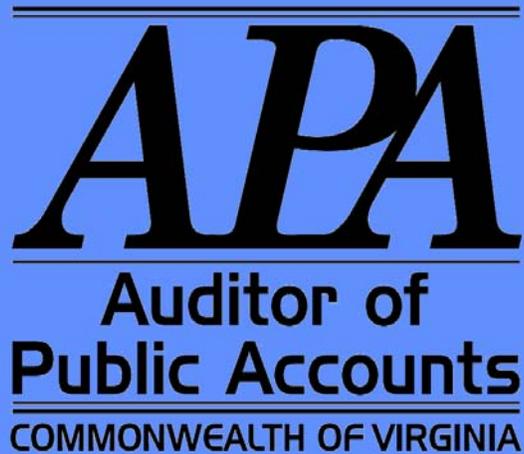


**SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER**

**REPORT ON AUDIT  
FOR THE THREE-YEAR PERIOD ENDED  
JUNE 30, 2012**



## **AUDIT SUMMARY**

Our audit of the Southwest Virginia Higher Education Center for the three-year period ended June 30, 2012, found:

- proper recording and reporting of all transactions, in all material respects, in the University of Virginia's accounting system;
- no matters involving internal control and its operation 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

The Southwest Virginia Higher Education Center seeks to strengthen the regional economy of southwest Virginia by providing higher education and professional development training of the current and future workforce. The Center's primary mission is to encourage the expansion of higher education, including adult and continuing education, associate, undergraduate, and graduate degree programs in Southwest Virginia, and foster partnerships between the public and private sectors to enhance higher education in the region. The Center also coordinates the development and delivery of continuing education, facilitates the delivery of teacher training programs, and develops specific goals for higher education in the region in coordination with the State Council of Higher Education for Virginia.

The Center provides an 89,000-square-foot facility that is fully equipped and staffed to support over 70 undergraduate and graduate degree programs from nine colleges and universities. Courses are provided primarily for location-bound working adults who need advanced education and training to advance economically in their careers. Over 65 percent of the courses are taught via distance education. Most courses are available in the evening and on weekends. Throughout the day, businesses and professional organizations hold meetings, conferences, and trade shows in the Center's classrooms and conference complex. International trade assistance is one of the support services the Center provides to businesses in the region.

During fiscal years 2010, 2011, and 2012, the Center offered courses for the following participating academic institutions:

Old Dominion University	University of Virginia's College at Wise
Radford University	Emory and Henry College
University of Virginia	Virginia Highlands Community College
Virginia Intermont College	Virginia Polytechnic Institute and State University
King College	Averett University
Virginia Commonwealth University	

The Center administers the Southwest Burley Scholarship Program (Scholarship Program) and the Southside Tobacco Loan Forgiveness Program (Loan Program) funded by the Virginia Tobacco Indemnification and Community Revitalization Commission (Commission). The Commission establishes the eligibility requirements for the Scholarship and Loan Programs.

The Scholarship Program assists current Southwest Virginia residents who were former burley tobacco quota holders or growers and their direct descendants with up to \$2,500 for tuition and academic fees per year for fiscal years 2010 and 2011 and up to \$2,750 per year for fiscal year 2012. The mission of the Loan Program is to provide a stimulus for economic revitalization in communities within Southside Virginia by encouraging native Southside Virginians to complete a degree, and return to and settle in a locality within Southside Virginia. Current residents of Southside Virginia localities were eligible to receive up to \$3,750 for tuition and academic fees per year during fiscal years 2010 and 2011 and up to \$4,130 per year during fiscal year 2012.

