

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS IN  
ACCORDANCE WITH OMB CIRCULAR A-133 YEAR ENDED JUNE 30, 2012**

**A Recommendation**

1. **Division and Department:** Finance and Administration, Controller's Office
2. **Introduction:** The Schedule of Expenditures of Federal Award Programs in Accordance with OMB Circular A-133 Year Ended June 30, 2012 (Schedule) for Oakland University (University) has been completed (Attachment A).

The audit opinion of Andrews Hooper and Pavlik P.L.C. (AH&P) states "We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above." They noted "The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*." And, "We noted certain matters that we reported to management of the University in a separate letter dated September 12, 2012." The auditor also concluded that "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, 2012." And, "We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above." Also, "The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole."

AH&P's Management Letter (Attachment B) includes internal control recommendations and management's responses.

3. **Previous Board Action:** As a result of a competitive bid process, the public accounting firm of AH&P was appointed by the Board of Trustees (Board) on March 7, 2007, and reappointed on January 9, 2008, October 30, 2008, and April 10, 2010; and following another competitive bid process, AH&P was reappointed by the Board on March 15, 2011, and March 28, 2012, to conduct annual audits of the University's financial accounting records.
4. **Budget Implications:** The annual financial audits are budgeted for in the General Fund. No budget variances have occurred or are expected.
5. **Educational Implications:** None.

Schedule of Expenditures of Federal Award Programs in  
Accordance with OMB Circular A-133 Year Ended June 30, 2012  
Oakland University  
Board of Trustees Formal Session  
October 4, 2012  
Page 2

6. **Personnel Implications:** None.

7. **University Reviews/Approvals:** The Schedule was prepared by the Controller's Office and reviewed by the Vice President for Finance and Administration, and President, audited by AH&P, and presented to the Board's Audit Committee at its October 4, 2012, meeting.

8. **Recommendation:**

RESOLVED, that the Board of Trustees accepts the Schedule of Expenditures of Federal Award Programs in Accordance with OMB Circular A-133 Year Ended June 30, 2012, which was audited by the Board's public accounting firm, Andrews Hooper & Pavlik P.L.C.


9. **Attachments:**

- A. Schedule of Expenditures of Federal Award Programs in Accordance with OMB Circular A-133 Year Ended June 30, 2012
- B. Management Letter

Submitted to the President  
on 9/25, 2012 by

  
\_\_\_\_\_  
John W. Beaghan  
Vice President for Finance and Administration and  
Treasurer to the Board of Trustees

Recommended on 9/25, 2012  
to the Board for approval by

  
\_\_\_\_\_  
Gary D. Russi  
President

Oakland University  
Schedule of Expenditures  
of Federal Award Programs  
in Accordance with OMB Circular A-133

*Year ended June 30, 2012*

Oakland University  
Schedule of Expenditures  
of Federal Award Programs  
in Accordance with OMB Circular A-133

Year Ended June 30, 2012

Table of Contents

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	3
Schedule of Expenditures of Federal Awards.....	6
Notes to Schedule of Expenditures of Federal Awards .....	8
Schedule of Findings and Questioned Costs.....	10
Summary Schedule of Prior Audit Findings.....	12

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Oakland University  
Rochester, Michigan

We have audited the financial statements of Oakland University (University) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 12, 2012. 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.

**Internal Control Over Financial Reporting**

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of 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*.

We noted certain matters that we reported to management of the University in a separate letter dated September 12, 2012.

This report is intended solely for the information and use of the Board of Trustees, the Audit Committee of the Board of Trustees, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Andrews Hooper Pavlik PLC*

Auburn Hills, Michigan  
September 12, 2012

**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Trustees  
Oakland University  
Rochester, Michigan

**Compliance**

We have audited the compliance of Oakland University (University) with the types of compliance requirements described in the *OMB 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, 2012. The University's major federal programs are identified in the summary of independent auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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. Our audit does not provide a legal determination of the University's compliance with those requirements.

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, 2012.

