

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
KEYSER, WEST VIRGINIA

REPORT OF AUDIT
PELL GRANT PROGRAM
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM
COLLEGE WORK-STUDY PROGRAM
NATIONAL DIRECT STUDENT LOAN PROGRAM
GUARANTEED STUDENT LOAN 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 Pell Grant, Supplemental Educational Opportunity Grant, College Work-Study, National Direct Student Loan and the Guaranteed Student Loan Programs 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

TLS/gkc,jaw

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Potomac State College of West Virginia University
Keyser, West Virginia

Report of Audit
Pell Grant Program
Supplemental Educational Opportunity Grant Program
College Work-Study Program
National Direct Student Loan Program
Guaranteed Student Loan 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

Potomac State College of West Virginia University is an institution of higher education, and was last approved on December 29, 1981 by the U.S. Department of Education for participation in the Student Financial Assistance Programs. Our examination of the Pell Grant Program, Supplemental Educational Opportunity Grant Program, College Work-Study Program and National Direct Student Loan Program for the three-year period ended June 30, 1985 and the Guaranteed Student Loan Program for the two-year period ended June 30, 1985 was directed toward the objectives set forth in the U.S. Department of Education's Audit Guide dated March 1984.

Pell Grant Program (PGP)

The PGP (formerly Basic Educational Opportunity Grant Program) was established under Title IV, Part A-1 of the Higher Education Act of 1965, as amended. The College began participating in the Pell Grant program on July 1, 1973. During the three-year period ended June 30, 1985, awards to students aggregated \$840,641.03 while up to 276 students annually participated in the program. Department of Education authorization award letters to the College aggregated \$840,321.00 and were in the amounts of \$243,394.00, \$283,763.00 and \$313,164.00 for the fiscal years 1982-83, 1983-84 and 1984-85, respectively.

Supplemental Educational Opportunity Grant Program (SEOGP)

The SEOGP was established under Title IV, Part A of the Higher Education Act of 1965, as amended. The College began participating in the SEOG program on July 1, 1966. During the three-year period ended June 30, 1985, up to 68 students participated in the program each year and awards to students aggregated \$108,461.58. Department of Education authorization award letters to the College aggregated \$121,803.00 and were in the amounts of \$39,447.00, \$41,006.00 and \$41,350.00 for the fiscal years 1982-83, 1983-84 and 1984-85, respectively.

College Work-Study Program (CWSP)

The CWSP was established under Title IV, Part C of the Higher Education Act of 1965, as amended. The College began participating in the CWS program on February 23, 1966. During the three-year period ended June 30, 1985, up to 171 students participated in the program each year and expenditures for wages for the period aggregated \$262,043.92. Department of Education authorization award letters to the College were in the amounts of \$73,338.00, \$77,711.00 and \$68,224.00 for the fiscal years of 1982-83, 1983-84 and 1984-85, respectively.

National Direct Student Loan Program (NDSLP)

The NDSLP was established under the National Defense Education Act of 1958, which was transferred in 1972 to Part E of Title IV of the Higher Education Act of 1965. The College began participating in the NDSL program on January 18, 1959 and since that date it has made 1,703 loans aggregating \$1,037,782.93. The principal outstanding on loans in default amounted to 5.14% of the matured principal on all loans as of June 30, 1985.

Guaranteed Student Loan Program (GSLP)

The GSLP was established under Title IV, Part B of the Higher Education Act of 1965, as amended. The College began participating in the GSL program on December 29, 1981. During the two-year period ended June 30, 1985, guaranteed loans were received by 465 students, with 243 students and 222 students receiving loans in the fiscal years of 1983-84 and 1984-85, respectively.

In addition, the Parent Loans for Undergraduate Students (PLUS) program which was also authorized under the same criteria, provided loans to 14 students during the two-year period ended June 30, 1985. During the fiscal year 1983-84, loans were made to five students while nine students received loans during the fiscal year of 1984-85.

Administration of Programs

The College officials responsible for the overall administration of the programs are the Financial Aid/Veterans Coordinator and the Assistant to the Dean for Business Affairs. The Financial Aid/Veterans Coordinator is responsible for application processing and loan approvals, as well as the College's compliance with the various U.S. Department of Education regulations governing the College's participation in Federal and State financial aid programs. The Assistant to the Dean for Business Affairs is responsible for the programs' financial management, general ledger accounting, payments, collections and financial reports.

Scope of Audit

Our audit of the Pell Grant Program, Supplemental Educational Opportunity Grant Program, College Work-Study Program, National Direct Student Loan Program and the Guaranteed Student Loan Program was performed in accordance with the financial and compliance elements of the Standards for Audit of Governmental Organizations, Programs, Activities and Functions (1981 Revision) and the U.S. Department of Education's Audit Guide dated March 1984. The purpose of the audit was

to formulate an opinion of the basic financial statement taken as a whole and to determine if these programs were administered in accordance with the applicable laws, regulations, agreements to participate, and U.S. Department of Education's directives which are set forth in the Audit Guide.