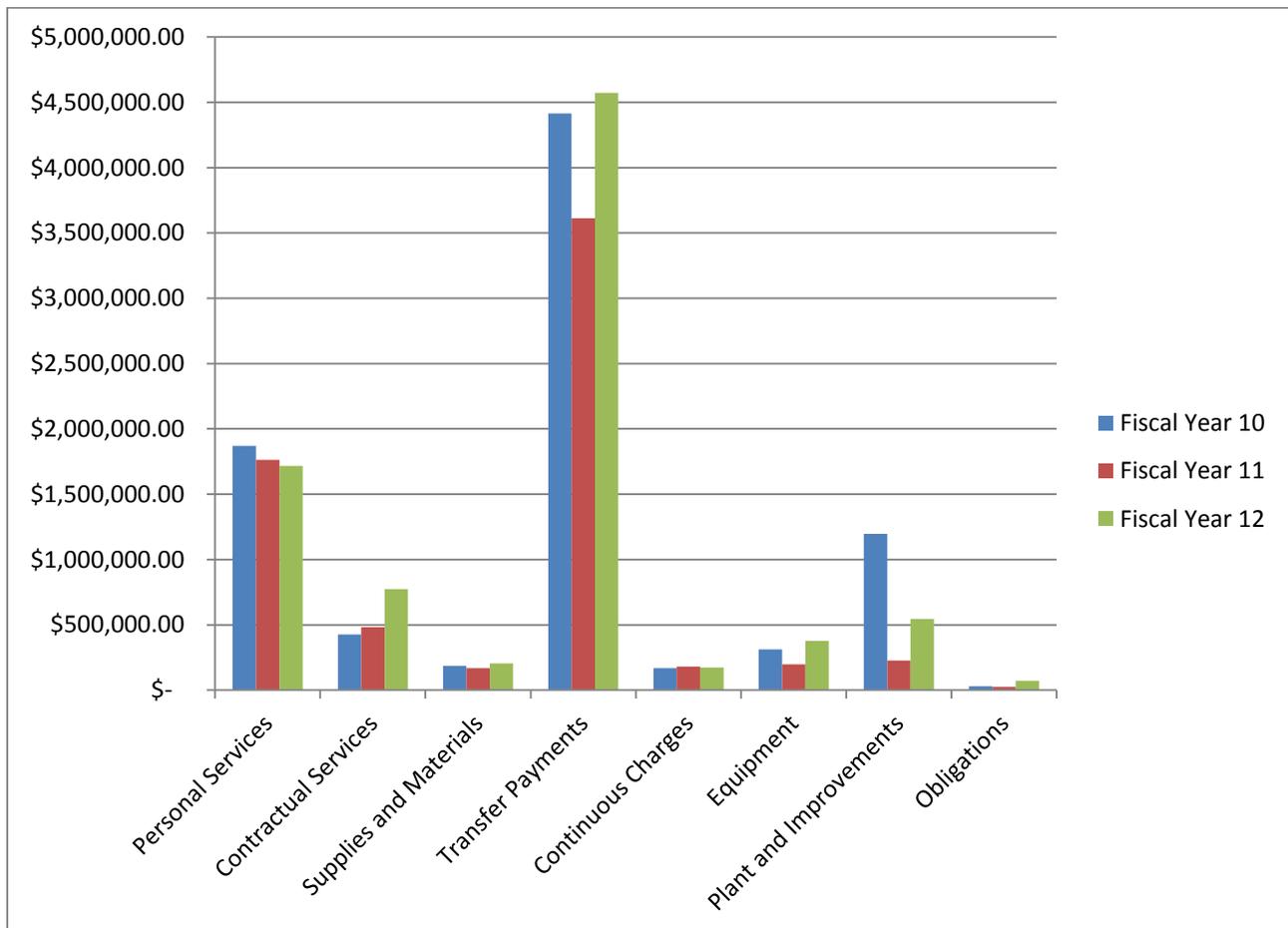
The table below summarizes the activity of the Scholarship and Loan Programs during academic years 2009-2010, 2010-2011, and 2011-2012:

