

OFFICE OF THE STATE INSPECTOR GENERAL

New College Institute

Performance Audit

April 2023



Michael C. Westfall, CPA
State Inspector General
Report No. 2023-PA-004



COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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April 27, 2023

The Honorable Glenn Youngkin
Governor of Virginia
PO Box 1475
Richmond, VA 23219

Dear Governor Youngkin,

The Office of the State Inspector General (OSIG) completed an audit of New College Institute. The final report is attached.

OSIG would like to thank Joe Sumner, Executive Director, and his staff for their cooperation and assistance during this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael C. Westfall".

Michael C. Westfall, CPA
State Inspector General

cc: The Honorable Jeff Goettman, Chief of Staff to Governor Youngkin
The Honorable Aimee Rogstad Guidera, Secretary of Education
The Honorable L. Louise Lucas, Senate Chair, Education and Health Committee
The Honorable Glenn R. Davis, Jr., Chairman of the Education Committee
Isabella Warwick, Deputy Chief of Staff to Governor Youngkin
Joe Sumner, Executive Director, New College Institute
Christina Reed, Assistant Director of Finance and Operations, New College Institute
Madison Biedermann, Office of the Secretary of Education
Tammy Babbs, Executive Assistant, Office of the Secretary of Education

New College Institute

What OSIG Found

Program Outcomes Could Not Be Independently Verified

The number of degree-seeking programs, non-credit activities, certificates, and K-12 Higher Education Outreach offered to participants reported by NCI could not be independently verified. Supporting documentation was not maintained.

Utilization of Some Programs Offered by NCI Have Decreased

Comparing FY2018 to FY2022 State Council of Higher Education for Virginia reports, NCI's self-reported program participation numbers for degree-seeking programs offered decreased 25%, and K-12 Higher Education Outreach participants decreased 42%. In addition, manufacturing training programs, which had zero participants in FY2018, FY2019, and FY2022, decreased 31% between FY2020 and FY2021.

Expenditures are Aligned with Similar Institutions

A review of expenditures showed NCI's expenditures to be aligned with similar institutions and in support of NCI's mission.

Management concurred with both findings and recommendations and plans to implement corrective actions by June 2024.

April 2023

HIGHLIGHTS

Why OSIG Conducted This Audit

OSIG performed this audit to determine the reasonableness of New College Institute expenditures and if programs offered by NCI benefit the citizens of the Commonwealth of Virginia.

What OSIG Recommends

- NCI should maintain documentation to support information on program outcomes. In addition, for certifications offered, documentation should be retained to show how the number of modules purchased was derived or calculated.
- NCI needs to work with businesses and other partners to identify opportunities to increase the usage of NCI programs.
- NCI should ensure that new opportunities align with their goals to benefit the citizens of the Commonwealth of Virginia.



For more information, please contact OSIG at (804) 625-3255 or www.osig.virginia.gov

