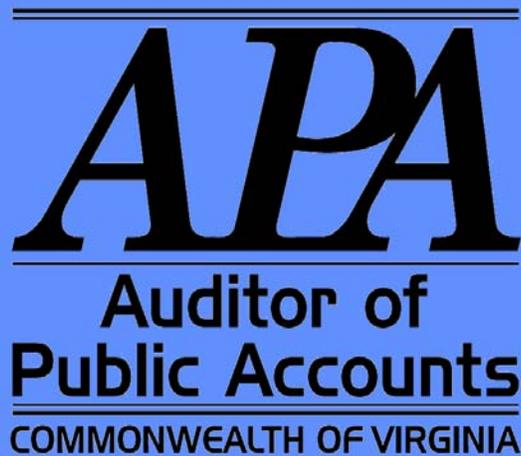


**SOUTHERN VIRGINIA
HIGHER EDUCATION CENTER**

**REPORT ON AUDIT
FOR THE YEARS ENDED
JUNE 30, 2007 AND JUNE 30, 2008**



AUDIT SUMMARY

Our audit of Southern Virginia Higher Education Center, for the years ended June 30, 2007 and June 30, 2008, found:

- proper recording and reporting 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

Southern Virginia Higher Education Center (Center) began operations in 2005 to offer students a high quality education through partnerships with eight Virginia colleges and universities. The Center offers Associate’s, Bachelor’s, and Master’s degrees in any one of 20 disciplines and 12 degree programs. They also offer courses in various areas including nursing, truck driving, cosmetology, and Cisco certifications. The Commonwealth established the Center to foster economic development in the region by expanding educational access.

The Center receives state and local government appropriations, and collects rent and registration fees for non-credit programs. The Center uses the funds to staff, equip, secure, operate, and maintain its facilities, as well as to provide services to its members and customers. Instructors for non-credit programs receive a portion of the tuition revenues collected for their class. For fiscal year 2008, Southern Virginia Higher Education Center had a state appropriation of \$1.4 million to fund its operations and the Center’s full-time staff. Revenues of \$1.6 million are received from grant awards, tuition, and fees to pay program coordinators’ salaries and equipment purchases for the various programs. The Center receives additional revenue by leasing their facilities for workforce training, meetings, banquets, and seminars.

In January 2007, the Center received a \$1.5 million grant from the Virginia Tobacco Indemnification and Community Revitalization Commission to enable the Center to develop three new degree completion programs. The grant will fund the programs through June 30, 2010, at which time the grant will end. When the grant ends, the Center will fund the faculty salaries from tuition charges for these three programs. The Center will need to also find operational funding either through additional appropriations or donations from the Center’s educational partners. If the Center cannot find the funds, the Center will continue the programs, but will be unable to further develop and enhance the programs.

<u>Fiscal Year 2007</u>	<u>Actual</u>	<u>Budget</u>
Appropriation	\$1,453,334	\$1,453,334
Revenues	\$ 358,829	\$ 400,000
Expenditures	\$1,452,333	\$1,452,334
Expenditures – Non General	\$ 339,650	\$ 400,000
 <u>Fiscal Year 2008</u>		
Appropriation	\$1,435,866	\$1,435,866
Revenues	\$1,587,670	\$1,900,000
Expenditures	\$1,434,836	\$1,435,866
Expenditures – Non General	\$1,268,095	\$1,900,000



Commonwealth of Virginia

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

April 10, 2009

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of **Southern Virginia Higher Education Center** (Center) for the years ended June 30, 2007 and June 30, 2008. 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 recorded financial transactions in the Commonwealth Accounting and Reporting System, review the adequacy of the Center's internal controls, and test compliance with applicable laws and regulations.

Audit Scope and Methodology

The Center'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 materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Revenues
Expenditures
Appropriations

We performed audit tests to determine whether the Center'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

and records, and observation of the Center's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Center properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Center records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. 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 March 5, 2009.

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

HCV:alh

AGENCY OFFICIALS

SOUTHERN VIRGINIA HIGHER EDUCATION CENTER

BOARD OF TRUSTEES

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Dr. Carlyle Ramsey
Nancy Talley

ADMINISTRATIVE OFFICERS

Dr. Betty Adams, Executive Director