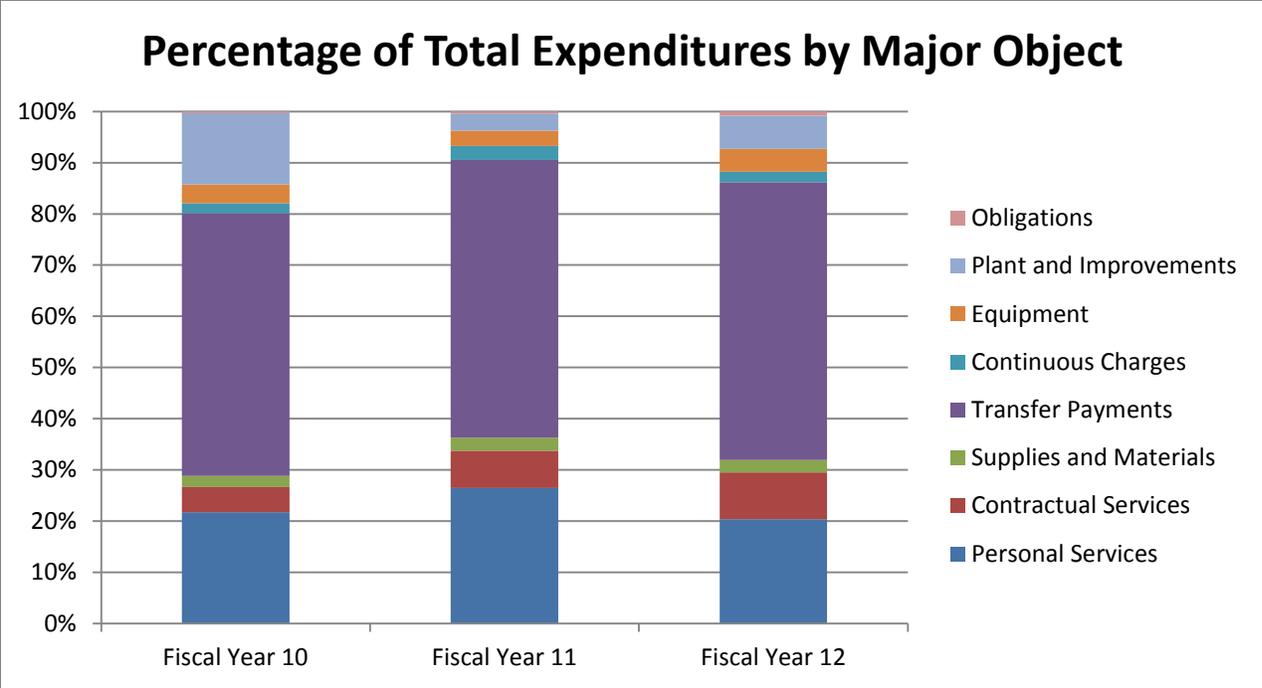
Fiscal Year	Southwest Burley Scholarship Program		Southside Tobacco Loan Forgiveness Program	
	Number of Students Receiving Aid	Total Amount Paid	Number of Students Receiving Aid	Total Amount Paid
2010	514	\$1,070,018	1,197	\$3,575,077
2011	531	\$1,103,325	989	\$2,710,000
2012	494	\$1,134,727	1,073	\$3,569,483

The University of Virginia currently provides administrative support to the Center; as such, all of the Center’s fiscal activity is captured in the University of Virginia’s accounting system. Summary data from the Commonwealth Accounting and Reporting System was utilized to identify the significant Expenditure and Revenue Cycles.

**Expenditures:**

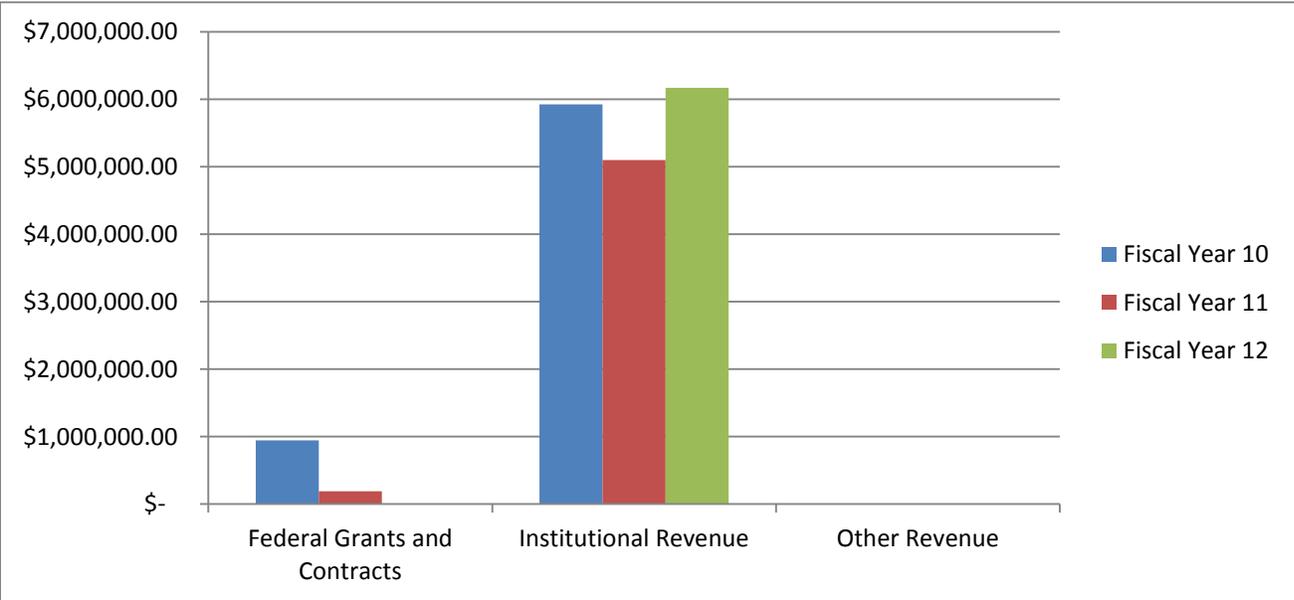
The following graphs show the breakdown of expenditures by major object code as a percentage of total expenditures and in total dollars for fiscal years 2010, 2011, and 2012. The transfer payment major object code includes activity related to the administration of the Southwest Burley Scholarship Program and Southside Tobacco Loan Forgiveness Program detailed in the table above.



