

DELAWARE STATE UNIVERSITY

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

For the Year Ended June 30, 2016



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2016

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 Uniform Guidance	6
Schedule of Expenditures of Federal Awards	9
Notes to the Schedule of Expenditures of Federal Awards	17
Schedule of Findings and Questioned Costs	19
Schedule of Prior Year Findings and Questioned Costs	23



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Trustees
Delaware State University

Report on the Financial Statements

We have audited the 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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

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 from 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 entity'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 entity'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.



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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 its aggregate discretely presented component unit, as of June 30, 2016, and their respective change in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 and Schedule of Contributions 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 audits 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 opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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 November 23, 2016, 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
November 23, 2016

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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*

The 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 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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 23, 2016.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs in which the findings are reported, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness as item 2016-001.



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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.

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*.

University's Response to Findings

The University's response to the 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 audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
November 23, 2016

SB & Company, LLC



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH UNIFORM GUIDANCE**

The 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 (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 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 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 the Uniform Guidance, 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 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.

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.



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hunt Valley, Maryland
March 28, 2017

SB & Company, LLC

DELAWARE STATE UNIVERSITY

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Total Federal Expenditures
<u>Student Financial Assistance Cluster</u>				
Department of Education Direct Program				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ -	\$ 156,576
Federal Work-Study Program	84.033	N/A	-	164,927
Federal Pell Grant Program	84.063	N/A	-	9,125,115
Federal Direct Loan Program	84.268	N/A	-	38,231,008
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	-	12,973
Total Department of Education Direct Program			-	47,690,599
Total Student Financial Assistance Cluster				
			-	47,690,599
<u>Research and Development Cluster</u>				
Department of Agriculture Direct Program				
Agricultural Research - Basic and Applied Research	10.001	N/A	-	6,563
Grants for Agricultural Research, Special Research Grants	10.200	N/A	-	2,839
Cooperative Forestry Research	10.202	N/A	-	85,004
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	N/A	-	1,069,950
Grants for Agricultural Research - Competitive Research Grants	10.206	N/A	-	249,380
1890 Institution Capacity Building Grants	10.216	N/A	23,489	1,257,860
Agriculture and Food Research Initiative (AFRI)	10.310	N/A	-	32,244
Corp Protection and Pest Management Competitive Grants Program	10.329	N/A	-	9,419
Community Outreach and Assistance Partnership Program	10.443	N/A	-	33,205
Rural Business Enterprise Grants	10.769	N/A	-	1,501
Technical Agricultural Assistance	10.960	N/A	-	466,857
Subtotal Department of Agriculture Direct Program			23,489	3,214,822

