

**DELAWARE STATE UNIVERSITY**

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

**For the Year Ended June 30, 2015**



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**JUNE 30, 2015**

**CONTENTS**

Report of Independent Public Accountants	1
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 <i>Government Auditing Standards</i>	4
Report of Independent Public Accountants on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	6
Schedule of Expenditures of Federal Awards	9
Notes to the Schedule of Expenditures of Federal Awards	13
Schedule of Findings and Questioned Costs	15
Schedule of Prior Year Findings and Questioned Costs	23



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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 unit of Delaware State University (the University), a component unit of the State of Delaware, as of and for the year ended June 30, 2015 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.



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### ***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 unit of the University, as of June 30, 2015, 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***

#### ***Adoption of New Accounting Standard***

As discussed in Notes 1 and 12 to the financial statements, during the year ended June 30, 2015, the University adopted new accounting guidance from Government Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions”. 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 and the Required Supplemental Schedule of Proportionate Share of Net Pension Liability 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.

#### ***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* is presented for purposes of additional analysis and is 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.



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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 October 8, 2015, 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  
October 8, 2015

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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 unit of Delaware State University (the University), a component unit of the State of Delaware, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 8, 2015.

***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  
March 23, 2015

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON  
COMPLIANCE FOR 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, 2015. 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, 2015.

### ***Other Matter***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, and 2015-003. Our opinion on each major Federal program is not modified with respect to this matter.

The University's response to the noncompliance findings 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 as a basis for designing 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-003 that we consider to be significant deficiencies.

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 23, 2015

*S B & Company, LLC*

# DELAWARE STATE UNIVERSITY

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifier</u>	<u>Federal Expenditures</u>
<b><u>Student Financial Assistance Cluster</u></b>			
<b>U.S. Department of Education</b>			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ 201,225
Federal Work-Study Program	84.033	N/A	191,393
Federal Perkins Loan Program	84.038	N/A	18,401
Federal Pell Grant Program	84.063	N/A	9,061,976
Federal Direct Loan Program	84.268	N/A	36,341,882
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	24,439
<b>Total Student Financial Assistance Cluster</b>			<b>45,839,316</b>
<b><u>Research and Development Cluster</u></b>			
<b>U.S. Department of Agriculture</b>			
Agricultural Research - Basic and Applied Research	10.001	N/A	32,895
Grants for Agricultural Research, Special Research Grants	10.200	N/A	13,800
Cooperative Forestry Research	10.202	N/A	69,265
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	N/A	584,497
Grants for Agricultural Research - Competitive Research Grants	10.206	N/A	539,721
1890 Institution Capacity Building Grants	10.216	N/A	1,005,811
Agriculture and Food Research Initiative (AFRI)	10.310	N/A	86,173
Technical Agricultural Assistance	10.960	N/A	82,736
<b><u>Pass-through State of Delaware:</u></b>			
Specialty Crop Block Grant Program - Farm Bill	10.170	SCBGP-FB-14-03	16,463
<b><u>Pass-through University of Vermont:</u></b>			
Sustainable Agriculture Research and Education	10.215	ONE-14-215-27806	5,850
<b><u>Pass-through Virginia State University:</u></b>			
1890 Institution Capacity Building Grants	10.216	2011-38821-21614	12,440
1890 Institution Capacity Building Grants	10.216	2013-SP10002	29,037
<b><u>Pass-through Delaware Department of Transportation:</u></b>			
1890 Institution Capacity Building Grants	10.216	2014DSU5205340	4,732
<b><u>Pass-through University of Delaware:</u></b>			
Agriculture and Food Research Initiative (AFRI)	10.310	25883	47,891
<b><u>Pass-through Cornell University:</u></b>			
Agriculture and Food Research Initiative (AFRI)	10.310	62426-9591	61,237
<b><u>Pass-through Pennsylvania State University:</u></b>			
Agriculture and Food Research Initiative (AFRI)	10.310	4398-DSU-USDA-0057	20,396
Agriculture and Food Research Initiative (AFRI)	10.310	4712-DSU-USDA-9703	41,962
<b>Total U.S. Department of Agriculture</b>			<b>2,654,906</b>
<b>U.S. Department of Commerce</b>			
Economic Adjustment Assistance	11.307	N/A	18,770
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	N/A	121,631
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	N/A	7,213
Unallied Science Program	11.472	N/A	28,646