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BACKGROUND

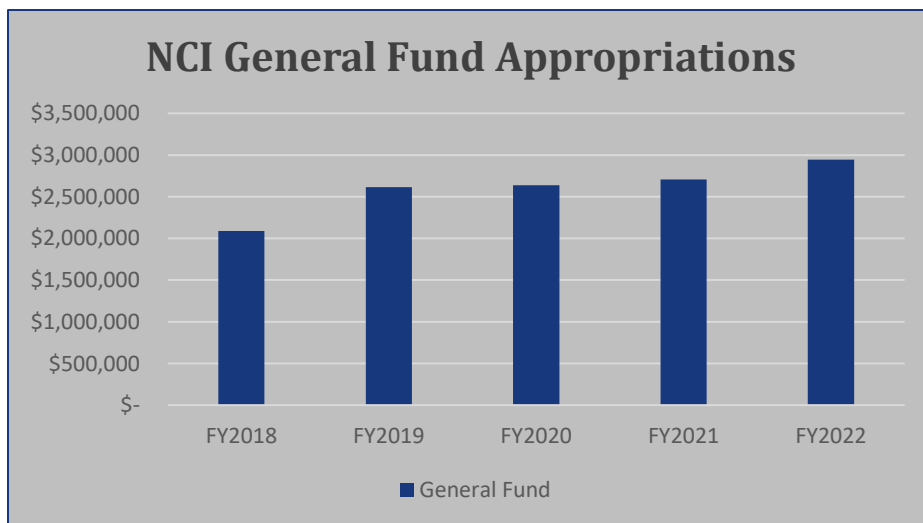
Overview

New College Institute (NCI) was established in the *Code of Virginia* in 2006, as an educational institution of the Commonwealth in Henry County and the City of Martinsville. NCI is to engage the resources of other institutions of higher education, public and private bodies, and organizations of the region and Commonwealth; facilitate development of the technology and trained workforce necessary for new economic enterprises to flourish, using the resources available from collaborating educational institutions; expand educational opportunities in the region by providing access to degree-granting programs, including undergraduate, graduate, and professional programs, through partnerships with private institutions of higher education and public institutions of higher education, the public schools, and the public and private sectors, focusing on statewide and regional critical shortage areas and the needs of industry, including needed adult education and workforce trainings; and serve as a resource and referral center.

Between FY2018 and FY2022, NCI had seven MOUs with various colleges and universities to offer higher education courses at NCI. In accordance with the MOU, an annual fee is paid to NCI to support office and classroom space use, equipment, utilities, supplies, and support personnel provided by NCI. Currently, NCI has one MOU with a university effective through June 2024. All other MOUs signed between FY2018 and FY2022 have expired.

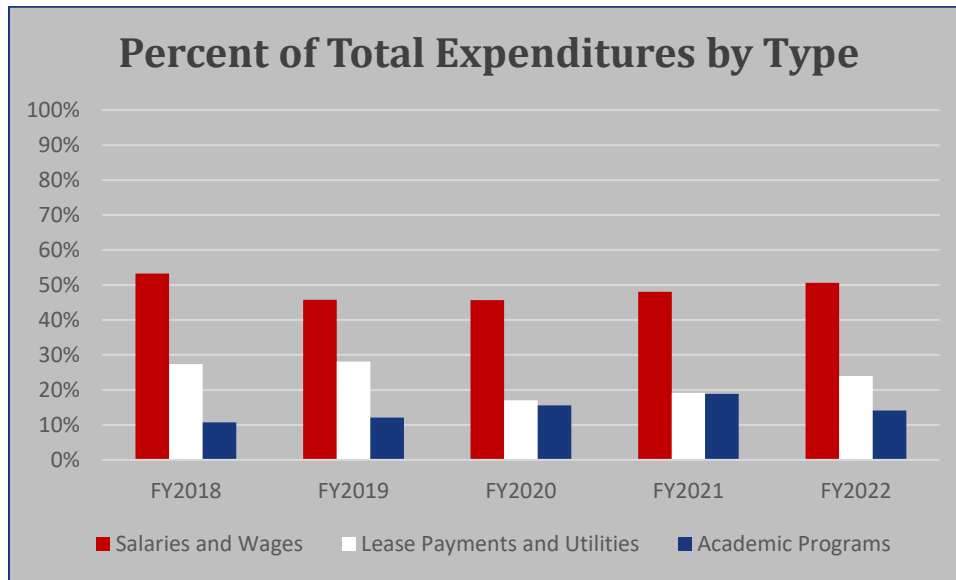
Funding

Most of NCI's funding is appropriated by the General Assembly through general and special revenue funds. NCI receives appropriated general fund amounts each fiscal year. NCI's general revenue fund appropriations are shown in the graph below.



