



COMMONWEALTH of VIRGINIA

Office of the Governor

Richard D. Brown
Secretary of Finance

September 12, 2014

P.O. Box 1475
Richmond, Virginia 23218

Mr. Peter Blake
Executive Director
State Council of Higher Education for Virginia
101 N. 14th Street
James Monroe Building
Richmond, Virginia 23219

Dear Mr. Blake:

As you are aware, Chapter 2, 2014 Virginia Acts of Assembly, Special Session I, includes a requirement in the General Provisions related to the annual assessment of institutional performance. § 4-9.01 requires, in part, that:

Consistent with [§23-9.6:1.01](#), Code of Virginia, the following education-related and financial and administrative management measures shall be the basis on which the State Council of Higher Education shall annually assess and certify institutional performance. Such certification shall be completed and forwarded in writing to the Governor and the General Assembly no later than October 1 of each even-numbered year. Institutional performance on measures set forth in paragraph D of this section shall be evaluated year-to-date by the Secretaries of Finance, Administration, and Technology as appropriate, and communicated to the State Council of Higher Education before October 1 of each even-numbered year. Financial benefits provided to each institution in accordance with [§2.2-5005](#) will be evaluated in light of that institution's performance.

The purpose of this letter is to inform you that we have completed our required evaluation of the financial and administrative management measures set forth in paragraphs D and E of that section. Secretaries Rodrigues, Jackson and I have evaluated the colleges and universities on the standards in paragraph D. Consistent with §4-9.02 E of the Appropriation Act, we evaluated the University of Virginia, Virginia Tech, Virginia Commonwealth University and the College of William and Mary on the measures contained in their respective management agreements.

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Each of the institutions met these standards in aggregate except for Norfolk State University, which has not met the standards pending the results of the FY2013 financial audit. The attached documents detail the performance of each institution compared to individual measures.

The analysis of these measures was a challenge and I would like to thank the staff of the colleges and universities, the Auditor of Public Accounts, the Department of Accounts, the Department of General Services, the Department of Small Business and Supplier Diversity, the Virginia Information Technologies Agency and the Department of Human Resource Management for submitting the information needed to evaluate these requirements.

Also, the institutions should be aware that Executive Order 20 signed by Governor McAuliffe on July 22, 2014 requires all executive branch agencies to exceed a target goal of 42% for purchases from small, minority and women-owned businesses. This level exceeds the requirement contained in the Assessment of Institutional Performance. The Governor intends to communicate with all institutions of higher education in the near term to discuss in a collaborative manner how best to improve performance in this area and certain other areas listed in his 2014 Enterprise Strategic Priorities.

If you have any questions or need additional information, please call me or my Deputy, Neil Miller, at (804) 786-1148.

Sincerely,



Richard D. Brown

c: The Honorable Anne Holton
Secretary of Education

The Honorable Karen Jackson
Secretary of Technology

The Honorable Nancy Rodrigues
Secretary of Administration

Assessment of Institutional Performance
 Financial and Administrative Standards - Level Three Institutions
 Achievement of Benchmarks

FY	2013				
University Achievement of Benchmarks		W&M	UVA	VCU	VPI
Total maximum points	17.0	17.0	17.0	17.0	
Achieved benchmark	16.0	17.0	17.0	16.0	
Percent achieved	94.12%	100.00%	100.00%	94.12%	

Specific Performance Measures				University's achievement FY 2013			
Measure #	Measure Category	Measure	Benchmark	W&M	UVA	VCU	VPI
1	1. Financial	Financial Statements and Internal Controls	a) An unqualified opinion from the Auditor of Public Accounts upon the audit of the public institution's financial statements;	Pass	Pass	Pass	Pass
2	1. Financial	Financial Statements and Internal Controls	b) No significant audit deficiencies attested to by the Auditor of Public Accounts;	Pass	Pass	Pass	Pass
3	1. Financial	Compliance with financial directives	c) Substantial compliance with all financial reporting standards approved by the State Comptroller;	Pass	Pass	Pass	Pass
4	1. Financial	Accounts Receivable	d) Substantial attainment of accounts receivable standards approved by the State Comptroller, including but not limited to, any standards for outstanding receivables and bad debts; and	Pass	Pass	Pass	Pass
5	1. Financial	Accounts Payable	e) Substantial attainment of accounts payable standards approved by the State Comptroller including, but not limited to, any standards for accounts payable past due.	Pass	Pass	Pass	Pass
6	2. Debt Management	Bond Rating	a) The institution shall maintain a bond rating of AA- or better;	Pass	Pass	Pass	Pass
7	2. Debt Management	Investments	b) The institution achieves a three-year average rate of return at least equal to the imoney.net money market index fund; and	Pass	Pass	Pass	Pass
8	2. Debt Management	Debt burden ratio	c) The institution maintains a debt burden ratio equal to or less than the level approved by the Board of Visitors in its debt management policy. – (maximum annual debt service on long	Pass	Pass	Pass	Pass
9	3. Human Resources	Turnover rate	a) The institution's voluntary turnover rate for classified plus university/college employees will meet the voluntary turnover rate for state classified employees within a variance of 15 percent; and	Pass	Pass	Pass	Pass

