

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
MONTGOMERY, WEST VIRGINIA

REPORT OF AUDIT
UPWARD BOUND PROGRAM

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

FOR THE PERIOD
JULY 1, 1984 - JUNE 30, 1987

LEGISLATIVE AUDITOR'S OFFICE
STATE OF WEST VIRGINIA



LEGISLATIVE AUDITOR

CHARLESTON

The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we have examined the Upward Bound Program at West Virginia Institute of Technology.

This audit covers the period July 1, 1984 through June 30, 1987. The results of the examination are set forth on the following pages of this report.

Respectfully submitted,


Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

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West Virginia Institute of Technology
Montgomery, West Virginia

Report of Audit
Upward Bound Program

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

For the Period July 1, 1984 - June 30, 1987

Part I - Introduction

Background

West Virginia Institute of Technology is an institution of higher education and was last approved on June 1, 1986 by the U.S. Department of Education for participation in the Upward Bound Program. Our examination of the Upward Bound Program at West Virginia Institute of Technology for the three-year period ended June 30, 1987 was directed toward the objectives set forth in the Code of Federal Regulations pertaining to this program.

The Upward Bound Program is authorized under 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, 1984 through June 30, 1987, Federal funds expended under the Upward Bound Program totaled \$496,786.13 and up to 159 students participated in the program each year. The program is administered by the Director of Upward Bound. Financial accountability is provided by the Vice President for Research and Planning.

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 (revised 1981). 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 agreement and U.S. Department 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. 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 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 U.S. Department of Education regulations and directives with two exceptions. We noted there was a misclassification of expenditures during the Program Year 84/85. We also noted that there was a lack of support documentation for a reported fund class in the Program Year 85/86. These exceptions are discussed more fully under the "Findings and Recommendations" section of this report.

Part III - Auditors' Report on Financial Statements

The Joint Committee on Government and Finance:

We have examined the balance sheet of the Upward Bound Program at West Virginia Institute of Technology as of June 30, 1987 and the related statement of changes in fund balance for the three-year period ended June 30, 1987. (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 (revised 1981). Accordingly, we conducted such tests of the accounting records and such other auditing procedures as we 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, 1987 and the changes in fund balance for the three-year period ended June 30, 1987 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 three-year period ended June 30, 1987, taken as a whole, and was not directed toward formulating an opinion on the balance sheets at June 30, 1986, or June 30, 1987, or the statement of changes in fund balance for the years then ended. The supplemental data included in Schedules 1, 2, and 3 have been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, are fairly stated in all material respects only when considered in conjunction with the financial statements of the Upward Bound Program taken as a whole.

Respectfully submitted,


Theford L. Shanklin, CPA, Director
Legislative Postaudit Division

November 29, 1988

Auditors: Raymond V. Shingler, CPA, Supervisor
Marvin L. Taylor, Auditor-in-Charge

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
 UPWARD BOUND PROGRAM
 BALANCE SHEET
 June 30, 1987

ASSETS

Cash on Hand		\$34,350.31
Funds Receivable from Other Federal Programs		<u>3,923.31</u>
Total Assets		<u><u>\$38,273.62</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Educational Training - Students	\$17,679.25	
Program Year 1988 Program Expenditures	15,215.44	
Other Program Expenditures - Program Year 1987	<u>5,378.93</u>	
Total Accounts Payable		38,273.62
Fund Balance		<u>-0-</u>
Total Liabilities and Fund Balance		<u><u>\$38,273.62</u></u>

Exhibit A

See Note to Financial Statements

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
UPWARD BOUND PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE THREE YEAR PERIOD ENDED JUNE 30, 1987

Additions:	
Federal Funds Received	<u>\$496,786.13</u>
Total Additions	496,786.13
Deductions:	
Program Expenditures	<u>496,786.13</u>
Total Deductions	<u>496,786.13</u>
Other Changes:	
Funds Returned to Office of Education	<u>(5,037.91)</u>
Total Other Changes	(5,037.91)
Net (Decrease) in Fund Balance	(5,037.91)
Beginning Fund Balance	<u>5,037.91</u>
Ending Fund Balance	<u>\$ -0-</u>

Exhibit B

See Note to Financial Statements

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
UPWARD BOUND PROGRAM
NOTE TO FINANCIAL STATEMENTS

Note A - 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 Education.

Part IV - Auditors' Report on Internal Accounting Control

The Joint Committee on Government and Finance:

We have examined the financial statements for the Upward Bound Program at West Virginia Institute of Technology for the three-year period ended June 30, 1987, and have issued our report thereon dated November 29, 1988.

As part of our examination, we made a study and evaluation of the system of the internal accounting controls of West Virginia Institute of Technology 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 Organization, Programs, Activities and Functions (revised 1981). For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

1. Receipts
2. Disbursements
3. Accumulating and Reporting Expenditures

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 West Virginia Institute of Technology is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objective 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 West Virginia Institute of Technology 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, except as described in the "Findings and Recommendations" section of this report.

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

November 29, 1988

Auditors: Raymond V. Shingler, CPA, Supervisor
Marvin L. Taylor, Auditor-in-Charge

Part V - Auditors' Report on Compliance

The Joint Committee on Government and Finance:

We have examined the accompanying financial statements for the Upward Bound Program at West Virginia Institute of Technology for the three-year period ended June 30, 1987 and have issued our report thereon dated November 29, 1988. As a part of our examination, we made a study and evaluation of those internal administrative methods and procedures established by West Virginia Institute of Technology to administer and account for the Upward Bound Program in accordance with instructions and guidelines provided by the U.S. Department of Education and the following compliance requirements:

- I. Eligibility of Project Participants
- II. Selection of Project Participants
- III. Record of Student Progress
- IV. Evaluation of Project Effectiveness

We understand that procedures and systems in conformity with the criteria contained in these instructions and guidelines 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 institutions procedures and systems were adequate for Education's purposes.