Expenditures

OSIG evaluated NCI's expenditures by type based on account code for the years in scope and established that a majority (approximately 85%) of NCI's spending falls within three expenditure types: Salaries and Wages, Lease Payments and Utilities, and Academic Programs. All three are essential to the operation of NCI. The percent of all spending in these categories for the years in scope are shown below.



Equipment

NCI received two grants awarded by the Tobacco Region Revitalization Commission for NCI's Center of Excellence. These grants were initially awarded to NCI Foundation and the Foundation purchased equipment for manufacturing certifications offered by NCI. The Foundation purchased the following equipment with the TRRC money received prior to FY2018 in the amount of \$1,304,248:

- Two HAAS VF1;
- One HAAS ST10;
- One HAAS ST10Y;
- One MAZAK i1700;
- One Mitutoyo Coordinate Measuring Machine; and
- One Optimization Performance Film Academic Coater.

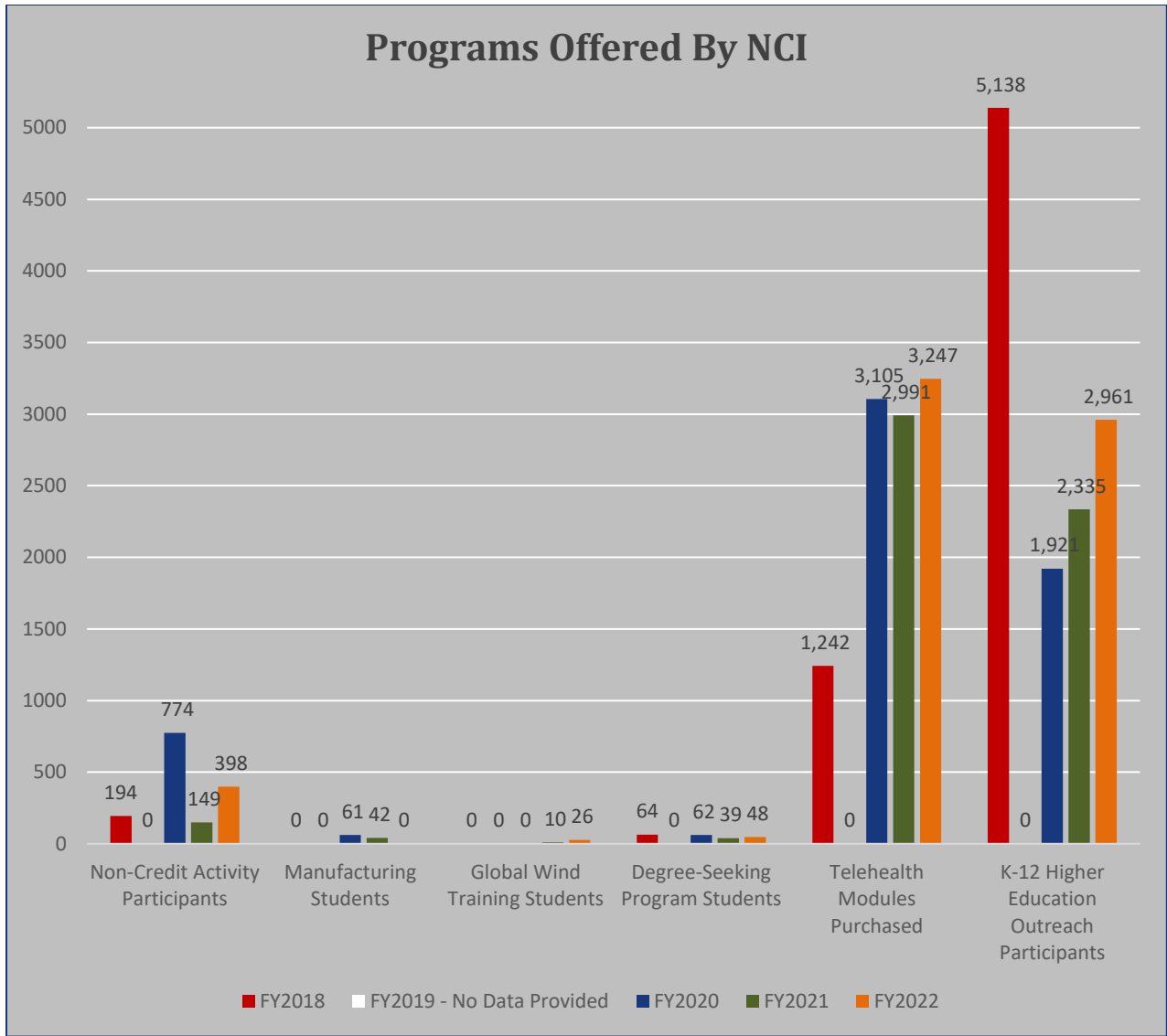
The machinery was assigned to NCI when the grantees were changed from the Foundation to NCI in FY2017. The purchased machinery is all used in their manufacturing certifications offered, with the exception of the Optimization Performance Film Academic Coater.