The audit included:

1. Expressing an opinion on the statements of changes in Student Financial Assistance Programs fund balances and supplementary schedules.
2. Evaluation of the institution's policies, procedures and practices used to administer the programs.
3. Determination of compliance with applicable sections of the acts, 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 programs.
5. Reconciliation of the information reported on the appropriate financial statements with ED Form 646-1 and ED Form 255-4 for the years audited.

As a part of our audit, we obtained confirmations from selected students who received SEOGP and Pell awards, students who participated in the CWSP, and students who had NDSLP loan balances as of June 30, 1985.

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 its Student Financial Assistance Programs (PGP, SEOGP, CWSP, NDSLP, GSLP and PLUS) in accordance with the U.S. Department of Education's Federal regulations and directives cited in the Department's Audit Guide for PGP, SEOGP, CWSP, NDSLP and GSLP. However, certain areas of the College's management of the Student Financial Assistance Programs were in need of attention. More specifically, for NDSLP (1) the College's capital contribution was not deposited timely, (2) the cancellation accounts are not separated in accordance with Regulation Section 674.19, and (3) the administrative expense reported on the June 30, 1984 Fiscal Operations Report and Application to Participate (FISAP) was incorrect. In addition, the total amount of CWS receipts was not reported on the FISAP. Furthermore, we noted that for all programs, (1) procedural guidelines have not been prepared for handling and recording financial transactions involving the programs, and (2) the College does not have an established self-evaluation system for monitoring and evaluating the programs. These matters are discussed more fully under the "Findings and Recommendations" section of this report. (See pages 13 through 15.)

Part III - Auditors' Report on Statement of Changes in Student Financial Assistance Programs Fund Balances

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

Sir:

We have examined the accompanying statement of changes in the Student Financial Assistance Programs fund balances of Potomac State College of West Virginia University for the three-year period ended June 30, 1985. Our examination was made in accordance with the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions issued by the U.S. Comptroller General (GAO) in June 1972 and revised February 1981 and the Audit Guide dated March 1984 prescribed by the U.S. Department of Education and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying statement was prepared for the purpose of complying with the audit requirement relating to the Student Financial Assistance Programs of the U.S. Department of Education and is limited to the activities related to these programs.

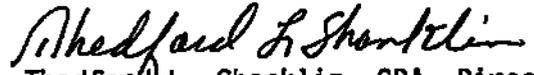
As described in Note 1, and in accordance with prescribed practices of the Program, the College has not accrued interest on student loans receivable or provided for an allowance for doubtful loans receivable. Accordingly, interest on loans is recorded when received. Uncollectable loans are not recognized until cancelled or written-off in conformity with National Direct Student Loan Program requirements. These practices do not conform with generally accepted accounting principles.

In our opinion, except for the effects of not accruing interest on student loans receivable when earned and of not providing an allowance for doubtful loans receivable, the statement referred to above presents fairly the changes in Student Financial Assistance Programs fund balances of Potomac State College of West Virginia University for the three-year period ended June 30, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the accompanying statement of changes in Student Financial Assistance Programs fund balances taken as a whole. The information included in the supplementary schedule of disbursements and expenditures for each Student Financial Assistance Program for the three-year period ended June 30, 1985, is presented for purposes of additional analysis and is not a required part of the accompanying statement of changes in

Student Financial Assistance Programs fund balances. The information has been subjected to the auditing procedures applied in the examination of the accompanying statement of changes in Student Financial Assistance Programs fund balances of Potomac State College of West Virginia University and, in our opinion, is fairly stated in all material respects in relation to the accompanying statement taken as a whole.

Respectfully submitted,


Theodora L. Shanklin, CPA, Director
Legislative Postaudit Division

January 8, 1987

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

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
STATEMENT OF CHANGES IN STUDENT FINANCIAL ASSISTANCE
PROGRAMS FUND BALANCES
FOR THE THREE-YEAR PERIOD ENDED JUNE 30, 1985

	Grants and College Work-Study		
	Pell	SEOG	CWS
Additions:			
Federal Awards	\$ 840,321.00	\$ 112,265.00	\$ 219,273.00
Other	10,141.50	4,047.84	(1,178.73)
Other - Administrative Cost Allowance Received	4,375.00	-0-	-0-
Total Additions	854,837.50	116,312.84	218,094.27
Deductions:			
Grants	840,461.03	108,461.58	-0-
Wages	-0-	-0-	262,043.92
FICA Matching	-0-	-0-	5,195.06
Other Benefits	-0-	-0-	1,855.36
Loan Cancellations	-0-	-0-	-0-
Collection Costs	-0-	-0-	-0-
Administrative Expense	4,375.00	5,291.73	14,390.86
Defaulted Loan Principal and Interest Assigned to Dept. of Education	-0-	-0-	-0-
Other Costs or Losses	-0-	-0-	-0-
Amounts Returned to Dept. of Education	8,074.49	3,890.00	-0-
Total Deductions	852,910.52	117,643.31	283,485.20
Other Changes:			
Institutional Matching Funds	-0-	-0-	55,922.21
Interest	-0-	-0-	-0-
Reimbursement on Loans Cancelled	-0-	-0-	-0-
Transfer Among Programs	(9,538.00)	9,538.00	-0-
Transfer Among Programs	-0-	(8,044.60)	8,044.60
Total Other Changes	(9,538.00)	1,493.40	63,966.81
Net (Decrease) Increase in Fund Balances	(7,611.02)	162.93	(1,424.12)
Beginning Fund Balance, July 1, 1982	9,567.06	1.78	6,667.18
Ending Fund Balance, June 30, 1985	\$ 1,956.04	\$ 164.71	\$ 5,243.06