In addition, our examination also included tests of controls to insure compliance with the provisions of certain major conditions identified in the Federal criteria and Special Grant Terms and Conditions. Based upon our examination we found that for the items tested the institution complied with these provisions.

Further, based on our examination and the procedures referred to above, nothing came to our attention to indicate that West Virginia Institution of Technology had not complied with the material terms and conditions identified in the first paragraph above of West Virginia Institute of Technology's Upward Bound Program.

This report is intended solely for the use of West Virginia Institute of Technology, 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

November 29, 1988

Auditors: Raymond Shingler, CPA, Supervisor
Marvin L. Taylor, Auditor-in-Charge

Findings and Recommendations

Misclassification of Expenditures

The amount reported by the institution on the Financial Status Report for the Program Year 84/85 for Personnel/Fringe was \$68,165.61. The amount verified by CUFS Reports amounted to \$67,109.61, or a difference of \$1,056.00.

Appropriate accounting classification is essential in the reporting of revenues and expenditures on financial statements and in subsidiary and general ledgers.

In reviewing the listing of expenditures utilized by the Business Office Staff in preparing the Financial Status Report, it was determined that this difference was related to misclassified expenditures. There were two expenditures that totaled the \$1,056.00 difference that were actually used for travel expenditures. These expenditures were reported on the Financial Status Report as Personnel/Fringe. The misclassification of these expenditures results in an inaccurate Financial Status Report.

We recommend that the institution file an amended Financial Status Report for the Upward Bound Program for the Program Year 84/85.

Lack of Support Documentation for Reported Fund Class

Records relating to athletic funds were not available for the Financial Status Report for Program Year 85/86. Therefore, it can not be established that the reported athletic fund expenses were actually expended for the appropriate items. These expenses were in the amount of \$5,312.73 and comprised three percent of the total outlay of expenses reported for the program year. This was the only reported fund amount on the Financial Status Report for this Program Year that we could not locate supporting documentation. Also, the funds reported, when cross-totaled did not agree with the amount reported as total outlays for this report period. These totals were reported over the cross-totaled figure by \$489.25. This represented less than one percent of the total of the expenses for the program year.

CFR 75.702 states that:

"A grantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

Due to this lack of support documentation, information was reported to the U.S. Department of Education that did not appear fairly stated.

We recommend the institution comply with CFR 75.702 and keep supporting documentation for all of the fund categories on the Financial Status Report. We also recommend that the institution file an amended Financial Status Report for the Program Year 85/86.

Part VI - Auditor's Comments on Audit Resolution
Matters Relating to the Upward Bound Program

The College has taken the necessary corrective action on the two findings from the prior audit report of the Upward Bound Program for the period July 1, 1982 through June 30, 1984.

Finding No. 1 We noted that most of the Project Director's travel expense reimbursement requests were not being approved by anyone with higher authority. Of the fifteen (15) expense reports reviewed only three were approved by someone else.

Action Taken The College now requires that someone other than the individual submitting a travel reimbursement approve such requests for reimbursement.

Finding No. 2 Our investigation revealed that invoices for \$585.00 and \$90.00 were paid from the Upward Bound Program Account to a vendor for tickets and food for 90 people. Based on information we received during the audit, we believe this vendor was a relative of the Program Project Director.

Action Taken The Project Director has since left employment at the College and the current Project Director has been informed of this requirement of Federal regulations on the subject.

SUPPLEMENTAL INFORMATION

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
 UPWARD BOUND PROGRAM
 STATEMENT OF CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 1987

Additions:		
Federal Funds Received		<u>\$166,143.05</u>
Total Additions		166,143.05
 Deductions:		
Program Expenditures		<u>166,143.05</u>
Total Deductions		166,143.05
 Other Changes		
Funds Returned to Office of Education		<u>- 0 -</u>
Total Other Changes		<u>- 0 -</u>
 Net Increase In Fund Balance		-0-
 Beginning Fund Balance		<u>-0-</u>
 Ending Fund Balance		<u><u>\$ -0-</u></u>

Schedule 1

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
 UPWARD BOUND PROGRAM
 STATEMENT OF CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 1986

Additions:		
Federal Funds Received		<u>\$165,300.49</u>
Total Additions		165,300.49
 Deductions:		
Program Expenditures		<u>160,262.58</u>
Total Deductions		160,262.58
 Other Changes		
Funds Returned to Office of Education		<u>(5,037.91)</u>
Total Other Changes		(5,037.91)
 Net Increase In Fund Balance		-0-
 Beginning Fund Balance		<u>-0-</u>
 Ending Fund Balance		<u><u>\$ -0-</u></u>

Schedule 2

WEST VIRGINIA INSTITUTE OF TECHNOLOGY
UPWARD BOUND PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1985

Additions:		
Federal Funds Received		<u>\$165,342.59</u>
Total Additions		165,342.59
 Deductions:		
Program Expenditures		<u>170,380.50</u>
Total Deductions		170,380.50
 Other Changes		
Funds Returned to Office of Education		<u>- 0 -</u>
Total Other Changes		- 0 -
 Net (Decrease) In Fund Balance		(5,037.91)
 Beginning Fund Balance		<u>5,037.91</u>
 Ending Fund Balance		<u>\$ -0-</u>

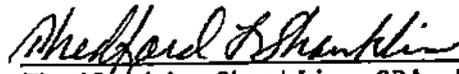
Schedule 3

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, Director, Legislative Postaudit Division, 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 23rd day of May,
1989.



Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

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