

DELAWARE STATE UNIVERSITY

**Single Audit Together with
Reports of Independent Public Accountants**

For the Year Ended June 30, 2014



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JUNE 30, 2014

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Trustees
Delaware State University

Report on the Financial Statements

We have audited the accompanying financial statements and the aggregate discretely presented component units of Delaware State University (the University), a component unit of the State of Delaware, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The University's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and the aggregate discretely presented component units of the University, as of June 30, 2014, and the respective changes in their financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Balances

The financial statements of the University as of and for the year ended June 30, 2013, were audited by other auditors who expressed an unmodified opinion on those financial statements on September 30, 2013.

Restatement

As part of our audit of the June 30, 2014 financial statements, we also audited the adjustment described in Note 11 that was applied to restate the 2013 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of the University other than with respect to the adjustment described in Note 11 and, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements as a whole.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, in 2014, the University adopted the new accounting guidance from GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The schedule of expenditures of Federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of Federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Hunt Valley, MD
September 29, 2014

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Delaware State University

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements and the aggregate discretely presented component units of Delaware State University (the University), a component unit of the State of Delaware, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated September 29, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunt Valley, Maryland
September 29, 2014

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Trustees
Delaware State University

Report on Compliance for Each Major Federal Program

We have audited the Delaware State University's (the University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014. The University's major Federal programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.



Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major Federal program is not modified with respect to this matter.

The University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



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Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hunt Valley, Maryland
March 18, 2015

SB & Company, LLC

DELAWARE STATE UNIVERSITY

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifier</u>	<u>Federal Expenditures</u>
<u>Student Financial Assistance Cluster</u>			
U.S. Department of Education			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ 162,270
Federal Work-Study Program	84.033	N/A	210,999
Federal Pell Grant Program	84.063	N/A	8,804,057
Federal Direct Loan Program	84.268	N/A	37,868,922
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	14,992
Total Student Financial Assistance Cluster			<u>47,061,240</u>
<u>Research and Development Cluster</u>			
U.S. Department of Agriculture			
Agricultural Research - Basic and Applied Research	10.001	N/A	17,725
Grants for Agricultural Research, Special Research Grants	10.200	N/A	19,182
Cooperative Forestry Research	10.202	N/A	56,027
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	N/A	531,682
Grants for Agricultural Research_Competitive Research Grants	10.206	N/A	418,284
1890 Institution Capacity Building Grants	10.216	N/A	345,933
Agriculture and Food Research Initiative (AFRI)	10.310	N/A	9,154
Cooperative Extension Service	10.500	N/A	806,960
Cochran Fellowship Program - International Training - Foreign Participant	10.962	N/A	8,619
<u>Pass-through Virginia State University:</u>			
1890 Institution Capacity Building Grants	10.216	2011-38821-30892	6,317
1890 Institution Capacity Building Grants	10.216	2011-38821-21614	9,571
1890 Institution Capacity Building Grants	10.216	2013-SP10002	460
<u>Pass-through University of Arkansas - Pine Bluff:</u>			
1890 Institution Capacity Building Grants	10.216	2010-38821-21540	69,058
<u>Pass-through Pennsylvania State University:</u>			
Agriculture and Food Research Initiative (AFRI)	10.216	4712-DSU-USDA-9703	68,603
<u>Pass-through University of Delaware:</u>			
Agriculture and Food Research Initiative (AFRI)	10.216	25883	86,497
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	24606	92
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	30839	104,589
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	34488	113,448
<u>Pass-through University of Maryland College Park:</u>			
Integrated Programs	10.303	Z531008	104
Total U.S. Department of Agriculture			<u>2,672,305</u>

The accompanying notes are an integral part of this schedule.