Outcomes

There was no information reported to the State Council of Higher Education for Virginia for FY2019. Only FY2018 and FY2020-FY2022 was included. The programs reported by NCI for FY2018-FY2022 were:

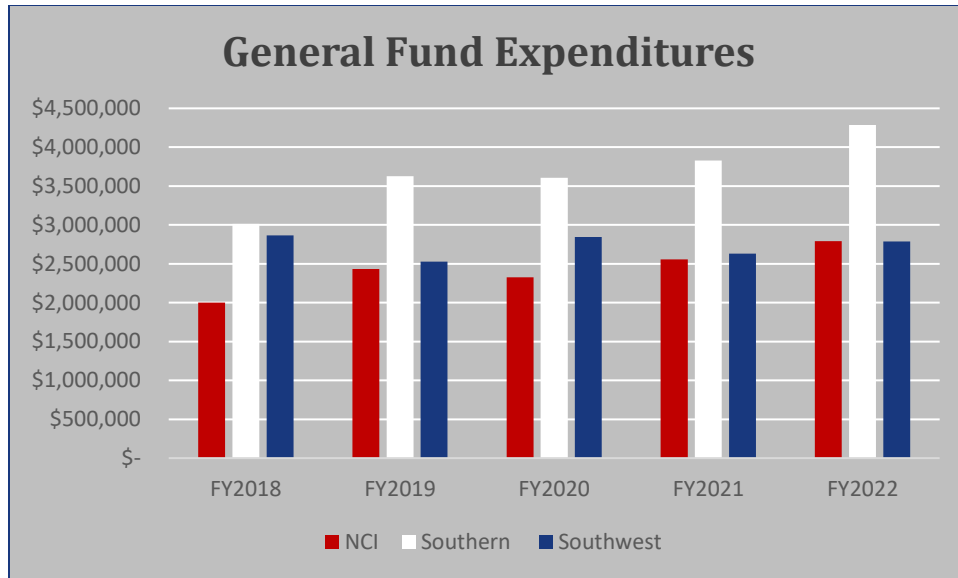
- Non-credit activity, which includes LIFE Learning is ForEver, Robotics, and Cybersecurity programs.
- Manufacturing, which provides training for machinists, welders and industrial mechanics. (Equipment for these certifications were purchased using TRRC grant funds.)
- Global wind training for future wind turbine technicians.
- Degree-seeking, which is four-year colleges and universities utilizing NCI facilities.
- Telehealth modules, which are the Southside Telehealth Training Academy and Resource Center (STAR), a training program for healthcare providers seeking to use advanced telemedicine and telehealth systems to improve access to quality healthcare for rural and medically underserved populations.
- K-12 Higher Education Outreach, which are presentations and programming for K-12 students in the area.

These programs are illustrated below.



