

STATE OF WEST VIRGINIA
AUDIT REPORT
OF

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
MONTGOMERY, WEST VIRGINIA

UPWARD BOUND PROGRAM

U.S. OFFICE OF EDUCATION
ENTITY NUMBER: 1-55-6000-830-A1

FOR THE PERIOD
JULY 1, 1977 - JUNE 30, 1979



OFFICE OF LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
MONTGOMERY, WEST VIRGINIA

REPORT OF AUDIT
UPWARD BOUND PROGRAM

U.S. OFFICE OF EDUCATION
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LEGISLATIVE AUDITOR'S OFFICE
STATE OF 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 Upward Bound Program as West Virginia Institute of Technology.

This audit covers the period July 1, 1977 through June 30, 1979. 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:rmh

WEST VIRGINIA INSTITUTE OF TECHNOLOGY

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West Virginia Institute of Technology
Montgomery, West Virginia

Report of Audit
Upward Bound Program

U.S. Office of Education
Entity Number: 1-55-6000-830-A1

For the Period July 1, 1977 - June 30, 1979

Part I - Introduction

Background

The Upward Bound Program is authorized under Title IV, Section 408(B)(2) of the Higher Education Act of 1965 (P.L. 89-329), as amended. The program was started at West Virginia Institute of Technology on July 1, 1966. During the period of this audit, July 1, 1977 through June 30, 1979, federal funds expended under the Upward Bound Program totaled \$246,500.04, and up to 75 students participated in the program each year. The program is administered by the Coordinator of Trio Programs. Financial accountability is provided by the Comptroller.

Scope of Audit

Our audit of the Upward Bound 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, 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. Office 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 West Virginia Institute of Technology had not generally administered the Upward Bound Program in accordance with the Department of Health, Education, and Welfare federal regulations and directives.

Auditor's Report on Financial Statements

We have examined the balance sheet of the Upward Bound Program at West Virginia Institute of Technology as of June 30, 1979, and the related statement of changes in fund balance for the period July 1, 1977 through June 30, 1979. (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 Upward Bound Program at West Virginia Institute of Technology at June 30, 1979, and the changes in fund balance for the period July 1, 1977 through June 30, 1979, 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 two year period ended June 30, 1979, taken as a whole, and was not directed toward formulating an opinion on the balance sheet at June 30, 1978, or the statement of changes in fund balance for the year then ended. The supplemental data included in Schedules 1 and 2 are presented for supplemental analysis purposes and are not necessary for a fair presentation of the financial position as of June 30, 1979, and the changes in fund balance for the period July 1, 1977 through June 30, 1979. The supplementary data included in Schedules 1 and 2 have been subjected to the auditing procedures applied in the examination of the basic financial statements, and, in our opinion, are stated fairly in all material respects only when considered in conjunction with the financial statements of the Upward Bound Program taken as a whole.

Note to Financial Statements

For the Period July 1, 1977 through June 30, 1979

1. Summary of Significant Accounting Policies:

The financial statements for the Upward Bound 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.

Findings and Recommendations - Financial

Incorrect Financial Status Report

The final financial status report for fiscal year 1979, as submitted to the U.S. Office of Education, was incorrect. As a result, program outlays were underreported by \$877.21 for that year. (See Schedule 1.)

We recommend the college arrange with the U.S. Office of Education for adjustment of the final financial status report for fiscal year 1979 in accordance with the above. Also, correction should be made in the college's report to the HEW Departmental Federal Assistance Financing System (DFAFS).

Part IV - Internal Accounting and Administrative Controls and Compliance

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

We have examined the financial statements for the Upward Bound Program at West Virginia Institute of Technology for the period July 1, 1977 through June 30, 1979. Our opinion on the above statements is contained on page 2 of this report. 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 procedures 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 Department of Health, Education, and Welfare, we believe West Virginia Institute of Technology followed procedures which were adequate for proper administration of the Upward Bound Program during the period July 1, 1977 through June 30, 1979.

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
UPWARD BOUND PROGRAM
BALANCE SHEET AS OF JUNE 30, 1979

Assets

Cash on Hand and in Depository \$16,094.96

Liabilities and Fund Balance

Liabilities:

Accounts Payable \$ 5,807.50
Accrued Administrative Expenses Payable 165.05

Total Liabilities \$ 5,972.55

Fund Balance 10,122.41

Total Liabilities and Fund Balance \$16,094.96

Exhibit A

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
UPWARD BOUND PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE TWO YEAR PERIOD ENDED JUNE 30, 1979

Additions:		
Funds Provided by Federal Government		<u>\$251,389.49</u>
Deductions:		
Total Direct Costs		\$228,240.78
Indirect Costs		<u>18,259.26</u>
Total Deductions		<u>\$246,500.04</u>
Net Increase For the Period		\$ 4,889.45
Fund Balance, Beginning of Period		<u>5,232.96</u>
Fund Balance, End of Period		<u>\$ 10,122.41</u>

Exhibit B

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
UPWARD BOUND PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1979

	<u>As Reported</u>	<u>As Audited</u>	<u>Difference</u>
Additions:			
Funds Provided by Federal Government	\$132,356.00	\$132,356.00	\$-0-
Deductions:			
Direct Costs	\$120,501.22	\$121,050.66	(\$549.44)
Indirect Costs	<u>9,356.28</u>	<u>9,684.05</u>	<u>(327.77)</u>
Total Deductions	<u>\$129,857.50</u>	<u>\$130,734.71</u>	<u>(\$877.21)</u>
Net Increase For the Year	\$ 2,498.50	\$ 1,621.29	\$877.21
Fund Balance, Beginning of Year	<u>8,501.12</u>	<u>8,501.12</u>	<u>-0-</u>
Fund Balance, End of Year	<u>\$ 10,999.62</u>	<u>\$ 10,122.41</u>	<u>\$877.21</u>

Schedule 1

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
 UPWARD BOUND PROGRAM
 STATEMENT OF CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 1978

	<u>As Reported</u>	<u>As Audited</u>
Additions:		
Funds Provided by Federal Government	\$119,033.49	\$119,033.49
Deductions:		
Direct Costs	\$107,190.12	\$107,190.12
Indirect Costs	<u>8,575.21</u>	<u>8,575.21</u>
Total Deductions	<u>\$115,765.33</u>	<u>\$115,765.33</u>
Net Increase For the Year	\$ 3,268.16	\$ 3,268.16
Fund Balance, Beginning of Year	<u>5,232.96</u>	<u>5,232.96</u>
Fund Balance, End of Year	<u>\$ 8,501.12</u>	<u>\$ 8,501.12</u>


Schedule 2

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 7th day of October,
1980.


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; West Virginia Institute of Technology; West Virginia Board of Regents; Attorney General; Governor; and State Auditor.