

Audit



Highlights

Highlights of Legislative Auditor report on the Commission on Postsecondary Education, issued on March 1, 2005. Report # LA06-01.

Background

The Commission is a seven-member body appointed by the Governor to set policy, adopt regulations, and grant licenses to private postsecondary institutions. The Commission also inspects postsecondary institutions eligible to train veterans. In fiscal year 2004, the U.S. Department of Veterans Affairs reimbursed the Commission over \$97,000 for performing this service. The remainder of the Commission's fiscal year 2004 funding was provided by a general fund appropriation of about \$242,000 and a \$3,000 transfer from the Student Indemnification Account. According to the Commission's records, it regulated 139 institutions with over 36,000 newly enrolled students in fiscal year 2004.

The Commission maintains an office in Las Vegas where it employs an administrator and three staff. In fiscal year 2004, the Commission collected over \$242,000 in fees and fines which were deposited directly to the State General Fund. During the same time, the Commission expended approximately \$342,000.

Purpose of Audit

The purpose of this audit was to evaluate the Commission's financial and administrative practices, including whether activities were carried out in accordance with applicable state laws, regulations, contractual requirements, policies, and appropriate management practices. Our audit included a review of the Commission's financial and administrative activities for the fiscal year ended June 30, 2004.

Audit Recommendations

This audit report contains three recommendations to improve the Commission's financial and administrative practices. Specifically, the Commission should improve controls over institution reporting to ensure data submitted on quarterly and annual reports is valid and reliable; revise policies and procedures to strengthen controls over the preparation of VA reimbursement claims; and develop policies and procedures for the management of the Student Indemnification Account.

The Commission accepted all three audit recommendations.

Status of Recommendations

The Commission's 60-day plan for corrective action is due on May 24, 2005. In addition, the six-month report on the status of audit recommendations is due on November 28, 2005.

Commission on Postsecondary Education

Results in Brief

The Commission plays a critical role in providing quality education to the citizens of Nevada through its regulation of postsecondary educational institutions. However, the Commission can improve its financial and administrative practices in several areas. For example, additional controls are needed to ensure student enrollment numbers are reported consistently, federal reimbursement claims are accurate, and the Student Indemnification Account is replenished timely. A good control system contributes to the effective management of an organization. By developing additional policies and procedures, the Commission can further strengthen its regulatory function.

Principal Findings

The Commission did not have adequate controls to ensure student enrollment numbers were reported consistently. For fiscal year 2004, 14 of 15 schools we tested submitted different enrollment numbers on their quarterly and annual reports. In total, these 15 schools reported 8,250 and 7,878 students respectively on these reports—an overall difference of about 4.5%. Individual school discrepancies were generally higher, with many differences exceeding 20%. Most schools reported more students on their quarterly reports. However, some submitted more on their annual report. Although we did not find any evidence to indicate institutions were not paying their required fees, accurate data is an important component of a good regulatory process.

The Commission submits claims to the U.S. Department of Veterans Affairs (VA) for the reimbursement of expenses related to their monitoring of veterans educational programs. Based on claims submitted in fiscal year 2004, nine reimbursements were received from the VA totaling over \$97,000. Existing controls associated with this process did not always ensure these claims were accurate. We tested four claims, totaling about \$37,000, and noted an overall error rate of 2.2%. These errors included incorrect calculations of employee time and fringe benefit expenditures. Although the errors did not result in significant over or under billings, additional procedures should improve the accuracy of this process.

The Commission did not replenish the balance of the Student Indemnification Account after it fell below its statutory minimum of \$250,000. This account was established to reimburse students who have suffered financial damages resulting from a school's closure, or failure to operate according to adopted standards. Therefore, proper management of the account will help to protect future reimbursements.