We did not audit the University's compliance with the requirements governing billing, recordkeeping, payment processing, reporting and due diligence functions for the University's Federal Perkins Loan Program. Those requirements govern functions performed by University Accounting Service, Inc. University Accounting Service, Inc.'s compliance with the requirements governing the functions it performs for the University was examined by other auditors, whose report was furnished to us. Based on our review of the other auditors' report, we have determined that all of the compliance requirements that are applicable to the University's Federal Perkins Loan Program

are addressed either in our report or the report of the other auditor. Based on our review of the other auditors' report, we have determined that it does not contain any findings of noncompliance pertaining to the services that University Accounting Service, Inc. performs for the University.

### **Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 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.

The internal control policies and procedures relating to billing, recordkeeping, payment processing, reporting and due diligence functions for the University's Federal Perkins Loan Program are performed at University Accounting Service, Inc. For these control categories, other auditors obtained an understanding of the design of relevant policies and procedures, determined whether they have been placed in operation and assessed control risk. The other auditor's report has been furnished to us; however, the scope of our work did not extend to these internal control policies and procedures established and maintained at University Accounting Service, Inc.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the University as of and for the year ended June 30, 2012, and have issued our report thereon dated September 12, 2012, which contained an unqualified opinion on the financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records



used to prepare the financial statements or to the financials 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 financial statements as a whole.

This report is intended solely for the information and use of the Board of Trustees, the Audit Committee of the Board of Trustees, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Andrews Hooper Pavlik PLC*

Auburn Hills, Michigan  
September 12, 2012

Oakland University  
Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Federal Grant/Pass Through Grant Program Title	Federal Catalog or Grant Number		Federal Expenditures
<b>Research and Development</b>			
U.S. Department of Health and Human Services:			
National Institutes of Health:			
Basic Research Support Grants (14)	93.RD	(1)	\$ 2,116,376
American Recovery and Reinvestment Act (8)	93.701	(1)	676,040
Passed through Michigan State University	93.262	(1)	123,870
Passed through William Beaumont Hospital	93.866	(1)	52,621
Passed through Harvard University	93.855	(1)	26,039
Health Resources and Services Administration:			
Basic Research Support Grants (2)	93.RD	(1)	66,182
U.S. Army:			
Basic Research Support Grants (11)	12.RD	(1)	620,194
Passed through Foster-Miller	12.RD	(1)	55,206
Passed through the University of Michigan	12.RD	(1)	131,701
National Science Foundation:			
Basic Research Support Grants (23)	47.RD	(1)	1,342,336
American Recovery and Reinvestment Act (4)	47.RD	(1)	413,306
Passed through Indiana University	47.074	(1)	31,682
Passed through University of Southern Mississippi	47.076	(1)	17,822
Passed through U.S. Civilian Research & Development Foundation	47.079	(1)	3,360
U.S. Air Force:			
Passed through RNET Technologies	12.RD	(1)	21,546
U.S. Department of Agriculture:			
Basic Research Support Grants (8)	10.310	(1)	619,270
Passed through Pharaoh Industries	10.212	(1)	11,232
U.S. Navy:			
Basic Research Support Grants (3)	12.300	(1)	448,491
Passed through the University of Mississippi	12.RD	(1)	28,531
U.S. Department of Defense:			
Basic Research Support Grant	12.901	(1)	9,664
Passed through Mississippi State University (3)	12.RD	(1)	781,842
Passed through Virginia Polytechnic Institute and State University	12.910	(1)	65,649
Passed through University of Michigan	12.910	(1)	16,346
Passed through Yale University	12.910	(1)	85,632
U.S. Department of Education:			
American Recovery and Reinvestment Act passed through			
Ohio State University	84.396	(1)	679,343
Passed through Ohio State University	84.396	(1)	108,149
Passed through the University of Michigan	84.133	(1)	24,710
U.S. Department of Energy:			
Basic Research Support Grant	81.086	(1)	245,614
American Recovery and Reinvestment Act passed through			
University of Minnesota	81.122	(1)	8,302
Passed through U.S. Automotive Material Partnership (4)	81.000	(1)	78,267
Passed through Battelle (4)	81.RD	(1)	90,459
Passed through Intelligent Automation, Inc.	81.086	(1)	164,048
Passed through Oak Ridge National Laboratory	81.RD	(1)	10,238

Oakland University  
Schedule of Expenditures of Federal Awards (continued)