See Notes to Financial Statement

<u>Student Loans</u>		
<u>NDSL</u>		<u>Total</u>
\$ 31,869.00	\$1,203,728.00	
12,560.65	25,571.26	
<u>-0-</u>	<u>4,375.00</u>	
44,429.65	1,233,674.26	
-0-	948,922.61	
-0-	262,043.92	
-0-	5,195.06	
-0-	1,855.36	
1,998.69	1,998.69	
(54.77)	(54.77)	
2,464.79	26,522.38	
44,733.41	44,733.41	
33.20	33.20	
<u>-0-</u>	<u>11,964.49</u>	
49,175.32	1,303,214.35	
3,541.00	59,463.21	
13,071.71	13,071.71	
2,476.00	2,476.00	
-0-	-0-	
<u>-0-</u>	<u>-0-</u>	
<u>19,088.71</u>	<u>75,010.92</u>	
14,343.04	5,470.83	
<u>345,209.21</u>	<u>361,445.23</u>	
<u>\$ 359,552.25</u>	<u>\$ 366,916.06</u>	

Notes to Statement of Changes in Student Financial Assistance
Programs Fund Balances

(1) Basis of Presentation

The accompanying statement of changes in Student Financial Assistance Programs fund balances has been prepared in accordance with accounting practices prescribed for such programs by the Department of Education's fiscal control and fund accounting procedures and the format as set forth in the publication Audit Guide for Student Financial Assistance Programs. The purpose of the statement is to present in summary form, Student Financial Assistance activities of Potomac State College of West Virginia University for the three-year period ended June 30, 1985, which have been financed by the U.S. Department of Education. Except as described in the following paragraph, these accounting practices are in agreement with generally accepted accounting principles.

The National Direct Student Loan Program does not provide for accrual of interest on student loans receivable nor for a provision of allowance for doubtful loans. Interest on loans is recorded when received and uncollectable loans are recognized when loans are cancelled or written-off. These practices are in conformity with the National Direct Student Loan Program requirements. The effect of these variations from generally accepted accounting principles have not been determined.

Because the statement of changes in fund balances presents only a selected portion of the activities of Potomac State College of West Virginia University, it is not intended to and does not present either the financial position, changes in fund balances or the current funds, revenues, expenditures and other changes in fund balances of the College.

(2) Administrative Expense

Participating colleges earn an administrative cost allowance to use as an offset to the actual cost of administering the Federal Financial Assistance Programs. The Department of Education pays the administrative cost allowance (allowance) earned by the Pell Grant Program directly to the College.

The campus-based programs (Supplemental Educational Opportunity Grant Program, College Work-Study Program, and the National Direct Student Loan Program) provide for the allowance to be paid to the College from monies in the various programs. The Regulations also allow for payment of the allowance from each of the Programs or from any one of the Programs.

The College's earned allowance from the campus-based programs was \$22,147.38 and this is reflected in the \$26,522.38 administrative expense in the total column on Exhibit A. The administrative expense shown under the SEOG, CWS and Student Loans columns is the actual amount paid or to be paid from each of the programs.

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 statement of changes in fund balances for the Student Financial Assistance Programs of Potomac State College of West Virginia University for the three-year period ended June 30, 1985, and have issued our report thereon dated January 8, 1987.

As a part of our examination, we made a study and evaluation of the system of internal accounting control 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. Granting of Loans
4. Payment of Administrative Expenses
5. Collection of Loan Principal and Interest
6. Payment of Litigation Costs
7. Cancellation of Loans
8. Federal and Institutional Capital Contribution
9. Posting of Transactions

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.

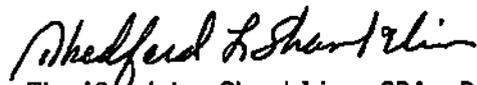
The management of Potomac State College of West Virginia University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control 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.