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, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifier</u>	<u>Federal Expenditures</u>
<b>Research and Development Cluster (Continued)</b>			
<b>U.S. Department of Commerce (Continued)</b>			
<u>Pass-through State of Delaware:</u>			
Unallied Science Program	11.472	NA09NMF4720365	\$ 14,171
<u>Pass-through Florida A&amp;M University:</u>			
Educational Partnership Program	11.481	C3641	5,182
Educational Partnership Program	11.481	NA11SEC4810001	99,289
Educational Partnership Program	11.481	3499	137,149
<u>Pass-through University of Maryland - Eastern Shore:</u>			
Educational Partnership Program	11.481	NA11SEC4810002	91,369
<b>Total U.S. Department of Commerce</b>			<u>523,420</u>
<b>U.S. Department of Defense</b>			
Military Medical Research and Development	12.420	N/A	126,391
Basic Scientific Research	12.431	N/A	644,840
Basic, Applied, and Advanced Research in Science and Engineering	12.630	N/A	129,244
<b>Total U.S. Department of Defense</b>			<u>900,475</u>
<b>National Aeronautics and Space Administration</b>			
Science	43.001	N/A	<u>558,310</u>
<b>Institute of Museum and Library Services</b>			
Museum Grants for African American History and Culture	45.309	N/A	38,468
<u>Pass-through National Endowment of the Humanities:</u>			
Promotion of the Humanities - Fellowships and Stipends	45.160	50437	16,370
<b>Total Institute of Museum and Library Services</b>			<u>54,838</u>
<b>National Science Foundation</b>			
Computer Systems Research	47.040	N/A	27,678
Engineering Grants	47.041	N/A	73,402
Geosciences	47.050	N/A	97,510
Computer and Information Science and Engineering	47.070	N/A	4,483
Biological Sciences	47.074	N/A	315,974
Education and Human Resources	47.076	N/A	1,723,810
<u>Pass-through University of Delaware:</u>			
Education and Human Resources	47.076	30705	91,473
Education and Human Resources	47.076	34656	193,818
International Science and Engineering (OISE)	47.079	34656	1,103,963
<u>Pass-through Drexel University:</u>			
Education and Human Resources	47.076	235920	15,116
Education and Human Resources	47.076	P0044909	9,916
Education and Human Resources	47.076	HRD-1400399	72,985
Education and Human Resources	47.076	HRD-0903924	18,650
<b>Total National Science Foundation</b>			<u>3,748,778</u>
<b>U.S. Department of Energy</b>			
Renewable Energy Research and Development	81.087	N/A	48,070
Fossil Energy Research and Development	81.089	N/A	64,746
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	N/A	28,748