Year ended June 30, 2012

Federal Grant/Pass Through Grant Program Title	Federal Catalog or Grant Number		Federal Expenditures
U.S. Department of Transportation:			
Basic Research Support Grant	20.108	(1)	35,720
Environmental Protection Agency:			
Passed through Wayne State University	66.469	(1)	3,074
Passed through International Joint Commission	66.469	(1)	26,542
National Endowment for the Humanities:			
Passed through the Michigan Humanities Council	45.168	(1)	500
National Writing Project Corporation	84.928A	(1)	24,821
National Aeronautics & Space Administration:			
Passed through the Michigan Space Grant Consortium and the University of Michigan	43.000	(1)	<u>12,742</u>
Total Research and Development			9,277,467
U.S. Department of Education:			
Student Financial Assistance:			
Federal Supplemental Educational Opportunity Grants	84.007	*(1)	467,205
Federal Work-Study Program (Note 7)	84.033	*(1)	357,177
Federal Perkins Loan Program (Note 5)	84.038	*(1)	201,178
Federal Pell Grant Program (Note 6)	84.063	*(1)	21,036,832
William D. Ford Federal Direct Loan Program (Note 4)	84.268	*(1)	106,844,418
Academic Competitiveness Grant (ACG)	84.375	*(1)	2,300
National SMART Grant	84.376	*(1)	27,165
National Teach Grant	84.379	*(1)	<u>272,098</u>
Total Student Financial Assistance			129,208,373
TRIO Program:			
Upward Bound	84.047A	(1)	560,570
Gear Up:			
Passed through the State of Michigan	84.334S		64,861
Fund For Improvement of Postsecondary Education	84.021		75,006
CCAMPIS	84.335		54,763
Passed through the State of Michigan:			
Statewide Longitudinal Data Systems	84.372A		2,326
Passed through the Michigan Department of Education:			
Improve Literacy Teaching and Learning in Urban Schools	84.367		217,459
Passed through Macomb Intermediate School District	84.366		8,050
U.S. Department of Education – ARRA:			
Passed through the State of Michigan			
Statewide Longitudinal Data Systems	84.394A		23,674
U.S. Department of Energy – ARRA			
	81.087	*	1,380,776
Economic Development Administration			
	11.307		238,798
National Endowment for the Arts			
	45.025		7,800
Small Business Administration:			
Passed through Macomb County	59.006		<u>63,062</u>
Total Expenditures of Federal Awards			<u>\$ 141,182,985</u>

\* Denotes a major program.

(1) Denotes a cluster.

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Oakland University  
Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

**1. Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (Schedule) includes all federal grant transactions of the University recorded on the accrual basis of accounting for the fiscal year ending June 30, 2012. Grant revenues are recorded for financial reporting purposes when the University has expended the funds in accordance with the grant agreement. The University reporting entity is defined in Note 1 to the University's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the Schedule.

**2. Major Programs and Clusters**

As defined in OMB Circular A-133, Student Financial Assistance programs, Trio, and Research and Development programs are considered to be clusters of programs and, accordingly, have been classified as one program for testing purposes. Student Financial Assistance and the U.S. Department of Energy – ARRA CFDA Number 81.087 have been defined as major programs. In determining major programs, the entire Student Financial Assistance cluster was removed due to the large loan and loan guarantee funds within the cluster.

**3. Administrative Costs**

The following administrative cost allowances were received by the University:

Federal Perkins Loan Program	\$ 10,059
Federal Work-Study Program	22,812
Federal Supplemental Educational Opportunity Grant Program	31,147
Federal Pell Grant Program	28,830

The University has approved predetermined indirect cost rates that are effective for the year ended June 30, 2012. The base rate for on-campus is 48% of Modified Total Direct Cost.

**4. William D. Ford Federal Direct Loan Program**

During the 2011/2012 award year, the University participated in the U.S. Department of Education Federal Direct Loan Program. Under this program, Direct Subsidized Loans, Direct Unsubsidized Loans and Direct PLUS Loans are made from the Department of Education to the students. The University is responsible for completing portions of the loan applications, verifying student eligibility and handling the disbursement of the proceeds to these students. For the year ended June 30, 2012, Direct Student Loans totaled \$94,373,519 (\$41,815,281 subsidized and \$52,558,238 unsubsidized), Direct Parent Loans for Undergraduate Students (PLUS) totaled \$10,186,342 and Direct PLUS Graduate Loans totaled \$2,284,557.