DELAWARE STATE UNIVERSITY

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifier</u>	<u>Federal Expenditures</u>
<u>Research and Development Cluster (Continued)</u>			
U.S. Department of Commerce			
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	N/A	\$ 220,600
Marine Fisheries Initiative	11.433	N/A	5,492
Southeast Area Monitoring and Assessment Program	11.435	N/A	750
Unallied Science Program	11.472	N/A	101,715
<u>Pass-through State of Delaware:</u>			
Unallied Science Program	11.472	NA09NMF4720365	78,671
<u>Pass-through Florida A&M University:</u>			
Educational Partnership Program	11.481	C3641	164,250
Educational Partnership Program	11.481	NA11SEC4810001	6,575
Educational Partnership Program	11.481	3499	77,941
<u>Pass-through University of Maryland - Eastern Shore:</u>			
Educational Partnership Program	11.481	NA11SEC4810002	235,747
Total U.S. Department of Commerce			<u>891,741</u>
U.S. Department of Defense			
Department of Defense	12.000	N/A	256
Military Medical Research and Development	12.420	N/A	372,891
Basic Scientific Research	12.431	N/A	657,144
Basic, Applied, and Advanced Research in Science and Engineering	12.630	N/A	141,784
Air Force Defense Research Sciences Program	12.800	N/A	2,817
Total U.S. Department of Defense			<u>1,174,892</u>
U.S. Department of the Interior			
Fish and Wildlife Management Assistance	15.608	N/A	6,141
Coastal Wetlands Planning, Protection and Restoration Act	15.614	N/A	5,558
Total U.S. Department of the Interior			<u>11,699</u>
U.S. Department of the Justice			
<u>Pass-through State of Delaware:</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DB10-46	<u>10,500</u>
U.S. Department of the Transportation			
Hydrogen Storage Research and Development	20.764	N/A	<u>3,771</u>
National Aeronautics and Space Administration			
Science	43.001	N/A	<u>1,031,480</u>
Institute of Museum and Library Services			
Museum Grants for African American History and Culture	45.309	N/A	<u>25,353</u>

The accompanying notes are an integral part of this schedule.

DELAWARE STATE UNIVERSITY

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifier</u>	<u>Federal Expenditures</u>
<u>Research and Development Cluster (Continued)</u>			
National Science Foundation			
Computer Systems Research	47.040	N/A	\$ 33,634
Mathematical and Physical Sciences	47.049	N/A	22,905
Geosciences	47.050	N/A	7,824
Computer and Information Science and Engineering	47.070	N/A	100,989
Biological Sciences	47.074	N/A	394,830
Social, Behavioral, and Economic Sciences	47.076	N/A	1,274,874
<u>Pass-through University of Delaware:</u>			
Social, Behavioral, and Economic Sciences	47.075	14539	408
Education and Human Resources	47.076	18302	180,895
Education and Human Resources	47.076	30705	40,729
International Science and Engineering (OISE)	47.079	18317	159,358
International Science and Engineering (OISE)	47.079	34656	744,100
ARRA - Trans-NSF Recovery Act Research Support	47.082	24241	15,932
<u>Pass-through Drexel University:</u>			
Education and Human Resources	47.076	HRD-0903924	13,116
Total National Science Foundation			<u>2,989,594</u>
Small Business Administration			
Small Business Development Centers	59.037	N/A	<u>2,588</u>
U.S. Department of Energy			
Renewable Energy Research and Development	81.087	N/A	26,442
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	N/A	246,933
<u>Pass-through Florida A&M University:</u>			
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	DE-NA0001874	<u>111,390</u>
Total U.S. Department of Energy			<u>384,765</u>
U.S. Department of Health and Human Services			
Aging Research	93.866	N/A	15,777
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	N/A	7,382
Cancer Treatment Research	93.395	N/A	151,929
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	141,107
Biomedical Research and Research Training	93.859	N/A	3,373,168
<u>Pass-through Morehouse College:</u>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	T1023447	3,257

The accompanying notes are an integral part of this schedule.

