

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

SHEPHERD COLLEGE
SHEPHERDSTOWN, WEST VIRGINIA

SPECIAL SERVICES PROGRAM
OFFICE OF EDUCATION
VENDOR NUMBER OO 3822

FOR THE PERIOD
AUGUST 24, 1973 - AUGUST 31, 1976



OFFICE OF LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305

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 Article 2, Chapter 4, Code of West Virginia, as amended, Mr. John T. Davis was assigned to audit the Special Services Program at Shepherd College.

This audit covers the period August 24, 1973 through August 31, 1976. The results of the examination are set forth on the following pages of this report.

Respectfully submitted,

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

JRB:vc

SHEPHERD COLLEGE
SHEPHERDSTOWN, WEST VIRGINIA

REPORT OF AUDIT
SPECIAL SERVICES PROGRAM
OFFICE OF EDUCATION
VENDOR NUMBER 00 3822

FOR THE PERIOD
AUGUST 24, 1973 - AUGUST 31, 1976

LEGISLATIVE AUDITOR'S OFFICE
STATE OF WEST VIRGINIA

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Shepherd College
Shepherdstown, West Virginia

Report of Audit
Special Services Program

Office of Education Vendor Number: 00 3822

For the Period August 24, 1973 - August 31, 1976

Part I - Introduction

An audit has been made of the Special Services Program at Shepherd College, Shepherdstown, West Virginia, for the period August 24, 1973 through August 31, 1976. The objectives of the audit were to determine whether the college had established and followed:

1. Systems of internal control, accounting and reporting, and had exercised proper controls in the operations of and accounting for funds provided for the program.
2. Policies and procedures which provided that Special Services Program funds be expended in accordance with the terms of the applicable acts, Department of Health, Education, and Welfare program guidelines, and grant conditions.
3. A control and evaluation system intended to monitor and evaluate the project to determine if its objectives are met.

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. The program is administered by Ms. Sandra A. Stanlar, Director of Special Services. Mr. Charles E. Doss, Assistant Director of Financial Affairs, supervises the fiscal administration of the program. The college's chief fiscal officer is Mr. Arthur P. Foley, Director of Financial Affairs.

During the period of this audit, August 24, 1973 through August 31, 1976, Federal funds expended under the Special Services Program totaled \$96,210.00 and from 69 to 89 students participated in the program each year.

Part II - Highlights of Audit Results

The audit disclosed that Shepherd College had generally administered its Special Services Program in a satisfactory manner and in accordance with Department of Health, Education, and Welfare (DHEW) Federal regulations and directives pertaining to the program. As to the auditor's opinion on the financial statements, see below.

Part III - Financial

Auditor's Opinion on Financial Statements

An examination has been made of the balance sheet of the Special Services Program at Shepherd College, as of August 31, 1976, and the related statements of income and expense and fund balance for the period August 24, 1973 through August 31, 1976.

(See Exhibits A through D.) The examination was made in accordance with generally accepted auditing standards, and in accordance with instructions from the Legislative Auditor's Office, State of West Virginia, and included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances.

In the auditor's opinion the above mentioned financial statements present fairly the financial position of the Special Services Program at Shepherd College, and the results of its operations for the period August 24, 1973 through August 31, 1976, in conformity with generally accepted accounting principles.

Part IV - Auditor's Conclusions on Internal Accounting and Administrative Controls and Compliance Information

The auditor made a study of those internal accounting and administrative control procedures at Shepherd College, during the period August 24, 1973 through August 31, 1976, which were considered relevant to the administration of the Special Services Program under instructions and guidelines provided by the DHEW.

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 which effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management 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 the study made, which included tests of compliance with instructions and guidelines provided by the DHEW, the auditor believes Shepherd College's procedures were adequate for proper administration of the Special Services Program for the period August 24, 1973 through August 31, 1976.

Findings and Recommendations - Internal Accounting and Administrative Controls and Compliance

Program Guidelines

It is recommended that formal guidelines be developed for administration and evaluation of the Special Services Program. All the procedural steps necessary in administering the program - from planning and implementing services to students, to evaluating results and reporting to the Office of Education - should be included in these guidelines. A well-defined set of guidelines could (1) contribute to the effectiveness of the program, (2) ensure efficient and economical administration, and (3) facilitate program continuity when changes occur in college personnel.

Part V - Exhibits

Included with this report as Exhibits A through D, are a balance sheet of the Special Services Program as of August 31, 1976, and the related statements of income and expense and fund balance for the period August 24, 1973 through August 31, 1976.