Specific Performance Measures				University's achievement FY 2013			
Measure #	Measure Category	Measure	Benchmark	W&M	UVA	VCU	VPI
10	3. Human Resources	Internal progression	b) The institution achieves a rate of internal progression within a range of 40 to 60 percent of the total salaried staff hires for the fiscal year.	Fail	Pass	Pass	Fail
11	4. Procurement	SWAM Participation	a) The institution will substantially comply with its annual approved Small, Women and Minority (SWAM) procurement plans submitted to the Department of Small Business and Supplier Diversity; however, a variance of 15 percent from its SWAM purchase goal, as stated in the plan, will be acceptable;	Pass	Pass	Pass	Pass
12	4. Procurement	Procurement orders processed through eVA	b) The institution will make no less than 80 percent of purchase transactions through the Commonwealth's enterprise-wide internet procurement system (eVA) with no less than 75 percent of dollars to vendor locations in eVA.	Pass	Pass	Pass	Pass
13	5. Capital Outlay	Capital projects within budget	a) The institution will complete capital projects (with an individual cost of over \$1,000,000) within the budget originally approved by the institution's governing board at the preliminary design state for projects initiated under delegated authority, or the budget set out in the Appropriation Act or other Acts of Assembly which provides construction funding for the project at the preliminary design state. If the institution exceeds the budget for any such project, the Secretaries of Administration and Finance shall review the circumstances causing the cost overrun and the manner in which the institution responded and determine whether the institution shall be considered in compliance with the measure despite the cost overrun;	Pass	Pass	Pass	Pass
14	5. Capital Outlay	Owner requested change orders	b) The institution shall complete capital projects with the dollar amount of owner requested change orders not more than 2 percent of the guaranteed maximum price (GMP) or construction price; and	Pass	Pass	Pass	Pass

Specific Performance Measures				University's achievement FY 2013			
Measure #	Measure Category	Measure	Benchmark	W&M	UVA	VCU	VPI
15	5. Capital Outlay	Competitive rates for leased office space	c) The institution shall pay competitive rates for leased office space - the average cost per square foot for office space leased by the institution is within 5 percent of the average commercial business district lease rate for similar quality space within reasonable proximity to the institution's campus.	Pass	Pass	Pass	Pass
16	6. Information Technology	Project Management	a) The institution will complete major information technology projects (with an individual cost of over \$1,000,000) on time and on budget against their managed project baseline. If the institution	Pass	Pass	Pass	Pass
17	6. Information Technology	Information Security	b) The institution will maintain compliance with institutional security standards as evaluated in internal and external audits. The institution will have no significant audit deficiencies unresolved beyond one year.	Pass	Pass	Pass	Pass

Assessment of Institutional Performance

Financial and Administrative Standards for Higher Education Institutions
Level One and Two Institutions

Institution	Unqualified Opinion from APA	No Significant Audit Deficiencies	Substantial Compliance with Financial Reporting	Accounts Receivable Standards	Accounts Payable Standards	Complies with Debt Mgmt Policy	Within 15% of Turnover Rate Goal	Within 15% of SWaM Plan Goal	No less than 75% of Purchases from vendors in eVA	Complete IT projects under original budget	Complete Capital projects under original budget	Pass/Fail	Institution
Christopher Newport University	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No (8)	Pass	Christopher Newport University
Richard Bland College	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes (9)	Pass	Richard Bland College
George Mason University	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Pass	George Mason University
James Madison University	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Pass	James Madison University
Longwood University	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Pass	Longwood University
Norfolk State University	No (1)	No (2)	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes (9)	Fail	Norfolk State University
Old Dominion University	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes (9)	Pass	Old Dominion University
Radford University	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Pass	Radford University
University of Mary Washington	Yes	Yes	Yes	Yes	Yes	No (5)	Yes	No	Yes	Yes	Yes	Pass	University of Mary Washington
University of Virginia's College at Wise	Yes	Yes	Yes	No (3)	Yes	Yes	Yes	Yes	Yes	Yes	Yes (9)	Pass	University of Virginia's College at Wise
Virginia Community College System	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes (6)	Yes	Yes (7)	Yes	Pass	Virginia Community College System
Virginia Military Institute	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Pass	Virginia Military Institute
Virginia State University	Yes	Yes	Yes	No (4)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Pass	Virginia State University

Table Notes

Unqualified Opinion from APA & No Significant Audit Deficiencies

No (1) No, pending an unqualified opinion from the APA for FY2013.