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,



Theodora L. Shanklin, CPA, Director
Legislative Postaudit Division

January 8, 1987

Auditors: Raymond V. 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 statement of changes in Student Financial Assistance Programs fund balances of Potomac State College of West Virginia University for the three-year period ended June 30, 1985 and have issued our report thereon dated January 8, 1987. As 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 Student Financial Assistance Programs in accordance with the significant administrative requirements of the Department of Education's (Education) March 1984 Audit Guide for Student Financial Assistance Programs, Section II and the following compliance requirements:

- I. Cash Management
- II. Financial Reporting
- III. Institutional Eligibility and Participation
- IV. Coordination of Student Aid Programs
- V. Student File Maintenance Fiscal Procedures and Record Keeping
- VI. Student Eligibility
- VII. Institutional Disbursements to Award Recipients
- VIII. Refund Calculation and Overpayment Determination Procedures

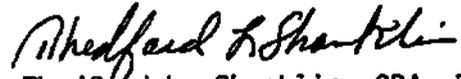
We understand that procedures and systems in conformity with the criteria contained in these significant administrative requirements are considered by Education to be adequate for its purposes in accordance with the provisions of the Higher Education Act, as amended. Based on this understanding of our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

In addition, our examination also included tests of controls to ensure compliance with the provisions of certain major program terms and conditions identified in Section II - Compliance Requirements of the Audit Guide. Based upon our examination, we found that for the items tested, the institution complied with the material terms and conditions of the Student Financial Assistance award agreements except as described in the "Findings and Recommendations" section of this report.

Further, based on our examination and the procedures referred to above, except as discussed in the preceding paragraph, 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 Student Financial Assistance Programs.

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

January 8, 1987

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

Findings and Recommendations

Institution's National Direct Student Loan Capital Contribution Not Deposited Timely

The College did not always deposit the institutional capital contribution at the same time that the Federal capital contribution was made. The institutional contribution was deposited, but at a later date.

The National Direct Student Loan (NDSL) Regulations at 674.21 states, "when an institution deposits any Federal capital contribution to its Fund, it must deposit its institutional capital contribution at the same time."

We reviewed the Capital Contribution Account for the period under audit. Our review showed that during this period, the College received and deposited two Federal capital contributions totaling \$31,869.00. The College deposited the two institutional capital contributions 71 days and 35 days after the Federal capital contributions were made.

We recommend the College take the necessary steps to immediately implement procedures needed to prevent the recurrence of this violation of the Federal criteria.

Institution's NDSL Cancellation Accounts Not in Compliance

The College maintains a general ledger control account that does not keep loan cancellations separate for National Defense Student Loans and National Direct Student Loans. Additionally, subsidiary accounts are not used to separate these same loan cancellations.

The National Direct Student Loan Program (NDSL) Regulations at 674.19 (f) states, "an institution need not maintain separate records for National Defense Student Loans and National Direct Student Loans EXCEPT for loan cancellation records." (Emphasis added.) These same Regulations at 674.59 provide for the Secretary to reimburse principal and interest cancelled each award year. Defense loan cancellation reimbursements are paid to the institution. Direct loan cancellations are paid to the institution's NDSL fund and the amount reimbursed must be deposited in this fund.

The lack of separate control accounts and/or subsidiary accounts could result in inappropriate accounting for loan cancellation reimbursement. Reimbursement for direct loan cancellations could be paid to the College instead of to the fund.

We recommend the College comply with Regulations 674.19(f) and 674.59.

Incorrect Amount Reported for National Direct
Student Loan Administrative Expense

Our review showed the College incorrectly reported its NDSL administrative expense for the audit period. Due to an administrative error, the College reported administrative expense of \$3,440.45 when the amount should have been \$2,464.79, or a difference of \$975.66. In addition, the College overstated the amount of its other income by a like amount.

During the year July 1, 1983 through June 30, 1984, the College earned \$975.66 in NDSL administrative cost allowance. However, the College chose to draw this amount from the CWS fund which is permitted. When the State check, drawn on the CWS fund, was received, it was deposited in the NDSL fund in error. The check should have been deposited in the Federal Programs Administrative Cost Account which is the College's account for earned administrative cost allowance. To correct the error, the College drew a check on the NDSL fund and deposited it to the College's account.

When the State check was deposited to the NDSL fund in error, the amount of \$975.66 was shown as income instead of a credit to administrative cost allowance. When the check was drawn on the NDSL fund to correct the error, it was charged to administrative expense. However, since the State check was not credited to the account when deposited, the NDSL Administrative Expense Account was overstated by \$975.66.

We recommend the College take the necessary steps to correct its accounting records and report these corrections in the NDSL portion of the next FISAP submitted to the U.S. Department of Education.

Federal Receipts Not Reported on
College Work-Study FISAP

Our comparison of the June 30, 1983 FISAP with the accounting records for the same period showed there were more Federal receipts than were reported. These receipts totaled \$131.27.

Information at the College showed this \$131.27 was made up of small balances in several Federal accounts which had no activity for many years. Instead of continuing to carry these small balances, the Federal accounts were closed out and the total amount was deposited in the CWS program fund account. However, no corresponding increase was reported on the FISAP.

We, therefore, recommend that the next FISAP for CWS reflect this minor increase in Federal funds.