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, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifier</u>	<u>Federal Expenditures</u>
<b>Research and Development Cluster (Continued)</b>			
<b>U.S. Department of Energy (Continued)</b>			
<u>Pass-through Florida A&amp;M University:</u>			
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	4320	\$ 36,185
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	DE-NA0001874	14,091
<b>Total U.S. Department of Energy</b>			<u>191,840</u>
<b>U.S. Department of Health and Human Services</b>			
Aging Research	93.866	N/A	144,434
Cancer Treatment Research	93.395	N/A	40,959
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	153,421
Biomedical Research and Research Training	93.859	N/A	2,963,392
<u>Pass-through State of Delaware:</u>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	DSU01	174
<u>Pass-through Morehouse School of Medicine:</u>			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	T1023447	777
<u>Pass-through Alfred DuPont Hospital for Children Nemours:</u>			
Biomedical Research and Research Training	93.859	5P20GM109021-02	5,120
<u>Pass-through University of Delaware:</u>			
National Center for Research Resources	93.389	34416	21,088
National Center for Research Resources	93.389	40093	18,820
National Center for Research Resources	93.389	31704	11,185
Biomedical Research and Research Training	93.859	38922	548,795
<b>Total U.S. Department of Health and Human Services</b>			<u>3,908,165</u>
<b>Total Research and Development Cluster</b>			<u>12,540,732</u>
<b>Other Federal Awards</b>			
<b>U.S. Department of Agriculture</b>			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	N/A	50,644
Community Outreach and Assistance Partnership Program	10.443	N/A	44,938
Cooperative Extension Service	10.500	N/A	1,110,395
Rural Business Enterprise Grants	10.769	N/A	69
<u>Pass-through University of Vermont:</u>			
Cooperative Extension Service	10.500	SNE-14-03-29001	46,826
Cooperative Extension Service	10.500	SNE13-03	29,844
<u>Pass-through University of Delaware:</u>			
Cooperative Extension Service	10.500	2013-41534-21064	13,499
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	38260	151,172
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	22118	2,113
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	34488	99,927
<b>Total U.S. Department of Agriculture</b>			<u>1,549,427</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, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifier</u>	<u>Federal Expenditures</u>
<b>Other Federal Awards (Continued)</b>			
<b>U.S. Department of Commerce</b>			
Economic Development - Technical Assistance	11.303	N/A	\$ 107,374
<u>Pass-through Delaware Department of Agriculture and Natural Resources:</u>			
Coastal Zone Management Estuarine Research Reserves	11.420	NA13N054200120	22,154
<b>Total U.S. Department of Commerce</b>			<u>129,528</u>
<b>U.S. Department of Defense</b>			
Basic, Applied, and Advanced Research in Science and Engineering	12.630	N/A	<u>188,000</u>
<b>U.S. Department of Justice</b>			
<u>Pass-through University of Delaware:</u>			
Grants Reduced Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	28016	<u>88,358</u>
<b>U.S. Department of the Transportation</b>			
<u>Pass-through Delaware Department of Transportation:</u>			
Highway Research and Development Program	20.200	DOT-DSU-14	61,229
Highway Training and Education	20.215	15-1571	12,441
<b>Total U.S. Department of the Transportation</b>			<u>73,670</u>
<b>National Endowment for the Humanities</b>			
Promotion of the Humanities Division of Preservation and Access	45.149	N/A	<u>1,937</u>
<b>U.S. Department of Education</b>			
Higher Education - Institutional Aid	84.031	N/A	<u>3,360,269</u>
<b>U.S. Department of Health and Human Services</b>			
<u>Pass-through Delaware Department of Health and Social Service:</u>			
Family Planning Services	93.217	12-332	<u>8,724</u>
<b>Total Other Federal Awards</b>			<u>5,399,913</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 63,779,961</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, 2015

### 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 2015, 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, 2015, and have selected these major programs for testing. Our actual coverage was 93%. The major programs tested are listed below.

<u>Major Programs</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Student Financial Aid Cluster	Various	\$ 45,839,316
Research and Development Cluster	Various	12,540,732
Cooperative Extension Service	10.500	1,200,564
<b>Total Major Programs</b>		<b>\$ 59,580,612</b>

### 2. BASIS OF PRESENTATION

The schedule of expenditures of Federal awards (the Schedule) 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, 2015, the University's students were provided the following new loans:

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Direct Loan Program	84.268	\$ 36,341,882

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, 2015.

# DELAWARE STATE UNIVERSITY

## Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

### 3. LOAN PROGRAM (continued)

In addition, there were no disbursements under the Federal Perkins Loan Program (CFDA No. 84.038). As of June 30, 2015, the outstanding Perkins Loan balance was \$18,401. The Perkins Loan program was liquidated in fiscal year 2016.

### 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 46% for on-campus research for the year ended June 30, 2015. The University had no off-campus research activities for the year ended June 30, 2015.

### 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 Grants	10.200	\$ 1,957
1890 Institution Capacity Building Grants	10.216	77,053
Basic Scientific Research	12.431	270,694
Basic, Applied, and Advanced Research in Science and Engineering	12.630	50,979
Science	43.001	199,171
Biological Sciences	47.074	64,732
Education and Human Resources	47.076	28,084
<b>Total</b>		<b><u>\$ 692,670</u></b>

**DELAWARE STATE UNIVERSITY**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

**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? Yes

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**

<u>Major Programs</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Student Financial Aid Cluster	Various	\$ 45,839,316
Research and Development Cluster	Various	12,540,732
Cooperative Extension Service	10.500	1,200,564
<b>Total Major Programs</b>		<b>\$ 59,580,612</b>

Threshold for distinguishing between Type A and B programs \$ 822,590

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, 2015**

**Section II –Financial Statement Findings**

None identified.

**Section III –Federal Award Findings**

Findings 2015-001 thru 2015-003.