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, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Total Federal Expenditures
Department of Agriculture Pass-Through Programs From:				
<i>Passed Through State of Delaware</i>				
Specialty Crop Block Grant Program - Farm Bill	10.170	14-SCBGP-DE-0010	\$ -	\$ 12,327
<i>Passed Through University of Maryland, College Park</i>				
Grants for Agricultural Research, Special Research Grants	10.200	29182-Z5659004	4,537	4,601
<i>Passed Through University of Vermont</i>				
Sustainable Agriculture Research and Education	10.215	ONE14-215-2806	-	1,142
<i>Passed Through Department of Transportation, State of Delaware</i>				
1890 Institution Capacity Building Grants	10.216	2014-38821-22430	-	60,842
<i>Passed Through Virginia State University</i>				
1891 Institution Capacity Building Grants	10.216	2013-SP10002	-	24,409
<i>Passed Through Tennessee State University</i>				
1892 Institution Capacity Building Grants	10.216	37209-1561	-	4,829
<i>Passed Through Cornell University</i>				
Agriculture and Food Research Initiative	10.310	2011-67009-30055	-	26,682
<i>Passed Through Pennsylvania State University</i>				
Agriculture and Food Research Initiative	10.310	4712-DSU-USDA-9703	-	80,446
<i>Passed Through Animal and Plant Health Inspection Service</i>				
Cooperative Extension Service	10.500	5152-DSU-USDA-2628	-	2,204
<i>Passed Through University of Delaware</i>				
Cooperative Extension Service	10.500	2013-41534-21064	-	4,872
<i>Passed Through University of Vermont</i>				
Cooperative Extension Service	10.500	SNE-14-03	-	51,591
<i>Passed Through University of Vermont</i>				
Cooperative Extension Service	10.500	SNE-14-03	-	157,733
Subtotal of Department of Agriculture Pass-Through Programs			<u>4,537</u>	<u>431,678</u>
Total of Department of Agriculture			<u>28,026</u>	<u>3,646,500</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, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Total Federal Expenditures
Department of Commerce Direct Program				
Economic Adjustment Assistance	11.307	N/A	\$ -	\$ 204,469
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	N/A	-	52,072
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	N/A	-	40,130
Unallied Science Program	11.472	N/A	-	20,000
Educational Partnership Program with Minority Serving Institutions	11.481	N/A	-	570
Subtotal of Department of Commerce Direct Program			<u>-</u>	<u>317,241</u>
Department of Commerce Pass-Through Programs From:				
<i>Passed Through University of Maryland Eastern Shore</i>				
Educational Partnership Program	11.481	NA11SEC4810002	-	217,590
<i>Passed Through Florida Agricultural & Mechanical University</i>				
Educational Partnership Program	11.481	C-4261	-	247,785
Subtotal of Department of Commerce Pass-Through Programs			<u>-</u>	<u>465,375</u>
Total Department of Commerce			<u>-</u>	<u>782,616</u>
Department of Defense Direct Program				
Basic and Applied Scientific Research	12.300	N/A	-	79,423
Basic Scientific Research	12.431	N/A	172,315	816,575
Basic, Applied, and Advanced Research in Science and Engineering	12.630	N/A	37,981	125,516
Air Force Defence Research Scientific Program	12.800	N/A	-	14,494
Subtotal of Department of Defense Direct Program			<u>210,296</u>	<u>1,036,008</u>
Department of Defense Pass-Through Programs From:				
<i>Passed Through Academy of Applied Science</i>				
Basic, Applied, and Advanced Research in Science and Engineering	12.630	W911NF-10-2-0076	-	6,500
<i>Passed Through U.S. Army</i>				
Basic, Applied, and Advanced Research in Science and Engineering	12.630	W911NF-10-2-0076	-	114
Subtotal of Department of Defense Pass-Through Programs			<u>-</u>	<u>6,614</u>
Total Department of Defense			<u>210,296</u>	<u>1,042,622</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, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Total Federal Expenditures
National Aeronautics and Space Administration Direct Program				
Science	43.001	N/A	\$ -	\$ 107,270
Science	43.001	N/A	44,440	311,778
Science	43.001	N/A	13,714	64,253
Total of National Aeronautics and Space Administration Direct Program			<u>58,154</u>	<u>483,301</u>
Institute of Museum and Library Services Direct Program				
Museum Grants for African American History and Culture	45.309	N/A	-	59,174
Total of Institute of Museum and Library Services Direct Program			<u>-</u>	<u>59,174</u>
