Recommendations

Fiscal Report and Accounting Records Not in Agreement

Our review of the Special Services Program Financial Status Report (ED 123-1) for the 1982-1983 year showed the disbursements reported did not agree with the amount supported by the accounting records. We noted that, for the year, disbursements shown on the financial status report were less than the accounting records by \$50.05.

A review of the accounting records showed a \$50.05 accrual for workman's compensation should have been included in the financial status report for the year ended June 30, 1983. However, through an administrative error, the amount was omitted and as a result expenditures were understated on the financial status report by \$50.05.

We recommend the College should arrange with the U.S. Department of Education to submit a corrected financial status report for the 1982-1983 year. Further, that a reconciliation be made at the end of each year between the accounting records and the financial status report to prevent this discrepancy from occurring in the future.

VI. - Auditors' Comments on Audit Resolution Matters Relating
to the Special Services Program

The College has taken the necessary corrective action on the one finding from the prior audit report of the Special Services Program for the period July 1, 1980 through June 30, 1982.

Finding No. 1 A review of 34 files showed that in 23 cases (68%) files did not contain evidence of assessment of the students academic strengths and weaknesses, and program support developed to improve the student's skills.

Action Taken About July 1, 1983 a form was designed and implemented which eliminated the problems for students who participated in the program July 1, 1983 and later. A review of selected student files showed this form was in use.

SUPPLEMENTAL INFORMATION

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
SPECIAL SERVICES PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1985

	<u>As Reported</u>	<u>As Audited</u>	<u>Over (Under) As Reported</u>
Additions:			
Funds Provided by the Federal Government	<u>\$64,278.00</u>	<u>\$64,278.00</u>	<u>\$ -0-</u>
Total Additions	64,278.00	64,278.00	-0-
Deductions:			
Direct Expense	51,529.00	51,529.95	0.95
Indirect Expense	<u>4,122.00</u>	<u>4,122.33</u>	<u>0.33</u>
Total Deductions	<u>55,651.00</u>	<u>55,652.28</u>	<u>1.28</u>
Net Increase for the Year	8,627.00	8,625.72	(1.28)
Fund Balance, Beginning of Year	<u>690.00</u>	<u>640.02</u>	<u>(49.98)</u>
Fund Balance, End of Year	<u><u>\$ 9,317.00</u></u>	<u><u>\$ 9,265.74</u></u>	<u><u>(\$ 51.26)</u></u>

Schedule 1

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
SPECIAL SERVICES PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1984

	<u>As Reported</u>	<u>As Audited</u>	<u>Over (Under) As Reported</u>
Additions:			
Funds Provided by the Federal Government	\$53,411.00	\$53,411.00	\$ -0-
Total Additions	53,411.00	53,411.00	-0-
Deductions:			
Direct Expense	50,314.00	45,314.07	(4,999.93)
Indirect Expense	<u>3,625.00</u>	<u>3,625.13</u>	<u>0.13</u>
Total Deductions	53,939.00	48,939.20	(4,999.80)
Other Changes:			
Funds Returned to U.S. Department of Education	<u>-0-</u>	<u>(5,000.00)</u>	<u>(5,000.00)</u>
Total Other Changes	<u>-0-</u>	<u>(5,000.00)</u>	<u>(5,000.00)</u>
Net (Decrease) for the Year	(528.00)	(528.20)	(0.20)
Fund Balance, Beginning of Year	<u>1,218.00</u>	<u>1,168.22</u>	<u>(49.78)</u>
Fund Balance, End of Year	<u>\$ 690.00</u>	<u>\$ 640.02</u>	<u>(\$ 49.98)</u>

Schedule 2

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
SPECIAL SERVICES PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1983

	<u>As Reported</u>	<u>As Audited</u>	<u>Over (Under) As Reported</u>
Additions:			
Funds Provided by the Federal Government	\$47,932.00	\$47,932.00	\$ -0-
Funds Received from Title III	<u>6,294.00</u>	<u>6,293.97</u>	<u>(0.03)</u>
Total Additions	54,226.00	54,225.97	(0.03)
Deductions:			
Direct Expense	49,408.00	49,457.94	49.94
Indirect Expense	<u>3,953.00</u>	<u>3,952.63</u>	<u>(0.37)</u>
Total Deductions	53,361.00	53,410.57	49.57
Other Changes:			
Funds Transferred to CWS	<u>(3,000.00)</u>	<u>(3,000.00)</u>	<u>-0-</u>
Total Other Changes	<u>(3,000.00)</u>	<u>(3,000.00)</u>	<u>-0-</u>
Net (Decrease) for the Year	(2,135.00)	(2,184.60)	(49.60)
Fund Balance, Beginning of Year	<u>3,353.00</u>	<u>3,352.82</u>	<u>(0.18)</u>
Fund Balance, End of Year	<u>\$ 1,218.00</u>	<u>\$ 1,168.22</u>	<u>(\$ 49.78)</u>

Schedule 3

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 29th day of August, 1988.



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