DELAWARE STATE UNIVERSITY

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifier</u>	<u>Federal Expenditures</u>
<u>Research and Development Cluster (Continued)</u>			
<u>Pass-through University of Delaware:</u>			
National Center for Research Resources	93.389	31367	\$ 126,755
National Center for Research Resources	93.389	34416	172,477
National Center for Research Resources	93.389	28942	21,444
National Center for Research Resources	93.389	31704	556,788
Total U.S. Department of Health and Human Services			4,570,084
Total Research and Development Cluster			13,768,772
<u>Other Federal Awards</u>			
U.S. Department of Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	N/A	53,117
1890 Institution Capacity Building Grants	10.216	N/A	491,523
Community Outreach and Assistance Partnership Program	10.443	N/A	84,515
Cooperative Extension Service	10.500	N/A	480,383
Rural Business Enterprise Grants	10.769	N/A	40,258
Technical Agricultural Assistance	10.960	N/A	1,431
<u>Pass-through Cornell University:</u>			
Agriculture and Food Research Initiative (AFRI)	10.310	62426-9591	46,610
<u>Pass-through Pennsylvania State University:</u>			
Agriculture and Food Research Initiative (AFRI)	10.310	4712-DSU-USDA-9703	10,390
<u>Pass-through University of Delaware:</u>			
Cooperative Extension Service	10.500	2013-41534-21064	5,101
<u>Pass-through University of Vermont:</u>			
Cooperative Extension Service	10.500	SNE12-03	33,498
Cooperative Extension Service	10.500	SNE13-03	40,118
Total U.S. Department of Agriculture			1,286,944
U.S. Department of Commerce			
Economic Development - Technical Assistance	11.303	N/A	89,409
<u>Pass-through University of Delaware:</u>			
Coastal Zone Management Estuarine Research Reserves	11.420	NA13N054200120	27,369
<u>Pass-through Florida A&M University:</u>			
Educational Partnership Program	11.481	C2496	423
Total U.S. Department of Commerce			117,201
U.S. Department of Justice			
<u>Pass-through University of Delaware:</u>			
Grants Reduced Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	28016	67,763

The accompanying notes are an integral part of this schedule.

DELAWARE STATE UNIVERSITY

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifier</u>	<u>Federal Expenditures</u>
<u>Other Federal Awards (Continued)</u>			
U.S. Department of the Transportation			
<u>Pass-through State of Delaware:</u>			
Highway Research and Development Program	20.200	T201363601	\$ 61,957
Highway Training and Education	20.215	T201363001	1,474
<u>Pass-through University of Delaware:</u>			
Highway Training and Education	20.215	12-1571	7,428
Highway Training and Education	20.215	15-1571	525
Total U.S. Department of the Transportation			<u>71,384</u>
National Aeronautics and Space Administration			
Science	43.001	N/A	<u>204,541</u>
National Science Foundation			
Engineering Grants	47.041	N/A	6,215
Education and Human Resources	47.076	N/A	212,956
Total National Science Foundation			<u>219,171</u>
Small Business Administration			
Prime Technical Assistance	59.050	N/A	72
<u>Pass-through University of Delaware:</u>			
Small Business Development Centers	59.037	34132	17,386
Total Small Business Administration			<u>17,458</u>
U.S. Department of Education			
Higher Education - Institutional Aid	84.031	N/A	<u>3,404,760</u>
U.S. Department of Health and Human Services			
<u>Pass-through State of Delaware:</u>			
Family Planning Services	93.217	12-332	4,570
<u>Pass-through Howard University :</u>			
Special Minority Initiatives	93.960	97010601	18
Total U.S. Department of Health and Human Services			<u>4,588</u>
Total Other Federal Awards			<u>5,393,810</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 66,223,822</u>

The accompanying notes are an integral part of this schedule.

DELAWARE STATE UNIVERSITY

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of the Delaware State University (the University) are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133, Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. These programs represent all Federal award programs with fiscal year 2014, cash or non-cash expenditure activities in order to meet the 50% coverage requirement. We have evaluated the Federal financial assistance programs of the University for the year ended June 30, 2014, and have selected these major programs for testing. Our actual coverage was 97%. The major programs tested are listed below.

Major Program	Federal CFDA Number	Federal Expenditures
Student Financial Aid Cluster	Various	\$ 47,061,240
Research and Development Cluster	Various	13,768,772
Higher Education - Institutional Aid	84.031	3,404,760
Total Major Programs		\$ 64,234,772

2. BASIS OF PRESENTATION

The schedule of expenditures of Federal awards has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

3. LOAN PROGRAM

Loans guaranteed by the Federal government are made to the University students by various lenders. During the year ended June 30, 2014, the University's students were provided the following new loans:

Cluster/Program Title	Federal CFDA Number	Federal Expenditures
Federal Direct Loan Program	84.268	\$ 37,868,922

The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. Accordingly, the value of these outstanding loans is not reflected in the University's financial statements. It is not practical to determine the balance of loans outstanding to students of the University under this program as of June 30, 2014.