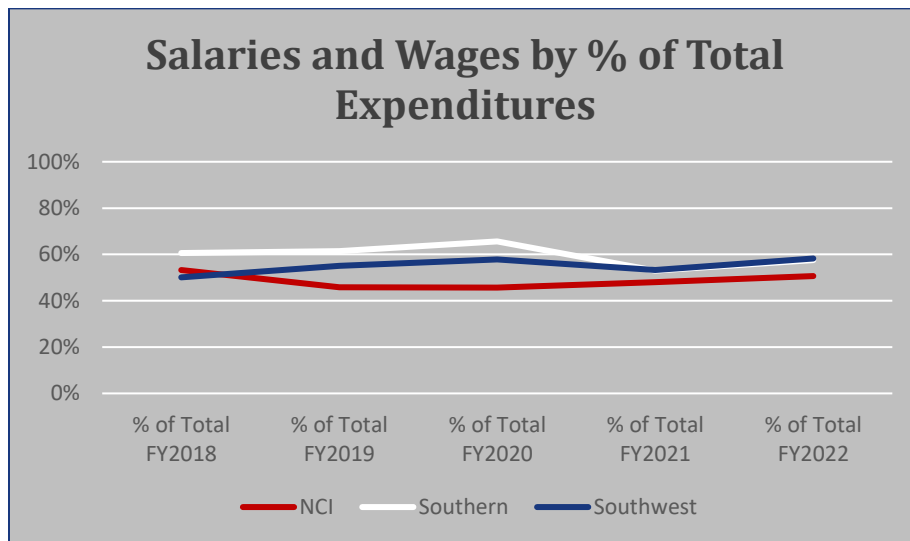
Benchmarking

In order to determine reasonableness of expenditures, OSIG identified similar state agencies to use for the purpose of benchmarking. Southwest Virginia Higher Education Center (Southwest) and Southern Virginia Higher Education Center (Southern) were determined to be similar to NCI based on duties set forth in the *Code of Virginia* establishing the entities, their mission statements, and service to rural geographical locations.



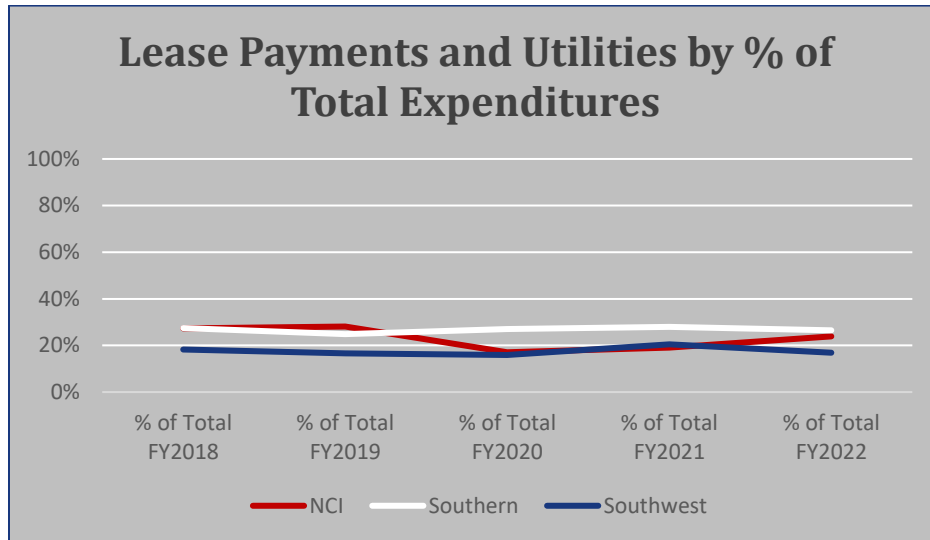
OSIG used NCI’s top three expenditure types and compared percent of total expenditures for each category to the comparable entities’ percent spent in the same categories as shown below.