No (2) Does not meet Management Standards based on June 30, 2012 fieldwork.

Accounts Receivable Standards

No (3) Not compliant with default rate

No (4) Not compliant with percentage past due to gross

Complies with Debt Mgmt Policy

No (5) Certification of debt management policy has not been received at the time of this report.

Within 15% of SWaM Plan Goal

Yes (6) Paul D. Camp Community College, J.S. Reynolds Community College, Blue Ridge Community College did not meet the goal of within 15% of SWaM Goal.

Complete IT projected under original budget and Capital Projects completed under original budget

Yes (7) VCCS was the only university to have completed projects in FY 2013

Capital Projects completed under original budget

No (8) Christopher Newport University was over budget on one out of three projects, the Ratcliffe Hall Addition

Yes (9) Richard Bland, Norfolk State, Old Dominion, and UVA - Wise did not have capital projects completed in FY 2013

Assessment of Institutional Performance

Summary of the Finance and Administrative Measures 2012-13 for each Level One or Two Institution

Christopher Newport University

Christopher Newport (CNU) met the financial and administrative standards for higher education institutions. CNU complied with the financial requirements such as an unqualified audit opinion, no significant audit deficiency, and complying with Commonwealth standards for accounts payable and receivable. The university complied with the debt management policy and met the measure of complying with a classified employee turnover rate as set by the institution. The university also met the goal of 75 percent of purchases made through eVA by purchasing 96 percent of its purchases from eVA vendors. The university's SWaM goal was 44 percent and their actual SWaM expenditures were 41 percent which was within the required 15 percent of their SWaM goal at 93 percent of SWaM goal achievement. CNU completed three capital projects with one project being completed significantly over the original budget. The university did not have any major IT projects during this assessment period.

George Mason University

George Mason University (GMU) met the financial and administrative standards for higher education institutions. GMU complied with the important financial requirements such as an unqualified audit opinion, no significant audit deficiency, and complying with Commonwealth standards for accounts payable and receivable. The university complied with the debt management policy and GMU met the measure of complying with a classified turnover rate below the goal set by the university. The university's SWaM goal of 43 percent was achieved with 48 percent of expenditures from SWaM vendors. GMU also met the goal of 75 percent of purchases by purchasing 92 percent of its purchases from vendors in eVA. GMU did not have any major IT projects completed in 2013. GMU completed one capital project in 2013 and it was completed under its original budget.

James Madison University

James Madison University (JMU) met the financial and administrative standards for higher education institutions. JMU complied with the important financial requirements such as an unqualified audit opinion, no significant audit deficiency, and complying with Commonwealth standards for accounts payable and receivable. The university complied with the debt management policy established by its board. JMU met the measure of complying with a classified turnover rate below the goal set by the university. The university surpassed its SWaM goal of 44 percent with 60 percent of expenditures

through SWaM vendors. JMU met the goal of 75 percent of eVA purchases by purchasing 97 percent of its purchases from vendors in eVA. JMU did not have any IT projects completed in 2013. JMU completed one capital project in 2013 and it was completed under its original budget.

Longwood University

Longwood University met the financial and administrative standards for higher education institutions. The university complied with the important financial requirements such as an unqualified audit opinion, no significant audit deficiency, and complying with Commonwealth standards for accounts payable and receivable. The university complied with the debt management policy established by its Board. Longwood University met the measure of complying with a classified turnover rate below the goal set by the university. Longwood achieved its SWaM goal of 38 percent with 39 percent of expenditures from SWaM designated vendors. The university met the goal of 75 percent of purchases through eVA by purchasing 90 percent of its purchases through eVA registered vendors. Longwood did not have any IT projects completed in 2013. Longwood University completed one capital project in 2013 and it was completed under its original budget.