Oakland University  
Notes to Schedule of Expenditures of Federal Awards (continued)

Year ended June 30, 2012

**5. Federal Perkins Loan Program**

The University utilizes the services of University Accounting Services, Inc. (UAS) to administer the repayment of Perkins Loans and perform certain due diligence procedures. The UAS Compliance Attestation Examination of Title IV Student Financial Assistance Programs report for the fiscal year ended June 30, 2012 was received and reviewed. No significant items of noncompliance or control weaknesses were noted. During the 2011/2012 fiscal year, Perkins Loans were issued which included no current year federal contribution. There was \$1,814,236 of Federal Perkins Loans (CFDA Number 84.038) outstanding as of June 30, 2012.

Total program disbursements under the Federal Perkins Loans program for the year ended June 30, 2012 were as follows:

Student loans awarded	\$ 201,178
-----------------------	------------

The amount shown as Federal Perkins Loan Program loans and loan guarantees represents the amounts loaned by the University during the year less the current year Federal contribution, if any.

**6. Federal Pell Grant Program**

The Federal Pell Grant Program authorization is based on the most recent ED255-6; Federal Pell Grant Program Statement of Account dated June 27, 2012. Expenditures are the actual amounts incurred through June 30, 2012. The University will process amendments at year end to finalize the 2011/2012 award year.

**7. Federal Work-Study Program**

During the year, the University transferred \$15,000 from the Federal Work-Study Program to the Job Location and Development Program. This expenditure is being reported as part of the Federal Work-Study Program on the schedule of expenditures of federal awards and was fully expended.

Oakland University  
Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Section I – Summary of Independent Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified that are not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

**Federal Awards**

Internal control over major program:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified that are not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> None Reported

Type of auditors’ report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	_____ <u>X</u> No
---	-----------	-------------------

Identification of major programs:

<u>Federal Grantor/Program Name</u>	<u>Federal Catalog or Grantor Number</u>
<b>Student Financial Assistance Cluster</b>	
U.S. Department of Education	84.007; 84.033; 84.038; 84.063; 84.268; 84.375; 84.376; 84.379
<b>U.S. Department of Energy – ARRA</b>	81.087
Dollar threshold used to distinguish between Type A and Type B programs:	_____ \$359,238
Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes      _____ No

Oakland University  
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2012

**Section II – Findings Relating to the Financial Statements Reported in Accordance with  
*Government Auditing Standards***

None.

**Section III – Findings and Questioned Costs Relating to Federal Awards**

None.

Oakland University  
Summary Schedule of Prior Audit Findings

Year ended June 30, 2012

No matters were reported.



Mr. John W. Beaghan  
Vice President for Finance and Administration  
and Treasurer to the Board  
Oakland University

In planning and performing our audit of the financial statements of Oakland University (University) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 significant deficiency is a deficiency, or 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.

A material weakness is a deficiency, or 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 by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control and other matters as discussed within this letter. Any items reported by the University's Internal Audit Department are not included in this letter.

This communication is intended solely for the information and use of management, the Audit Committee of the Board of Trustees, the Board of Trustees, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*Andrews Hooper Pavlik PLC*

Auburn Hills, Michigan  
September 12, 2012

## Procurement – Suspension and Debarment Procedures (Circular A-133 Compliance Requirement)

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Based on our testing of a grant, we noted that the University did not check the Excluded Parties List System (EPLS) for the vendor at the time the grant was awarded or before disbursement of funds to the vendor. The University has a process in place at Purchasing, in which all procurements over \$25,000 that are for federal awards are entered into the Visual Compliance system and the vendors are checked daily for inclusion on the EPLS listing through this system. This federal award was granted after the contract with the vendor was in place; therefore, Purchasing was not aware that the vendor needed to be checked against EPLS. It is also noted that for all subaward agreements, EPLS is checked by the Office of Research Administration (ORA) as well as by including appropriate clauses within subaward agreements. This vendor was an isolated instance in which the grant awards were issued after the contract was done through Purchasing.

When brought to the attention of Purchasing, EPLS was subsequently checked and no exceptions were noted.