Salaries and Wages: This expenditure type includes all expenditures related to salaries, wages, and fringe benefits, such as healthcare, paid leave, and retirement contributions. Between 2018 and 2022, NCI spent an average of 48% of their funding on salaries and wages. This is consistently less than Southern’s average of 60% and Southwest’s average of 55%.

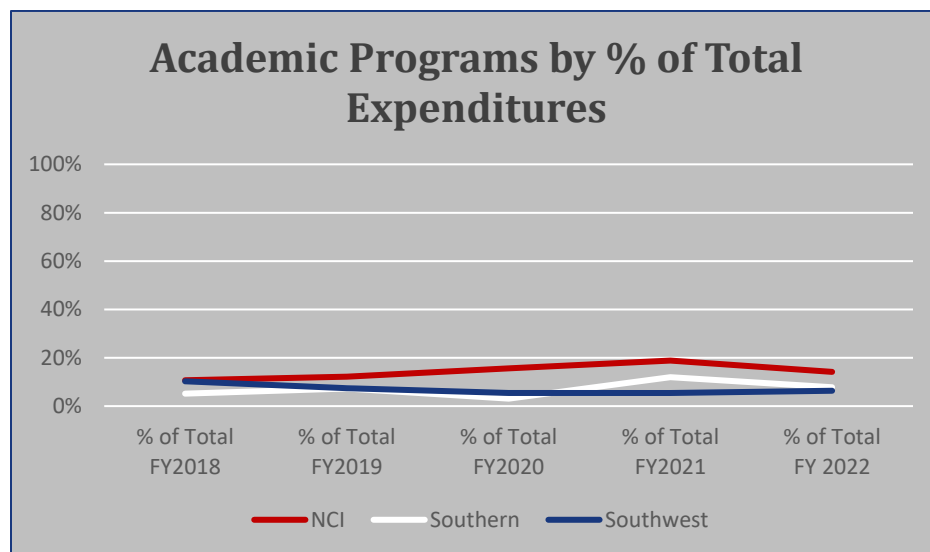


Lease Payments and Utilities: This expenditure type includes all expenditures related to the cost of the buildings each entity occupies. These include, but are not limited to, lease/mortgage payments, maintenance costs, utilities, and property management costs. Between 2018 and 2022, NCI spent an average of 23% of their funding on building related expenditures. This is consistent

with the average spent by Southern (27%) and Southwest (19%). NCI's decrease in building related costs between 2019 and 2020 is due to cost savings attributable to the purchase of the Baldwin Building from the New College Foundation by the Virginia Department of General Services.



Academic Programs: This expenditure type includes all expenses that are incurred to provide various programs that an entity offers to the regions they serve. This could include, but is not limited to, payments made to partner institutions, costs incurred for credential programs, and educational equipment and equipment maintenance. Additionally, whenever there is a surplus of funds from other line items, that money is often reallocated to academic programs. Between 2018 and 2022, NCI spent an average of 14% of their funding on academic program expenditures. This is double the average spent by Southern and Southwest, both an average of 7%.



SCOPE

OSIG's audit evaluated New College Institute expenditures and program results for FY2018 through FY2022. This included a review of the following areas:

1. Operations.
2. Expenditures.
3. General and Special Revenue Funds.
4. Reports submitted to the State Council of Higher Education for Virginia.
5. Strategic Plan Measures.
6. Utilization of programs offered.

OBJECTIVES

Objectives of this audit were to:

- Independently review NCI expenditures to determine if they are reasonable and allow NCI to meet their goal to assist students seeking degree and certification programs that benefit the citizens of the Commonwealth of Virginia.
- Determine the extent to which NCI is meeting their goal to assist students seeking degrees and certifications that benefit the citizens of the Commonwealth of Virginia.