Norfolk State University

Norfolk State University (NSU) did not meet the financial and administrative standards for higher education institutions. As of the date of this review, the university failed to comply with the financial requirements such as an unqualified audit opinion pending release of 2013 opinion and audit. NSU complied with Commonwealth standards for accounts payable and receivable. NSU did have significant audit deficiencies in FY 2012 and did not meet requirements for compliance with financial reporting. The university complied with the debt management policy established by its Board. Norfolk State met the measure of complying with a classified turnover rate below the goal set by the university. NSU achieved its SWaM goal of 50 percent with 57 percent of expenditures from SWaM designated vendors. The university also achieved the goal of 75 percent of purchases through eVA by purchasing 99 percent of its purchases through eVA registered vendors. Norfolk State did not have any IT projects or capital projects completed in 2013.

Old Dominion University

Old Dominion University (ODU) met the financial and administrative standards for higher education institutions. The university complied with the important financial requirements such as an unqualified audit opinion, no significant audit deficiency, and complying with Commonwealth standards for accounts payable and receivable. The university complied with the debt management policy established by its board. ODU met the measure of complying with a classified turnover rate goal set by the university. ODU met its SWaM goal of 48 percent with 54 percent of expenditures with SWaM vendors. The university met the goal of 75 percent of purchases through eVA by purchasing 93 percent of its purchases through eVA registered vendors. ODU did not have any IT or capital projects completed in 2013.

Radford University

Radford University (RU) met the financial and administrative standards for higher education institutions. RU complied with the important financial requirements such as an unqualified audit opinion, no significant audit deficiency, and complying with Commonwealth standards for accounts payable. The university complied with the debt management policy established by its board. RU met the measure of complying with a classified turnover rate below the goal set by the university. Radford surpassed its SWaM goal of 38 percent with 47 percent of total expenditures through SWaM vendors. The university met the goal of 75 percent of purchases by purchasing 96 percent of its purchases from vendors registered in eVA. RU did not have any IT projects completed in 2013 and completed one capital project in 2013 which was completed under the original budget.

Richard Bland College

Richard Bland College (RBC) met the financial and administrative standards for higher education institutions. RBC complied with the important financial requirements such as an unqualified audit opinion, no significant audit deficiency, and complying with Commonwealth standards for accounts payable and receivable. Richard Bland complied with the debt management policy established by its board and met the measure of complying with a classified turnover rate goal set by the university. Richard Bland achieved its SWaM goal of 49 percent with a total of 56 percent of expenditures through SWaM certified vendors. RBC met the goal of 75 percent of purchases by purchasing 95 percent of its purchases from vendors registered in eVA. Richard Bland did not have an IT project or capital project completed in 2013.

University of Mary Washington

The University of Mary Washington (UMW) met the financial and administrative standards for higher education institutions. The university complied with the important financial requirements such as an unqualified audit opinion, no significant audit deficiency, and complying with Commonwealth standards for accounts payable and receivable. As of the date of this report, the university has not reported their compliance with the debt management policy established by its board. The university met the measure of complying with a classified turnover rate goal set by the university. Mary Washington did not meet its SWaM goal of 40 percent with only 17 percent of its expenditures through SWaM vendors. The university met the goal of 75 percent of purchases by purchasing 98 percent of its purchases from vendors in eVA. The University of Mary Washington completed three capital projects in 2013 under the original budget, meeting the standards for this measure. UMW did not have an IT project completed in 2013.

University of Virginia's College at Wise

The University of Virginia's College at Wise met the financial and administrative standards for higher education institutions. UVA-Wise complied with the important financial requirements such as an unqualified audit opinion, no significant audit deficiency, and complying with Commonwealth standards for accounts payable and receivable. UVA-Wise complied with the debt management policy established by its board. Based on UVA's performance, UVA-Wise met the measure of complying with a classified turnover rate below the goal set by the university. The university's SWaM performance is incorporated with that of the University of Virginia, who achieved their SWaM goal of 30 percent with 31 percent of expenditures purchased through SWaM vendors. The university met the goal of 75 percent of purchases by purchasing 83 percent of its purchases from vendors registered in eVA. UVA-Wise did not have an IT or capital project completed in 2013.

Virginia Community College System

The Virginia Community College System (VCCS) met the financial and administrative standards for higher education institutions. The VCCS complied with the important financial requirements such as an unqualified audit opinion, no significant audit deficiency, and complying with Commonwealth standards for accounts payable and receivable. The VCCS complied with the debt management policy established by its board. The VCCS met the measure of complying with a classified turnover rate below the state average for institutions. Twenty of the twenty-three community colleges met the overall goal in their SWaM plan in 2013. Paul D. Camp Community College, J.S. Reynolds Community College, and Blue Ridge Community College did not meet their SWaM goals. The VCCS met the goal of 75 percent of purchases by purchasing 99 percent of its purchases from vendors in eVA. The community colleges completed a total of nine capital projects in 2013. All nine capital projects met the standard for this measure. The VCCS completed two IT projects in 2013 within the parameters of this measure.