National Science Foundation Direct Program				
Mathematical and Physical Sciences	47.049	N/A	-	74,463
Geosciences	47.050	N/A	-	75,357
Computer and Information Science and Engineering	47.070	N/A	-	66,083
Biological Sciences	47.074	N/A	38,857	248,190
Education and Human Resources	47.076	N/A	16,457	1,951,983
Subtotal of National Science Foundation Direct Program			<u>55,314</u>	<u>2,416,076</u>
National Science Foundation Pass-Through Programs From:				
<i>Passed Through Drexel University</i>				
Education and Human Resources	47.076	U0021254	-	3,276
Education and Human Resources	47.076	U0053386	-	26,039
Education and Human Resources	47.076	HRD-1400399	-	419,593
Education and Human Resources	47.076	235920	-	12,567
<i>Passed Through University of Delaware</i>				
Education and Human Resources	47.076	30705	-	95,430
Education and Human Resources	47.076	34656	-	292,710
<i>Passed Through University of Delaware</i>				
Office of International Science and Engineering	47.079	1301765	-	1,631,088
Office of International Science and Engineering	47.079	0.999181089	-	23
Subtotal of National Science Foundation Pass-Through Programs			<u>-</u>	<u>2,480,726</u>
Total of National Science Foundation			<u>55,314</u>	<u>4,896,802</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, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Total Federal Expenditures
Department of Energy Direct Program				
Renewable Energy Research and Development	81.087	N/A	\$ -	\$ 140,285
Fossil Energy Research and Development	81.089	N/A	-	113,935
Subtotal of Department of Energy Direct Program			<u>-</u>	<u>254,220</u>
Department of Energy Pass-Through Programs From:				
<i>Passed Through Consolidated Nuclear Security, LLC</i>				
Nuclear Energy Research, Development and Demonstration	81.121	4300095752	-	23,640
<i>Passed Through Florida Agricultural & Mechanical University</i>				
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	4320	-	97,573
National Nuclear Security Administration (NNSA) Minority Serving Institutions (MSI) Program	81.123	DE-NA0001874	-	5,191
Subtotal of Department of Energy Pass-Through Program			<u>-</u>	<u>126,404</u>
Total of Department of Energy			<u>-</u>	<u>380,624</u>
Department of Health and Human Services Direct Program				
Aging Research	93.866	N/A	-	277,855
Cancer Treatment Research	93.395	N/A	-	9,657
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	-	189,074
Extramural Research Program in the Neurosciences and Neurological Disorders	93.853	N/A	-	27,646
Biomedical Research and Research Training	93.859	N/A	1,121,482	1,660,585
Subtotal Department of Health and Human Services Direct Program			<u>1,121,482</u>	<u>2,164,817</u>
Department of Health and Human Services Pass-Through Programs From:				
<i>Passed Through University of Delaware</i>				
National Center for Research Resources	93.389	40093	-	618,485
<i>Passed Through Alfred DuPont Hospital for Children Nemours</i>				
Biomedical Research and Research Training	93.859	5P20GM109021-02	-	331,368
<i>Passed Through University of Delaware</i>				
Biomedical Research and Research Training	93.859	2P20GM103446-14	-	20,480
Subtotal of Department of Health and Human Services Pass-Through Program			<u>-</u>	<u>970,333</u>
Total of Department of Health and Human Services			<u>1,121,482</u>	<u>3,135,150</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, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Total Federal Expenditures
National Endowment for the Humanities Direct Program				
Promotion of the Humanities Division of Preservation and Access	45.149	N/A	\$ -	\$ 1,170
Total of National Endowment for the Humanities Direct Program			<u>-</u>	<u>1,170</u>
Department of Justice Pass-Through Programs From:				
<i>Passed Through University of Delaware</i>				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	2014-WA-AX-0011	-	75,870
Total of Department of Justice			<u>-</u>	<u>75,870</u>
Total Research and Development Cluster			<u>1,473,272</u>	<u>14,503,829</u>
<u>Other Programs</u>				
Department of Agriculture Direct Program				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	N/A	-	50,483
Farmers' Market and Local Food Promotion Program	10.168	N/A	-	13,427
Integrated Programs	10.303	N/A	-	1,008
Community Outreach and Assistance Partnership Program	10.443	N/A	9,598	172,973
Cooperative Extension Service	10.500	N/A	-	2,725,406