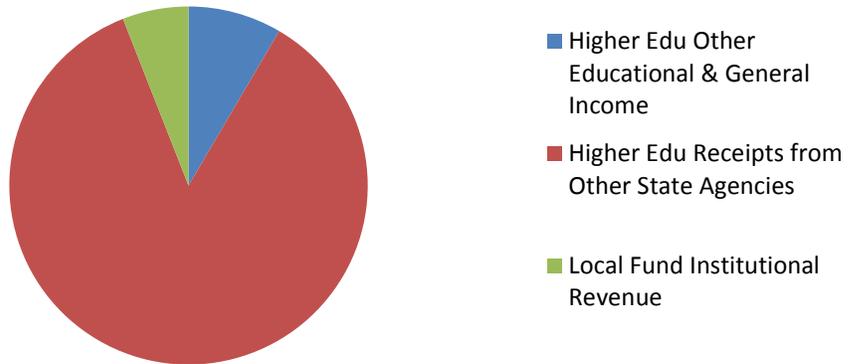


**Revenues:**

The following graph show the breakdown of revenues by revenue source in total dollar amounts for fiscal years 2010, 2011, and 2012. As Institutional Revenue comprises most of the Center’s revenue, an additional graph has been included below to show the components of this particular revenue source for fiscal year 2012.



## Fiscal Year 2012 Breakdown of Institutional Revenue



The *Higher Edu Receipts from Other State Agencies* category includes funding for scholarships, which are provided by and awarded on behalf of the Tobacco Commission.

The above graphs do not depict the Center's General Fund Appropriations. The Center was appropriated \$1,775,496, \$1,804,919, and \$1,804,919 in General Fund Appropriations in fiscal years 2010, 2011, and 2012, respectively.



# Commonwealth of Virginia

*Auditor of Public Accounts*

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

April 1, 2013

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable John M. O'Bannon, III  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Southwest Virginia Higher Education Center** for the year the three-year period ended June 30, 2012. 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 the Center's financial transactions recorded in the University of Virginia's accounting 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 significance and 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.

- Federal grant revenues and expenditures
- General revenues and expenditures
- Scholarship and Loan Forgiveness programs
- Cash receipts
- Information System Security

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

### Conclusions

We found that the Center properly stated, in all material respects, the amounts recorded and reported in the University of Virginia's accounting 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 summary financial information presented in this report came directly from the Commonwealth's 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 April 9, 2013.

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

EMS/clj

SOUTHWEST VIRGINIA HIGHER EDUCATION CENTER  
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As of June 30, 2012

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5th District

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Emory and Henry College

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University of Virginia's College at Wise

John Broderick, President  
Old Dominion University

Marcia Gilliam, Chancellor Appointed  
Virginia Community College System

Penelope W. Kyle, President  
Radford University

David Olive, President  
Bluefield College

Peter Blake, Director  
State Council of Higher Education

Ron Proffitt, President  
Virginia Highlands Community College

Billy Cannaday, Dean  
University of Virginia

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Virginia Intermont College

EXECUTIVE DIRECTOR

Rachel D. Fowlkes