DELAWARE STATE UNIVERSITY

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

3. LOAN PROGRAM (Continued)

In addition, there were no disbursements under the Federal Perkins Loan Program (CFDA #84.038). As of June 30, 2014, the outstanding Perkins Loan balance was \$194,360.

4. FACILITIES AND ADMINISTRATIVE COST ALLOWANCE

Facilities and administrative costs applicable to the University's sponsored research grants were charged to programs based on predetermined rates. The rate was 45.50% for on-campus research for the year ended June 30, 2014. The University had no off-campus research activities for the year ended June 30, 2014.

5. SUBRECIPIENTS

Of the Federal expenditures presented in the Schedule, the University provided Federal awards to the subrecipients:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Grants for Agricultural Research, Special Research	10.200	\$ 23,963
1890 Institution Capacity Building Grants	10.216	70,116
Agriculture and Food Research Initiative (AFRI)	10.310	2,407
Basic Scientific Research	12.431	167,025
Basic, Applied, and Advanced Research in Science and Engineering	12.630	9,356
Science	43.001	321,230
Biological Sciences	47.074	95,407
Social, Behavioral, and Economic Sciences	47.076	51,595
Renewable Energy Research and Development	81.087	74,950
Biomedical Research and Research Training	93.859	1,010,614
Total		\$ 1,826,663

DELAWARE STATE UNIVERSITY

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Section I- Summary of Independent Public Accountant’s Results

Financial Statements

Type of Report of Independent Public Accountants’ issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of report of Independent Public Accountants’ issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes

Identification of Major Program

Major Program	Federal CFDA Number	Federal Expenditures
Student Financial Aid Cluster	Various	\$ 47,061,240
Research and Development Cluster	Various	13,768,772
Higher Education - Institutional Aid	84.031	3,404,760
Total Major Programs		\$ 64,234,772
Threshold for distinguishing between Type A and B programs		\$ 1,986,715
Did the University qualify as a low risk auditee?		No

DELAWARE STATE UNIVERSITY

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Section II –Financial Statement Findings

None identified.

Section III –Federal Award Findings

2014-001

DELAWARE STATE UNIVERSITY

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Reference Number: 2014-001

**Research and Development Cluster:
National Aeronautics and Space Administration
CFDA 43.001 Science**

Type of Finding: Compliance and Control Finding over Salary Allocable Cost

Criteria

OMB Circular A-21 requires that expenses charged to the Federal grants be adequately documented. The recipient institution is responsible for ensuring that costs charged to a sponsored agreement are allowable, allocable, and reasonable under these cost principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit.

Collection of unallowable costs, excess costs due to noncompliance with cost policies, increased costs due to failure to follow a disclosed accounting practice and increased costs resulting from a change in cost accounting practice. The following costs shall be refunded (including interest) in accordance with applicable Federal agency regulations:

- a. Costs specifically identified as unallowable in Section J, either directly or indirectly, and charged to the Federal Government.
- b. Excess costs due to failure by the educational institution to comply with the cost policies in this Circular.
- c. Increased costs due to a noncompliant cost accounting practice used to estimate, accumulate, or report costs.
- d. Increased costs resulting from a change in accounting practice.

Condition

During our testing, we noted for 1 payroll transaction out of 18 that the salaries allocated to the Federal award were not adjusted based on the after the fact time and effort reports certified by the employee. Time charged to the program was based on a budgeted time allocation percentage determined at the beginning of the program year. The employee certified their time on a semi-annual basis, but the percentage of time certified was not used to adjust the payroll allocations.

Cause

The University does not consistently reconcile the time and effort reports certified by employees to the payroll and accounting system.

Effect

The programs could be charged for time that employees did not spend on the program, thus overstating costs to the program.