Subtotal Department of Agriculture Direct Program			<u>9,598</u>	<u>2,963,297</u>
Department of Agriculture Pass-Through Programs From:				
<i>Passed Through University of Delaware</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	38260	-	96,730
<i>Passed Through University of Delaware</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	43574	-	163,380
<i>Passed Through University of Delaware</i>				
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	890522-18576	-	5,810
Subtotal Department of Agriculture Pass-Through Program			<u>-</u>	<u>265,920</u>
Total of Department of Agriculture			<u>9,598</u>	<u>3,229,217</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, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Total Federal Expenditures
Department of Education Direct Program				
Higher Education - Institutional Aid	84.031	N/A	\$ -	\$ 3,135,013
Fund for the Improvement of Postsecondary Education	84.116	N/A	-	264,181
Total of Department of Education Direct Program			<u>-</u>	<u>3,399,194</u>
Department of Commerce Direct Program				
Economic Development - Technical Assistance	11.303	N/A	-	96,587
Subtotal Department of Commerce Direct Program			<u>-</u>	<u>96,587</u>
Department of Commerce Pass-Through Programs From:				
<i>Passed Through University of Delaware</i>				
Sea Grant Support	11.417	42261	-	19,286
Subtotal Department of Commerce Pass-Through Program			<u>-</u>	<u>19,286</u>
Total of Department of Commerce			<u>-</u>	<u>115,873</u>
Department of Energy Direct Program				
Fossil Energy Research and Development	81.089	N/A	-	45,277
Total of Department of Energy Direct Program			<u>-</u>	<u>45,277</u>
Department of Justice Pass-Through Programs From:				
<i>Passed Through University of Delaware</i>				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	28016	-	6,295
Total of Department of Justice Pass-Through Programs			<u>-</u>	<u>6,295</u>
Department of Transportation Pass-Through Programs From:				
<i>Passed Through Department of Transportation, State of Delaware</i>				
Highway Research and Development Program	20.200	T201563601	-	68,866
Total Department of Transportation Pass-Through Programs			<u>-</u>	<u>68,866</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, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Total Federal Expenditures
National Aeronautics and Space Administration Pass-Through Programs From:				
<i>Passed Through University of Delaware</i>				
Science	43.001	NASA EPSCOR/RID	\$ -	\$ 3
Total National Aeronautics and Space Administration Pass-Through Programs			<u>-</u>	<u>3</u>
National Science Foundation Direct Program				
Mathematical and Physical Sciences	47.049	N/A	-	501,000
Total of National Science Foundation Direct Program			<u>-</u>	<u>501,000</u>
Department of Health and Human Services Direct Programs				
Advanced Education Nursing Traineeship	93.358	N/A	-	193
Subtotal of Department of Health and Human Services Direct Programs			<u>-</u>	<u>193</u>
Department of Health and Human Services Pass-Through Programs From:				
<i>Passed Through State of Delaware</i>				
Family Planning Services	93.217	DPH# 15-346	-	2,305
<i>Passed Through University of Delaware</i>				
Biomedical Research and Research Training	93.859	39425	-	92,505
Biomedical Research and Research Training	93.859	41430	-	119,118
Subtotal of Department of Health and Human Services Pass-Through Programs			<u>-</u>	<u>213,928</u>
Total of Department of Health and Human Services			<u>-</u>	<u>214,121</u>
Total Other Programs			<u>9,598</u>	<u>7,579,846</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,482,870</u>	<u>\$ 69,774,274</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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of the Delaware State University (the University) are included in the scope of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit or Uniform Guidance). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. These programs represent Federal award programs for fiscal year 2016, cash and non-cash expenditures to ensure coverage of at least 20% of Federally granted funds. We have evaluated the Federal financial assistance programs of the University for the year ended June 30, 2016, and have selected these major programs for testing. Actual coverage is 69% of total cash and non-cash Federal award program expenditures. The major programs tested are listed below.