METHODOLOGY

OSIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that OSIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OSIG believes that the evidence obtained provides reasonable basis for the findings and conclusion based on the audit objectives. Additionally, OSIG applied various methodologies during the audit process to gather and analyze information pertinent to the project scope and to assist with developing and testing the project objectives. The methodologies included the following:

- Conducted interviews with NCI staff to gain an understanding of the audit area.
- Reviewed NCI's policies and procedures, board minutes, and budgets.
- Identified other Commonwealth funded higher education centers to benchmark NCI expenditures.
- Analytically reviewed financial data.
- Analytically reviewed budget-to-actual data.
- Benchmarked revenue and expenditure amounts to those of similar higher education centers.
- Reviewed information reported to SCHEV and the Department of Planning and Budget.

- Compared information reported to supporting documentation.
- Determined trends of information reported.

FINDINGS

FINDING 1 - PROGRAM OUTCOMES COULD NOT BE INDEPENDENTLY VERIFIED

NCI submits Strategic Plan performance updates to the Department of Planning and Budget and annual reports to SCHEV. In FY2018 and FY2020-FY2022, the annual reports to SCHEV included the total number of non-credit activities and events, non-degree credentials and certifications, degree-seeking enrollments, and K-12 Higher Education Outreach. These are programs offered by NCI. OSIG requested supporting documentation to determine the accuracy of the information. OSIG found that supporting documentation for NCI updates was not maintained to support NCI's reported results.

According to NCI staff, supporting documentation comes from various sources. NCI had support through emails that were not maintained. Other support consisted of several documents from various persons and calculations for modules purchased. Due to the lack of supporting documentation, OSIG was not able to verify any of the information reported. In response to the draft audit report, NCI subsequently provided support to verify the certifications for Telehealth modules for FY2021 and FY2022. Supporting documentation should be maintained with the reports in case there are questions as to the accuracy of the information reported. When reports are not able to be verified, information reported may not be correct and cannot be relied upon to determine performance.

Recommendation:

Documentation to support information reported by NCI on program outcomes should be maintained. In addition, for certifications offered, documentation should be retained to show how the number of modules was derived.

Management Response:

Management agreed with the condition observed by OSIG and agreed with the recommendations.

Since 2018, NCI has experienced a large amount of turnover from retirements, new opportunities and COVID remote working. With the turnovers and return from remote working, it has been difficult to locate prior employee backup documentation. NCI has worked to better report data and in doing so, created an activity log and utilized a learning management system.

NCI has incorporated the Learning Management System in 2019 to capture students enrolling in modules for its Telemental Health programming. Spreadsheets and screenshots from the system has been provided to reconcile the reported numbers of

enrollment in the SCHEV reports. In addition, NCI created the Activity Log to better collect and report data. In the future, NCI will ensure that backup information is maintained throughout staff turnover with a staff member responsible for ensuring compliance.

Management Corrective Action Plan:

NCI will improve the retention of backup information to verify all data reported for partner institution programs, NCI training programs, and outreach activities by June 30, 2024.

FINDING 2 - UTILIZATION OF SOME PROGRAMS OFFERED BY NCI HAVE DECREASED

Comparing FY2018 to FY2022 State Council of Higher Education for Virginia reports, NCI's self-reported program participation numbers, enrollment in degree-seeking programs offered decreased 25%, and K-12 Higher Education Outreach participants decreased 42%. In addition, manufacturing training programs, which had zero participants in FY2018, FY2019, and FY2022, decreased 31% between FY2020 and FY2021.

However, in FY2022, there were increases in non-credit activities (167%) and degree-seeking programs (23%) since FY2021. This coincided with NCI offering more opportunities for in-person activities and programs.