Virginia Military Institute

Virginia Military Institute (VMI) met the financial and administrative standards for higher education institutions. VMI complied with the important financial requirements such as an unqualified audit opinion, no significant audit deficiency, and complying with Commonwealth standards for accounts payable and receivable. VMI complied with the debt management policy established by its board. VMI met the measure of complying with a classified turnover rate below the state average for institutions. The institute met its SWaM goal of 35 percent with 34 percent of expenditures through SWaM certified vendors which was within the required 15 percent of their SWaM goal at 97 percent of SWaM goal achievement. VMI met the goal of 75 percent of purchases by purchasing 99 percent of its purchases from vendors in eVA. VMI did not have an IT project completed in 2013, but did have two capital projects, both of which were completed within the revised budget.

Virginia State University

Virginia State University (VSU) met the financial and administrative standards for higher education institutions. VSU complied with the important financial requirements such as an unqualified audit opinion, no significant audit deficiency, and complying with Commonwealth standards for accounts payable. However, VSU did not meet the standards for accounts receivable standards. The university complied with the debt management policy established by its board. VSU met the measure of complying with a classified turnover rate below the state average for institutions. The university surpassed its SWaM goal of 40 percent with 47 percent of expenditures made through SWaM certified vendors. VSU met the goal of 75 percent of purchases by purchasing 98 percent of its purchases from vendors in eVA. VSU did not have an IT project completed in 2013, but did have one capital project which was completed within the original budget.

Assessment of Institutional Performance

Summary of the Finance and Administrative Measures 2012-13 for each Level Three Institution

College of William and Mary

The College of William and Mary (W&M) met the financial and administrative standards for level three higher education institutions. Overall, W&M complied with 16 of the 17 measures of institutional performance. This reflects 94 percent compliance with the finance and administrative measures.

William and Mary met all of the finance, debt management, procurement, capital outlay, and information technology measures. The University received an unqualified opinion from the APA, which concluded that there were no material weaknesses. However, they identified enhancements needed to improve internal controls, which require the attention of management and should be implemented. The APA also found noncompliance required to be reported under Government Auditing Standards.

W&M did not meet one of the standards in the area of human resource management. Specifically, the College's internal progression rate was below the benchmark range of 40 to 60 percent of the total salaried staff hires for the fiscal year.

University of Virginia

The University of Virginia (UVA) met the financial and administrative standards for level three higher education institutions. UVA complied with all 17 measures of institutional performance.

The APA's report on audit for the year ending June 30, 2013 found that UVA's financial statements were presented fairly in all respects. The APA reported there were no material weaknesses and there were no instances of noncompliance or other matters required to be reported under Government Auditing Standards. However, there were internal control findings requiring the attention of management that need to be corrected.

UVA updated its debt policy in February 2013 and removed its debt burden ratio target. Prior to this action, the ratio had been set at five percent or lower. The university's annual debt service on long-term debt excluding commercial paper or other bond anticipation notes was \$60.3 million

and the total operating expenses was \$2.48 billion so the debt burden ratio was 2.43 percent which was well below five percent. For the current measurement period [of FY2013] UVA has met this standard. However, this measure cannot be evaluated without a debt ratio, so unless UVA re-establishes a debt ratio the institution will fail this measure in the future.

Virginia Commonwealth University

Virginia Commonwealth University met the financial and administrative standards for level three higher education institutions. VCU complied with all 17 measures of institutional performance.

The University received an unqualified opinion from the APA, which concluded that there were no material weaknesses. However, they identified enhancements needed to improve internal controls, which require the attention of management and should be implemented. The APA also found noncompliance by the university required to be reported under Government Auditing Standards.

VCU met all of the measures of financial and debt management. For human resources, their turnover rate was higher than the state rate, but it fell within the 15 percent variance

Virginia Polytechnic Institute and State University

The Virginia Polytechnic Institute and State University (Virginia Tech) met the financial and administrative standards for level three higher education institutions. Overall, Virginia Tech complied with 16 of the 17 measures of institutional performance. This reflects 94 percent compliance with the finance and administrative measures.

The APA's report on audit for the year ending June 30, 2013 found that Virginia Tech's financial statements were presented fairly in all respects. The APA reported there were no material weaknesses and there were no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

They did not meet one of the standards in the area of human resource management. Specifically, the university's internal progression rate was slightly below the benchmark range of 40 to 60 percent of total salaried staff hires for the fiscal year.

Virginia Tech complied with both of the information technology measures.