Expenditures reported on the Schedule of Expenditures of Federal Awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Major Programs	Federal CFDA Number	Federal Expenditures
Student Financial Aid Cluster	Various	\$ 47,690,599
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	260,110
Total Major Programs		\$ 47,950,709

2. BASIS OF PRESENTATION

The Schedule includes the Federal award activity of the University under programs of the Federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

DELAWARE STATE UNIVERSITY

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

3. LOAN PROGRAM

During the year ended June 30, 2016, the University processed the following amount of new loans under the Federal Direct Lending Loan Program. Since this program is administered by outside financial institutions, new loans made during the fiscal year relating to this program are considered current year expenditures in the Schedule of Expenditures of Federal Awards.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Direct Loan Program	84.268	\$ 38,231,008

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, 2016.

In addition, there were no disbursements under the Federal Perkins Loan Program (CFDA No. 84.038). As of June 30, 2016, there was no the outstanding Perkins Loan balances, and 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, 2016. The University had no off-campus research activities for the year ended June 30, 2016.

DELAWARE STATE UNIVERSITY

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

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?	Yes
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?	None reported
Any audit findings disclosed that are required to be reported in accordance with section 200.516 of Uniform Guidance?	No

Identification of Major Program

Major Programs	Federal CFDA Number	Federal Expenditures
Student Financial Aid Cluster	Various	\$ 47,690,599
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	260,110
Total Major Programs		\$ 47,950,709
Threshold for distinguishing between Type A and B programs		\$ 2,093,228
Did the University qualify as a low risk auditee?		Yes

DELAWARE STATE UNIVERSITY

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section II – Financial Statement Findings

Finding 2016-001.

Section III – Federal Awards Findings and Questioned Costs

None.

Section IV – Summary Schedule of Prior Year Findings

Finding 2015-001, 2015-002, and 2015-003.

DELAWARE STATE UNIVERSITY

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Finding 2016-001

All Programs

Type of Finding – Material Weaknesses over Financial Reporting

Repeat Finding: No

Criteria:

The University must maintain an adequate system of internal control over financial reporting in order to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted governmental accounting standards as established by the Governmental Accounting Standards Board (GASB).

Condition:

There were delays in closing the books for June 30, 2016, due to several accounts requiring additional reconciliations and analysis. Accounts requiring the additional analysis included cash, funds due from state treasurer, student accounts receivable, unearned grants revenue, and related party receivables. Several post-closing adjustments and audit adjustments were required for the final financial statements. Also, the University's unaudited financial statements to outside parties had significant differences from the final audited financial statements.

Cause:

The University had turnover in the key management positions in the Finance Department.

Effect:

Preparing financial statements that required material adjustments caused the University to prepare unreliable financial statements with undetected errors. Also, accurate financial information was not available to make management decisions.

Questioned Costs:

Unknown.

Recommendation:

We suggest the University ensures all accounts are properly reconciled as part of the closing process. We recommend the University evaluate roles and responsibilities of the personnel within the department and assess the skill sets of the people responsible for executing the responsibilities and oversight within the department to ensure timely and accurate interim and year end reporting.

Auditee Response and Corrective Action Plan:

The University have begun to improve our efforts by providing comprehensive training of all essential financial functions. The University also have begun data-driven monthly reconciliation and anticipate no future audit issues or concerns.

DELAWARE STATE UNIVERSITY

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Finding 2016-001 (continued)

Person Responsible: Lefeisha D. E. Cannon, Assistant Vice President and Controller

Implementation Date: June 30, 2017

Auditor's Conclusion:

Based on the above, finding remains as stated.

DELAWARE STATE UNIVERSITY

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2016**

Finding 2015-001

U.S. Department of Education (ED)

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)

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.

DELAWARE STATE UNIVERSITY

Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2016

Finding 2015-001 (continued)

Criteria: (continued)

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 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.

Auditor Conclusion:

Based on follow-up testing performed during 2016, the finding is resolved.

DELAWARE STATE UNIVERSITY

Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2016

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 - Disbursements To or On Behalf of Students

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).

DELAWARE STATE UNIVERSITY

Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2016

Finding 2015-002 (continued)

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.

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.

Auditor Conclusion:

Based on follow-up testing performed during 2016, the finding is resolved.

DELAWARE STATE UNIVERSITY

Schedule of Prior Year Findings and Questioned Costs For the Year Ended June 30, 2016

Finding 2015-003

U.S. Department of Education (ED)

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)

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 Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2016**

Finding 2015-003 (continued)

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.

Auditor Conclusion:

Based on follow-up testing performed during 2016, the finding is resolved.