Self-Evaluation System Not Completed

During the period of our audit, the College had not implemented a suggested self-evaluation system to monitor and evaluate the Federal Student Financial Assistance Programs to ensure their objectives are being met. Although this system is suggested and is not required by Federal regulations, it is a recognized sound management practice that one be in place. The purpose of the system is to encourage the College to provide continuous monitoring of the programs' activities, to assure that the programs are being operated in an effective, efficient and economical manner.

We recommend a self-evaluation system be implemented and the programs reviewed at least annually under the system. A similar recommendation was made during the last audit, but to date, the College has not complied.

Need for Procedural Guidelines

During the period of our audit, the College had not developed written procedural guidelines for handling and recording financial aid transactions after awards are made. Such guidelines could contribute to the effectiveness of the program, ensure efficient and economical administration, and facilitate program continuity when changes occur in personnel.

We recommend procedural guidelines be developed for handling financial aid transactions, including record keeping, after awards are made. A similar recommendation was made during the last audit, but to date, the College has not complied.

Part VI - Auditors' Comments on Audit Resolution Matters
Relating to the Student Financial Assistance Programs

The College has taken corrective action on one of the three findings from the prior audit report of the National Direct Student Loan Program, College Work-Study Program, Supplemental Educational Opportunity Grant Program and the Pell Grant Program (formerly Basic Educational Opportunity Grant Program) for the period July 1, 1980 through June 30, 1982.

Finding No. 1 There is a weakness in internal control in that the person who ultimately handles and deposits cash collections also posts transactions to the NDSL individual loan ledger cards.

Action Taken In July 1983, the College implemented procedures to separate the duties and responsibilities discussed above. Furthermore, additional controls in the form of a receipt log was initiated in the financial aid office. Payments are received in the financial aid office, recorded in the log, and then turned over to the cashier after she signs for them. She then posts the receipts to the students' individual loan ledger and deposits the funds in the bank.

The College has not taken the necessary action to correct the following two findings. Both findings relate to all programs.

Finding No. 1 Written procedural guidelines have not been prepared for handling and recording financial transactions after awards are made.

Action Taken As of June 30, 1985, no action has been taken to implement the recommendation for written guidelines which was contained in our audit report for the period July 1, 1980 through June 30, 1982.

Finding No. 2 The College had not implemented a suggested self-evaluation system to monitor and evaluate the Federal student financial aid programs to ensure their objectives are being met.

Action Taken As of June 30, 1985, no action has been taken to implement the recommendation of a self-evaluation system which was contained in our audit report for the period July 1, 1980 through June 30, 1982.

SUPPLEMENTAL INFORMATION

POTOMACE STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
 SCHEDULE OF DISBURSEMENTS AND EXPENDITURES
 FOR EACH STUDENT FINANCIAL ASSISTANCE PROGRAM
 FOR THE PERIOD JULY 1, 1982 - JUNE 30, 1985

<u>Disbursements</u>	<u>Year Ended June 30,</u>		
	<u>1983</u>	<u>1984</u>	<u>1985</u>
National Direct Student Loan Program:			
Funds Advanced to Students	\$ 34,396.00	\$ 30,862.00	\$ 36,444.00
Administrative Expenses	1,227.94	-0-	1,236.85
Collection Costs	(164.17)	(235.20)	344.60
Other Costs or Losses	2.53	23.11	7.56
	<hr/>	<hr/>	<hr/>
Total Disbursements	<u>\$ 35,462.30</u>	<u>\$ 30,649.91</u>	<u>\$ 38,033.01</u>
<u>Expenditures</u>			
College Work-Study Program	\$ 97,782.25	\$ 98,208.46	\$ 87,494.49
Supplemental Educational			
Opportunity Grant Program	35,502.91	36,900.15	45,240.25
Pell Grant Program	243,534.29	283,763.25	321,237.98
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>\$376,819.45</u>	<u>\$418,871.86</u>	<u>\$453,972.72</u>

Schedule 1

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
 STATEMENT OF CHANGES IN STUDENT FINANCIAL ASSISTANCE
 PROGRAMS FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 1985

	Grants and College Work-Study		
	<u>Pell</u>	<u>SEOG</u>	<u>CWS</u>
Additions:			
Federal Awards	\$313,164.00	\$ 41,350.00	\$ 68,224.00
Other	6,756.00	3,885.00	(4,098.00)
Other -- Administrative Cost Allowance Received	<u>1,480.00</u>	<u>-0-</u>	<u>-0-</u>
Total Additions	321,400.00	45,235.00	64,126.00
Deductions:			
Grants	313,163.49	39,506.20	-0-
Wages	-0-	-0-	81,011.39
FICA Matching	-0-	-0-	1,661.02
Other Benefits	-0-	-0-	458.51
Loan Cancellations	-0-	-0-	-0-
Collection Costs	-0-	-0-	-0-
Administrative Expense	1,480.00	1,844.05	4,363.57
Defaulted Loan Principal and Interest Assigned to Dept. of Education	-0-	-0-	-0-
Other Costs or Losses	-0-	-0-	-0-
Amounts Returned to Dept. of Education	<u>8,074.49</u>	<u>3,890.00</u>	<u>-0-</u>
Total Deductions	322,717.98	45,240.25	87,494.49
Other Changes:			
Institutional Matching Funds	-0-	-0-	13,870.54
Interest	-0-	-0-	-0-
Reimbursement on Loans Cancelled	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Other Changes	-0-	-0-	13,870.54
Net (Decrease) in Fund Balances	(1,317.98)	(5.25)	(9,497.95)
Beginning Fund Balance, July 1, 1984	<u>3,274.02</u>	<u>169.96</u>	<u>14,741.01</u>
Ending Fund Balance, June 30, 1985	<u>\$ 1,956.04</u>	<u>\$ 164.71</u>	<u>\$ 5,243.06</u>