SPECIAL SERVICES PROGRAM
BALANCE SHEET
AUGUST 31, 1976

	<u>As Reported</u>	<u>As Adjusted</u>
<u>Assets</u>		
Cash on Hand and in Depository	<u>\$1,546.20</u>	<u>\$1,546.20</u>
<u>Liabilities and Fund Balance</u>		
<u>Liabilities:</u>		
Accrued Administrative Expenses Payable	\$2,090.49	\$2,090.49
Fund Balance	<u>(544.29)</u>	<u>(544.29)</u>
Total Liabilities and Fund Balance	<u>\$1,546.20</u>	<u>\$1,546.20</u>

Exhibit A

SPECIAL SERVICES PROGRAM
STATEMENT OF INCOME AND EXPENSE AND FUND BALANCE
JULY 1, 1975 - AUGUST 31, 1976

	<u>As Reported</u>	<u>As Adjusted</u>
<u>Income</u>		
Funds Provided by Federal Government	<u>\$37,738.91</u>	<u>\$37,738.91</u>
<u>Expenses</u>		
Personnel Costs	\$31,009.37	\$31,009.37
Travel	234.61	234.61
Equipment	152.65	152.65
Instructional Supplies	702.20	702.20
Administrative Expenses	<u>2,567.17</u>	<u>2,567.17</u>
Total Expenses	<u>\$34,666.00</u>	<u>\$34,666.00</u>
Excess of Income Over Expenses	\$ 3,072.91	\$ 3,072.91
<u>Fund Balance July 1, 1975</u>	<u>(3,617.20)</u>	<u>(3,617.20)</u>
Fund Balance August 31, 1976	<u>(\$ 544.29)</u>	<u>(\$ 544.29)</u>

Note: Matching institutional outlay amounted to \$7,609.63.

Exhibit B

SPECIAL SERVICES PROGRAM
STATEMENT OF INCOME AND EXPENSE AND FUND BALANCE
JULY 1, 1974 - JUNE 30, 1975

	As <u>Reported</u>	As <u>Adjusted</u>
<u>Income</u>		
Funds Provided by Federal Government	<u>\$25,927.15</u>	<u>\$25,927.15</u>
<u>Expenses</u>		
Personnel Costs	\$26,707.38	\$26,707.38
Travel	838.43	838.43
Equipment	496.60	496.60
Instructional Supplies	922.99	922.99
Communications	225.00	225.00
Cultural Activities	84.00	84.00
Administrative Expenses	<u>2,341.95</u>	<u>2,341.95</u>
Total Expenses	<u>\$31,616.35</u>	<u>\$31,616.35</u>
Excess of Income Over Expenses	(\$ 5,689.20)	(\$ 5,689.20)
<u>Fund Balance July 1, 1974</u>	<u>2,072.00</u>	<u>2,072.00</u>
Fund Balance June 30, 1975	<u>(\$ 3,617.20)</u>	<u>(\$ 3,617.20)</u>

Note: Matching institutional outlay amounted to \$1,548.62.

Exhibit C

SPECIAL SERVICES PROGRAM
STATEMENT OF INCOME AND EXPENSE AND FUND BALANCE
AUGUST 24, 1973 - JUNE 30, 1974

	As Reported <u>1/</u>	As Adjusted
<u>Income</u>		
Funds Provided by Federal Government	<u>\$32,000.00</u>	<u>\$32,000.00</u>
<u>Expenses</u>		
Personnel Costs	\$25,215.00	\$25,215.12
Travel	809.00	808.53
Equipment	516.00	515.89
Instructional Supplies	856.00	856.21
Communications	315.00	315.31
Administrative Expenses	<u>2,217.00</u>	<u>2,216.88</u>
Total Expenses	<u>\$29,928.00</u>	<u>\$29,927.94</u>
Excess of Income Over Expenses	\$ 2,072.00	\$ 2,072.06
<u>Fund Balance August 24, 1973</u>	<u>-0-</u>	<u>-0-</u>
Fund Balance June 30, 1974	<u>\$ 2,072.00</u>	<u>\$ 2,072.06</u>

1/ Rounded off.

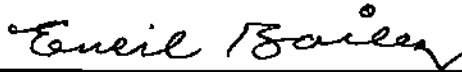
Exhibit D

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 Article 2, Chapter 4, Code of West Virginia, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 7th day of December, 1976.


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