We recommend that the University implement controls to ensure that in instances such as this, that covered transactions be checked to ensure that they are not on the EPLS listing. The University exposes itself to the risk of having to return grant funds if they are disbursed to parties that are suspended or debarred.

### *Management’s Response:*

#### ***EPLS Screening for Covered Transactions***

We concur with the auditor. The following additional controls have been implemented to prevent such an occurrence in the future. The Purchasing Department has updated their procedures to check for suspension and debarment for all transactions over \$25,000 regardless of the source of funding. In addition, a clause has been added to the “Oakland University General Terms and Conditions for Agreements” to address 2 CFR section 180.300.

### Reporting (Circular A-133 Compliance Requirement)

- The grant agreement requires that quarterly progress reports be filed by the Principal Investigator (PI) with the Department of Energy within 30 days after the quarter-end. We selected 2 of 4 quarterly reports submitted for FY12 for our testing.

We noted that the 1<sup>st</sup> quarter 2012 report was not submitted until June 18, 2012 by the PI; however, it was due within 30 days of the quarter-end (April 30, 2012).

The grant also requires that an annual progress report be filed by the PI with the Department of Energy within 90 days after the fiscal year-end. The annual progress report for the fiscal year ending September 30, 2011 was due by December 31, 2011; however, it was not submitted by the PI until January 29, 2012, which is outside of the 90 day requirement.

Based on discussion with ORA, we noted that any progress reports that are required to be submitted for grants are prepared and filed by the PI. ORA is only notified if the required progress reports are submitted untimely.

We recommend that management implement a procedure to ensure that reports are submitted in a timely manner by the PI as required by the grant agreement.

- The grant agreement requires quarterly ARRA 1512 financial reports to be filed within 10 days after each quarter end. We selected 2 of the 4 quarterly reports prepared and submitted by ORA for fiscal year 2012 for our testing. We noted that for the June 30, 2012 report, there was a difference of \$2,217.52 when comparing the supporting documentation for total subawards disbursed to the amount included on the 1512 report prepared by ORA.

We recommend that ORA maintain adequate supporting documentation for all reports filed and implement a second review of financial reports before they are filed to ensure accuracy.

### *Management's Response:*

#### **Timely Report Submission by Principal Investigators**

We concur with the auditor. To ensure that reports are submitted in a timely manner by the PI as required by the sponsored agreement, four notifications will be issued to the PI prior to the reporting due date. A report that is not confirmed as received by the sponsor by the 4<sup>th</sup> notice preceding the deadline date will result in a notification that includes the Dean of the school or college, the Controller, as well as the PI. Noncompliance in reporting will result in suspension of the PI's ability to encumber sponsored funds until the delinquency is remedied.

#### **Adequate Report Documentation and Review**

We concur with the auditor. To ensure that adequate supporting documentation is maintained for all reports filed and that a second review is performed, the Office of Research Administration has implemented a reporting checklist. The checklist requires a sign off by a secondary reviewer and is filed with the report. A departmental audit of a file's reporting checklist and appropriate reviewer sign-off will be periodically performed on selected files.

### Subrecipient vs. Vendor Determination (Circular A-133 Compliance Requirement)

Based on discussion with ORA at the time our audit began, it was noted that a firm performing services under this grant was considered a subrecipient. ORA reported the company as a subrecipient on the ARRA 1512 quarterly reports as well. Upon further review of the substance and form of the transaction and based on discussions with management and review of the project budget, it was noted that the company should have not been reported as a subrecipient and should have been treated as a vendor.

We recommend that ORA update future ARRA 1512 reports to reflect that there are no subrecipients for this grant. ORA should also ensure that appropriate procedures are in place at the time of grant inception to make a determination of subrecipient versus vendor and to ensure that it is an appropriate determination.

*Management's Response:*

### **Subrecipient vs. Vendor Determination**

We concur with the auditor. The next ARRA report will be corrected to indicate that there are no subrecipients for this grant. A new Standard Operations Guidance has been developed by the Director of Grants, Contracts and Sponsored Research for the appropriate determination of a subrecipient. Additionally, the guidance describes the procedures to be followed when including a subrecipient in a proposal, implementing a subaward, and managing and closing out the subaward agreement. The procedure includes several substantive considerations that will assure appropriate determination of a subrecipient as defined under OMB Circular A-133.