Student Loans		
<u>NDSL</u>		<u>Total</u>
\$ -0-		\$422,738.00
5,844.94		12,387.94
<u>-0-</u>		<u>1,480.00</u>
5,844.94		436,605.94
-0-		352,669.69
-0-		81,011.39
-0-		1,661.02
-0-		458.51
826.42		826.42
344.60		344.60
1,236.85		8,924.47
13,824.36		13,824.36
7.56		7.56
<u>-0-</u>		<u>11,964.49</u>
16,239.79		471,692.51
-0-		13,870.54
4,507.83		4,507.83
1,128.00		1,128.00
<u>5,635.83</u>		<u>19,506.37</u>
(4,759.02)		(15,580.20)
<u>364,311.27</u>		<u>382,496.26</u>
<u>\$359,552.25</u>		<u>\$366,916.06</u>

Schedule 2

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
 STATEMENT OF CHANGES IN STUDENT FINANCIAL ASSISTANCE
 PROGRAMS FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 1984

	<u>Grants and College Work-Study</u>		
	<u>Pell</u>	<u>SEOG</u>	<u>CWS</u>
Additions:			
Federal Awards	\$283,763.00	\$ 41,006.00	\$ 77,711.00
Other	(7,560.50)	162.84	(81.00)
Other - Administrative Cost Allowance Received	<u>1,515.00</u>	<u>-0-</u>	<u>-0-</u>
Total Additions	277,717.50	41,168.84	77,630.00
Deductions:			
Grants	283,763.25	35,143.00	-0-
Wages	-0-	-0-	89,859.43
FICA Matching	-0-	-0-	2,226.11
Other Benefits	-0-	-0-	654.29
Loan Cancellations	-0-	-0-	-0-
Collection Costs	-0-	-0-	-0-
Administrative Expense	1,515.00	1,757.15	5,468.63
Other Costs or Losses	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Deductions	285,278.25	36,900.15	98,208.46
Other Changes:			
Institutional Matching Funds	-0-	-0-	22,907.72
Interest	-0-	-0-	-0-
Transfer Among Programs	<u>-0-</u>	<u>(4,100.60)</u>	<u>4,100.60</u>
Total Other Changes	-0-	(4,100.60)	27,008.32
Net (Decrease) Increase in Fund Balances	(7,560.75)	168.09	6,429.86
Beginning Fund Balance, July 1, 1983	<u>10,834.77</u>	<u>1.87</u>	<u>8,311.15</u>
Ending Fund Balance, June 30, 1984	<u>\$ 3,274.02</u>	<u>\$ 169.96</u>	<u>\$ 14,741.01</u>

<u>Student Loans</u>	
<u>NDSL</u>	<u>Total</u>
\$ 20,697.00	\$423,177.00
4,357.57	(3,121.09)
-0-	1,515.00
25,054.57	421,570.91
-0-	318,906.25
-0-	89,859.43
-0-	2,226.11
-0-	654.29
377.19	377.19
(235.20)	(235.20)
-0-	8,740.78
23.11	23.11
165.10	420,551.96
2,299.67	25,207.39
3,029.78	3,029.78
-0-	-0-
5,329.45	28,237.17
30,218.92	29,256.12
334,092.35	353,240.14
\$364,311.27	\$382,496.26

Schedule 3

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
STATEMENT OF CHANGES IN STUDENT FINANCIAL ASSISTANCE
PROGRAMS FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1983