# DELAWARE STATE UNIVERSITY

## Schedule of Current Year Findings and Questioned Costs For the Year Ended June 30, 2015

### Finding 2015-001

#### Student Financial Assistance Cluster

CFDA No. 84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)
CFDA No. 84.033	Federal Work- Study Program (FWS)
CFDA No. 84.038	Federal Perkins Loan (FPL) - Federal Capital Contributions
CFDA No. 84.063	Federal Pell Grant Program (Pell)
CFDA No. 84.268	Federal Direct Student Loans (Direct Loan)
CFDA No. 84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)

#### U.S. Department of Education (ED)

### Compliance and Internal Control Deficiency over Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loans)

#### *Condition:*

During our review of the borrower data transmission and reconciliations for fiscal year 2015, we noted that the required monthly borrower reconciliations had not been fully reconciled for the months in fiscal year 2015. There were unreconciled differences that had not been addressed.

#### *Criteria:*

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The characteristics of internal control are presented in the context of the components of internal control discussed in Internal Control – Integrated Framework (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

Per 34 CFR Section 685.102, 301, and 3939 an Institution must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement. Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records.

Per OMB A-133:

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the COD within 30 days of disbursement (*OMB No. 1845-0021*). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records.

**DELAWARE STATE UNIVERSITY**

**Schedule of Current Year Findings and Questioned Costs  
For the Year Ended June 30, 2015**

***Criteria:***

Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301, and 303).

***Cause:***

The University has not developed a system to efficiently reconcile the institutions records with the Direct Loan Servicing System on a monthly basis as required. The reconciling items are not identified or verified against the University's financial records.

***Effect:***

Without proper procedures in place, there is no assurance that loan disbursements are properly identified and tracked by the University.

***Questioned Costs:***

Unknown.

***Recommendation:***

We recommend that the University put procedures in place to have these reconciliations performed and all reconciling items appropriately addressed on a monthly basis in accordance with the Federal regulations.

***Auditee Updated Response and Corrective Action Plan:***

Delaware State University (DSU) concurs with this finding. Fiscal year 2014 – 2015 was a transitional year for the financial aid office due to being realigned within the organization and turnover in critical positions.

The University will reconcile the Direct Loan program for fiscal year 14-15 by July 15, 2016. In addition, procedures will be put in place to ensure Direct Loan reconciliations are performed monthly. The Assistant VP of Student Financial Aid will work with DSU's finance department to reconcile transactions against Banner Financial Aid Fund reports and COD SAS data files each month. The Assistant VP of Student Financial Aid and Associate Vice President for Finance will approve the monthly reconciliations to ensure accuracy and timely completion.

***Contact:*** Dr. Stacy Downing, VP for Student Affairs

***Implementation Date:*** July 15, 2016

# DELAWARE STATE UNIVERSITY

## Schedule of Current Year Findings and Questioned Costs For the Year Ended June 30, 2015

### Finding 2015-002

#### Student Financial Assistance Cluster

CFDA No. 84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)
CFDA No. 84.033	Federal Work- Study Program (FWS)
CFDA No. 84.038	Federal Perkins Loan (FPL) - Federal Capital Contributions
CFDA No. 84.063	Federal Pell Grant Program (Pell)
CFDA No. 84.268	Federal Direct Student Loans (Direct Loan)
CFDA No. 84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)

#### U.S. Department of Education (ED)

### Compliance and Internal Control Deficiency over Special Tests and Provisions - Borrower Data Transmission and Reconciliation (Direct Loans)

#### *Condition:*

During our testing of Disbursement to or on Behalf of Students, we reviewed the disbursement date and amount of direct loan between the school system and Common Origination and Disbursement (COD) system for forty students. Three out of forty students' disbursement date was incorrectly reported to the COD system.

#### *Criteria:*

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The characteristics of internal control are presented in the context of the components of internal control discussed in Internal Control – Integrated Framework (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

Per OMB A-133:

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the COD within 30 days of disbursement (*OMB No. 1845-0021*). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301, and 303).

#### *Cause:*

The University did not have proper controls in place to review and report the student's disbursement date per the school records to the COD System.

**DELAWARE STATE UNIVERSITY**

**Schedule of Current Year Findings and Questioned Costs  
For the Year Ended June 30, 2015**

***Effect:***

ED processes the incorrect disbursement records from COD system since the disbursement date per COD system did not match the disbursement date in the school student's account.