Code of Virginia §23.1-3111 states, "A. New College Institute (New College) is established as an educational institution of the Commonwealth in the areas of Henry County and the City of Martinsville. B. New College shall: 1. Seek to diversify the regional's economy by engaging the resources of other institutions of higher education, public and private bodies, and organizations of the region and Commonwealth; 2. Serve as a catalyst for economic and community transformation by leveraging and brokering resources that support economic diversity; 3. Facilitate development of the technology and trained workforce necessary for new economic enterprises to flourish, using the resources available from collaborating educational institutions; 4. Expand education opportunities in the region by providing access to degree-granting programs, including undergraduate, graduate, and professional programs, through partnerships with private institutions of higher education and public institutions of higher education, the public schools, and the public and private sectors; 5. Encourage and coordinate the development and delivery of degree programs and other credit and noncredit courses with a focus on statewide and regional critical shortage areas and the needs of industry. Such programs and courses shall include needed adult education and workforce trainings; and 6. Serve as a resource and referral center by maintaining and disseminating information on existing educational programs, research, and university outreach and technology resources."

In FY2020, NCI hired an interim executive director who fulfilled their duties remotely for three years. The interim executive director was not physically present in the vicinity of the City of Martinsville or Henry County to advocate and meet with past and future partners on NCI's behalf. Since the COVID-19 pandemic, educational institutions have moved to providing courses virtually so the need to utilize NCI facilities has decreased. In February 2023, NCI hired a new executive director who plans to reside in the City of Martinsville or Henry County areas.

Recommendations:

1. NCI needs to work with businesses and other partners to identify opportunities to increase the usage of NCI's programs.

2. NCI should ensure that new opportunities align with their goals to benefit the citizens of the Commonwealth of Virginia.

Management Response:

Management agreed with the condition observed by OSIG and agreed with the recommendations, as follows:

After three years of an Interim Executive Director in place, NCI began an Executive Director search in the Spring of 2022. In February 2023, NCI found its new Executive Director through a lengthy candidate search. The new Executive Director's first action steps were to meet with community agencies, partner universities, higher education centers, community members, and industry partners. The goal of the meetings is to build or repair relationships, receive feedback on their needs related to education or training, and how NCI can help them or the community. The meetings will lead to new partnerships and new programming as identified to benefit our community and the Commonwealth of Virginia.

Management Corrective Action Plan:

NCI will establish and practice formal and informal methods of gathering community input on the establishment of new programs and the viability of existing programs by June 30, 2024.

AUDIT RESULTS

This report presents the results of OSIG's audit of NCI's expenditures, special revenues, and programs. The following testing was performed with immaterial, if any, discrepancies noted:

- Expenditures aligned with similar institutions.

Based on the results and findings of the audit test work conducted of NCI, OSIG concluded that internal controls were operating properly except as identified in the report findings.

APPENDIX I - CORRECTIVE ACTION PLAN

FINDING NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
1	Documentation to support information reported by NCI on program outcomes should be maintained. In addition, for certifications offered, documentation should be retained to show how the number of modules was derived.	NCI will improve the retention of backup information to verify all data reported for partner institution programs, NCI training programs, and outreach activities.	<p>Continue use of the Learning Management System</p> <p>Create and implement procedures for collecting and maintaining the data received from partner institutions and outreach programs as the backup detail for reported data</p> <p>Identify existing personnel or hire new personnel to be responsible for specific oversight of program outcomes and data management.</p>	June 30, 2024	Executive Director
2	1. NCI needs to work with businesses and other partners to identify opportunities to increase	NCI will establish and practice formal and informal methods of gathering community input on the establishment	Development of needs assessment survey to be shared with local community organizations to identify the regional workforce	June 30, 2024	Executive Director

FINDING NO.	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
	<p>the usage of NCI's programs.</p> <p>2. NCI should ensure that new opportunities align with their goals to benefit the citizens of the Commonwealth of Virginia.</p>	<p>of new programs and the viability of existing programs.</p>	<p>needs.</p> <p>Regularly occurring meetings with focus groups (education, healthcare, manufacturing, etc.) from the community to gather input and feedback on program offerings.</p> <p>Continued engagement in community operations through participation in community initiatives and organizations (Chamber of Commerce, Economic Development, West Piedmont Planning District Commission, Virginia Career Works, etc.)</p>		