	<u>Grants and College Work-Study</u>		
	<u>Pell</u>	<u>SEOG</u>	<u>CWS</u>
Additions:			
Federal Awards	\$243,394.00	\$ 29,909.00	\$ 73,338.00
Other	10,946.00	-0-	3,000.27
Other - Administrative Cost Allowance Received	1,380.00	-0-	-0-
Total Additions	255,720.00	29,909.00	76,338.27
Deductions:			
Grants	243,534.29	33,812.38	-0-
Wages	-0-	-0-	91,173.10
FICA Matching	-0-	-0-	1,307.93
Other Benefits	-0-	-0-	742.56
Loan Cancellations	-0-	-0-	-0-
Collection Costs	-0-	-0-	-0-
Administrative Expense	1,380.00	1,690.53	4,558.66
Defaulted Loan Principal and Interest Assigned to Dept. of Education	-0-	-0-	-0-
Other Costs or Losses	-0-	-0-	-0-
Total Deductions	244,914.29	35,502.91	97,782.25
Other Changes:			
Institutional Matching Funds	-0-	-0-	19,143.95
Interest	-0-	-0-	-0-
Reimbursement for Loans Cancelled	-0-	-0-	-0-
Transfer Among Programs	(9,538.00)	9,538.00	-0-
Transfer Among Programs	-0-	(3,944.00)	3,944.00
Total Other Changes	(9,538.00)	5,594.00	23,087.95
Net Increase (Decrease) in Fund Balances	1,267.71	0.09	1,643.97
Beginning Fund Balance, July 1, 1982	9,567.06	1.78	6,667.18
Ending Fund Balance, June 30, 1983	<u>\$ 10,834.77</u>	<u>\$ 1.87</u>	<u>\$ 8,311.15</u>

Student Loans	
<u>NDSL</u>	<u>Total</u>
\$ 11,172.00	\$357,813.00
2,358.14	16,304.41
-0-	1,380.00
<hr/>	<hr/>
13,530.14	375,497.41
-0-	277,346.67
-0-	91,173.10
-0-	1,307.93
-0-	742.56
795.08	795.08
(164.17)	(164.17)
1,227.94	8,857.13
30,909.05	30,909.05
2.53	2.53
<hr/>	<hr/>
32,770.43	410,969.88
1,241.33	20,385.28
5,534.10	5,534.10
1,348.00	1,348.00
-0-	-0-
-0-	-0-
<hr/>	<hr/>
8,123.43	27,267.38
(11,116.86)	(8,205.09)
<hr/>	<hr/>
345,209.21	361,445.23
<hr/>	<hr/>
<u>\$334,092.35</u>	<u>\$353,240.14</u>

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
PELL GRANT PROGRAM
BALANCE SHEET AS OF JUNE 30, 1985

Assets

Cash on Hand and in Depository	\$1,926.80
Accounts Receivable - Redeposit	<u>29.24</u>
Total Assets	<u>\$1,956.04</u>

Liabilities and Fund Balance

Liabilities	\$ -0-
Fund Balance	<u>1,956.04</u>
Total Liabilities and Fund Balance	<u>\$1,956.04</u>

Schedule 5

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM
BALANCE SHEET AS OF JUNE 30, 1985

<u>Assets</u>	
Cash on Hand and in Depository	<u>\$2,008.76</u>
Total Assets	<u>\$2,008.76</u>
 <u>Liabilities and Fund Balance</u>	
Liabilities:	
Accrued Administrative Expenses Payable	<u>\$1,844.05</u>
Total Liabilities	1,844.05
Fund Balance	<u>164.71</u>
Total Liabilities and Fund Balance	<u>\$2,008.76</u>

Schedule 6

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
COLLEGE WORK-STUDY PROGRAM
BALANCE SHEET AS OF JUNE 30, 1985

Assets

Cash on Hand and in Depository	<u>\$33,024.67</u>
Total Assets	<u>\$33,024.67</u>

Liabilities and Fund Balance

Liabilities:	
Accrued Wages Payable	\$23,418.04
Accrued Administrative Expenses Payable	<u>4,363.57</u>
Total Liabilities	27,781.61
Fund Balance	<u>5,243.06</u>
Total Liabilities and Fund Balance	<u>\$33,024.67</u>

Schedule 7

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
 NATIONAL DIRECT STUDENT LOAN PROGRAM
 BALANCE SHEET AS OF JUNE 30, 1985

Assets

Cash on Hand and in Depository	\$124,783.93
Student Loans Receivable (See Schedule 9)	<u>234,768.32</u>
Total Assets	<u><u>\$359,552.25</u></u>

Liabilities and Fund Balance

Liabilities	\$ -0-
Fund Balance:	
Capital:	
Federal Contributions:	
Authorized	404,187.00
Repaid	<u>-0-</u>
Balance	404,187.00
Institutional Contributions:	
Authorized	45,259.78
Repaid	<u>-0-</u>
Balance	<u>45,259.78</u>
Capital Fund Balance	449,446.78
Non-Capital Fund Deficits (See Schedule 10)	<u>(89,894.53)</u>
Total Fund Balance	<u>359,552.25</u>
Total Liabilities and Fund Balance	<u><u>\$359,552.25</u></u>

Schedule 8

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
 NATIONAL DIRECT STUDENT LOAN PROGRAM
 ANALYSIS OF STUDENT LOANS RECEIVABLE
 THREE-YEAR PERIOD ENDED JUNE 30, 1985
 AND THE PERIOD JANUARY 18, 1959 THROUGH JUNE 30, 1985