Recommendation

We recommend the University implement procedures to ensure the final time and effort percentage in the payroll and accounting system agree to the time and effort report certified by employees.

Questioned costs

\$11,307

DELAWARE STATE UNIVERSITY

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Reference Number: 2014-001 (Continued)

Corrective Action Plan

The institution will take immediate action to address the issues included in this finding. The University will develop a payroll report to assist the Office of Sponsored Programs with the reconciliation process of time and effort reports. On a long-term basis, the University will assess the need for an automated process which would involve the implementation of the Human Resources module in its ERP system, Banner.

Contact: Dr. John Austin, Associate VP for Research and Sponsored Programs

Implementation Date: Immediate Solution - September 30, 2015

DELAWARE STATE UNIVERSITY

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2014**

Reference Number: 2013-001

**Student Financial Assistance Cluster:
CFDA 84.268 Federal Direct Loan Program**

Type of Finding: Noncompliance over Special Tests and Provisions – Enrollment Reporting

Criteria

A participating school shall establish and maintain proper administrative and fiscal procedures and all necessary records as set forth in this part and in 34 CFR part 668; and submit all reports required by this part and 34 CFR part 668 to the Secretary (34CFR 685.309(a)). A school shall upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student (34CFR 685.309(b)). A school shall follow accounting requirements in 34 CFR 668.24(b). (34CFR 685.309(d)). An institution shall account for the receipt and expenditure of title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis; financial records that reflect each HEA, title IV program transaction; and general ledger control accounts and related subsidiary accounts that identify each title IV, HEA program transaction and separate those transactions from all other institutional financial activity (34 CFR 668.24(b)).

Context, Condition and Effect

Under the Direct Loan program, the University must complete and return within 30 days the Enrollment Reporting roster file placed in the University's Student Aid Internet Gateway (SAIG) mailboxes sent by ED via NSLDS unless it expects to submit its next roster to the Secretary within the next 60 days. The University updates the changes in student status, reports the date the enrollment status was effective, enters the new anticipated completion date, and submits the changes electronically.

Cause

Due to supervisory level oversight that was not performed on a timely basis, enrollment data was not reported within the prescribed timeframe.

Recommendation

We recommend that the University review its processes and controls governing enrollment reporting to ensure that student changes are documented accurately and in a timely manner.

Questioned Costs

None identified.

DELAWARE STATE UNIVERSITY

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2014**

Reference Number: 2013-001 (Continued)

Corrective Action Plan

The institution will take immediate action to address both issues included in this finding. Manual updates have been provided on NSLDS and Clearinghouse data final submissions. In addition, there will be modifications in the University's Clearinghouse transmission schedule to include additional reporting during and after peak withdrawal periods in the semester and immediately after the end of summer sessions.

Status Update

No findings noted during 2014 testing.

DELAWARE STATE UNIVERSITY

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2014**

Reference Number: 2013-002

**Research and Development Cluster:
CFDA 10.500 Cooperative Extension Services
CFDA 84.031 Higher Education – Institutional Aid**

Type of Finding: Noncompliance over Suspension and Debarment

Criteria

Federal awarding agencies and recipients shall comply with the nonprocurement debarment and suspension common rule implementing E.O.s 12549 and 12689, "Debarment and Suspension." This common rule restricts subawards and contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities (OMB Circular A-110; Subpart A Section 13).

Context, Condition and Effect

The University established policies and procedures that match all the University vendors against the Excluded Parties List (EPLS) maintained by the General Services Administration. During 2013 audit, predecessor auditor requested documentation of the University's EPLS match process and were informed that it had not yet been completed. Subsequent to predecessor auditor request, the University completed the EPLS match to the University vendor records and noted no matches for debarred parties.

Cause

The University did not complete the EPLS match process during the fiscal year ended June 30, 2013 due to staff turnover.

Recommendation

We recommend that the University strengthen its procedures to ensure its EPLS process is completed timely and, within the appropriate federal awards expenditure period.

Questioned Costs

None identified.

Corrective Action Plan

The University concurs with the finding and will review the Excluded Parties List (EPLS) semi-annually to ensure compliance.

Status Update

No findings noted during 2014 testing.