***Questioned Costs:***

None.

***Recommendation:***

We recommend that the University implement review procedures to ensure that the disbursement date in the school system is consistent with COD system.

***Auditee Updated Response and Corrective Action Plan:***

Delaware State University (DSU) concurs with this finding. Fiscal year 2014 – 2015 was a transitional year for the financial aid office due to being realigned within the organization and turnover in critical positions.

The University will reconcile the Direct Loan program for fiscal year 14-15 by July 15, 2016. In addition, procedures will be put in place to ensure Direct Loan reconciliations are performed monthly. The Assistant VP of Student Financial Aid will work with DSU's finance department to reconcile transactions against Banner Financial Aid Fund reports and COD SAS data files each month. The Assistant VP of Student Financial Aid and Associate Vice President for Finance will approve the monthly reconciliations to ensure accuracy and timely completion.

***Contact:*** Dr. Stacy Downing, VP for Student Affairs

***Implementation Date:*** July 15, 2016

# DELAWARE STATE UNIVERSITY

## Schedule of Current Year Findings and Questioned Costs For the Year Ended June 30, 2015

### Finding 2015-003

#### Student Financial Assistance Cluster

CFDA No. 84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)
CFDA No. 84.033	Federal Work- Study Program (FWS)
CFDA No. 84.038	Federal Perkins Loan (FPL) - Federal Capital Contributions
CFDA No. 84.063	Federal Pell Grant Program (Pell)
CFDA No. 84.268	Federal Direct Student Loans (Direct Loan)
CFDA No. 84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)

#### U.S. Department of Education (ED)

### Compliance and Internal Control Deficiency over Special Tests and Provisions - Return of Title IV Funds

#### **Condition:**

During our testing of Return of Title IV funds, we reviewed the refund calculations for forty students. For six out of forty students, the Return of Title IV calculation performed by the University Financial Aid Office was inaccurate resulting in an incorrect refund to the Department of Education.

#### **Criteria:**

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The characteristics of internal control are presented in the context of the components of internal control discussed in *Internal Control – Integrated Framework* (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

Per 34 CFR Section 668.22:

In part, that an institution is required to have a fair and equitable refund policy. Per 34 CFR Section 668.22, when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student has unofficially withdrawn. The unearned portion of Title IV funds must be returned to the Department of Education within 45 calendar days of the date the student officially withdraws. Any unearned funds must be returned to the Title IV program and no additional disbursements may be made to the student for the payment period. If the student ceases attendance without providing official notification to the institution of his or her withdrawal in accordance with paragraph (c) (1) (i) or (c) (1) (ii) of this section, the mid-point of the payment period (or period of enrollment), is applicable.

# DELAWARE STATE UNIVERSITY

## Schedule of Current Year Findings and Questioned Costs For the Year Ended June 30, 2015

### *Cause:*

The University made an error in the calculation of the Title IV refund amount.

### *Effect:*

This resulted in the incorrect amount being returned to the Department of Education.

### *Questioned Costs:*

The questioned cost associated with the six exceptions was \$7,259.

### *Recommendation:*

We recommend that the University implement procedures to ensure that the Title IV return calculation is accurate and in accordance with the guidance.

### *Auditee Updated Response and Corrective Action Plan:*

Delaware State University (DSU) concurs with this finding. DSU will immediately act on the recommendation to put procedures in place to ensure the correct amount of Title IV aid is returned to the Department on Education as required.

Going forward, the Assistant VP of Student Financial Aid will randomly spot-check Banner outputs to ensure Return of Title IV funds calculations are accurate and subsequently returned to the Department of Education as required. On a quarterly basis, the internal auditor will provide an additional layer of review to make certain the Banner process is calculating as intended.

*Contact:* Dr. Stacy Downing, VP for Student Affairs

*Implementation Date:* July 15, 2016

# DELAWARE STATE UNIVERSITY

## Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2015

Reference Number: 2014-001

Research and Development Cluster:  
CFDA 43.001 Science

National Aeronautics and Space Administration

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.

**DELAWARE STATE UNIVERSITY**

**Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2015**

***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

***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.

***Auditor Conclusion:***

Based on follow-up testing performed during 2015, the finding is resolved.