	For the Period January 18, 1959 Through June 30, 1985	Three-Year Period Ended June 30, 1985
Balance, Beginning of Period	\$ -0-	\$ 307,280.25
Funds Advanced to Students	<u>1,037,782.93</u>	<u>101,702.00</u>
Total	<u>1,037,782.93</u>	<u>408,982.25</u>
Less Credits:		
Collections	682,140.72	132,101.31
Cancellations:		
Teacher Service - Prior to July 1, 1972	50,269.53	3,887.80
- July 1, 1972 and After	4,259.30	(2,136.90)
Military Service	1,548.64	-0-
Death	4,850.37	103.50
Bankruptcy	2,725.58	-0-
Defaulted Loan Principal Assigned to and:		
Accepted By the U.S.	45,178.50	
Receipted By the U.S.	<u>11,957.32</u>	40,225.02
Loan Principal Adjustments - Other	<u>84.65</u>	<u>33.20</u>
Total Credits	<u>803,014.61</u>	<u>174,213.93</u>
Balance, June 30, 1985	234,768.32	<u>\$ 234,768.32</u>
Total of Individual Loan Balances	<u>234,768.72</u>	
Difference	<u>\$ 0.40</u>	

Schedule 9

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
 NATIONAL DIRECT STUDENT LOAN PROGRAM
 STATEMENT OF CHANGES IN NON-CAPITAL AND CAPITAL FUND BALANCE
 FOR THE THREE-YEAR PERIOD ENDED JUNE 30, 1985

<u>Non-Capital Fund Balance</u>	<u>Year Ended June 30,</u>		
	<u>1983</u>	<u>1984</u>	<u>1985</u>
Additions:			
Interest on Loans - Collected	\$ 2,412.94	\$ 2,995.79	\$ 3,010.30
- Cancelled	60.98	33.99	49.32
- Assigned	3,060.18	-0-	1,448.21
Reimbursement on Loans Cancelled	1,348.00	-0-	1,128.00
Other Income	2,358.14	4,357.57	5,844.94
Total Additions	<u>9,240.24</u>	<u>7,387.35</u>	<u>11,480.77</u>
Deductions:			
Loan Principal and Interest Cancelled:			
Teaching Service	795.44	377.19	722.92
Military Service	(0.36)	-0-	-0-
Death	-0-	-0-	103.50
Administrative Costs	1,227.94	-0-	1,236.85
Collection Costs	(164.17)	(235.20)	344.60
Defaulted Loan Principal and Interest Assigned to U.S.	30,909.05	-0-	13,824.36
Other Costs or Losses	2.53	23.11	7.56
Total Deductions	<u>32,770.43</u>	<u>165.10</u>	<u>16,239.79</u>
Net (Decrease) Increase for the Year	(23,530.19)	7,222.25	(4,759.02)
Fund Deficit, Beginning of Year	<u>(68,827.57)</u>	<u>(92,357.76)</u>	<u>(85,135.51)</u>
Non-Capital Fund Deficit, End of Year	<u>(\$ 92,357.76)</u>	<u>(\$ 85,135.51)</u>	<u>(\$ 89,894.53)</u>
 Capital Fund Balance			
	<u>Federal</u>	<u>Institutional</u>	<u>Total</u>
Fund Balance, Beginning of Period	\$372,318.00	\$ 41,718.78	\$414,036.78
Add Contributions:			
July 1, 1982 - June 30, 1983	11,172.00	1,241.33	12,413.33
July 1, 1983 - June 30, 1984	20,697.00	2,299.67	22,996.67
July 1, 1984 - June 30, 1985	-0-	-0-	-0-
Total Contributions	<u>31,869.00</u>	<u>3,541.00</u>	<u>35,410.00</u>
Capital Fund Balance, End of Period	<u>\$404,187.00</u>	<u>\$ 45,259.78</u>	<u>\$449,446.78</u>

Schedule 10

POTOMAC STATE COLLEGE OF WEST VIRGINIA UNIVERSITY
 NATIONAL DIRECT STUDENT LOAN PROGRAM
 COMPUTATION OF DEFAULT RATE
 AS OF JUNE 30, 1985
 (CUMULATIVE INFORMATION)

Principal Outstanding on Loans in Default

Total Amount Advanced on Loans in Default	\$ 56,990.00
Deduct: Principal Amount Repaid or Cancelled	<u>8,532.00</u>
Total Remaining Principal Amount Which Has Not Been Paid, Cancelled or Assigned on Notes in Default	<u><u>\$ 48,458.00</u></u>

Total Amount of Matured Principal

Total Amount Advanced to All Borrowers	\$1,037,782.93
Deduct: Amount Not in Repayment Status:	
Student Status	\$ 82,042.00
Grace Period	<u>13,598.00</u>
Total Amount Not in Repayment Status	<u>95,640.00</u>
Total Amount of Matured Principal	<u><u>\$ 942,142.93</u></u>

Percentage of Loans in Default ($\$48,458.00 \div \$942,142.93$) 5.14%

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 true and correct copy of said report.

Given under my hand this _____ day of Aug,
1988.

Encil Bailey

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.