

DRAFT SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS IN ACCORDANCE WITH OMB CIRCULAR A-133 YEAR ENDED JUNE 30, 2015

1. **Division and Department:** Finance and Administration, Controller's Office
2. **Introduction:** The draft Schedule of Expenditures of Federal Award Programs in Accordance with OMB Circular A-133 Year Ended June 30, 2015 (Schedule) for Oakland University (University) has been completed (Attachment A).

The audit opinion of Andrews Hooper Pavlik P.L.C. (AHP) states:

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

"The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards."

"In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015."

"We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses."

"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."

Representatives from AHP will present the draft Schedule to the Board of Trustees' Audit Committee.

3. **Previous Board Action:** As a result of a competitive bid process, the public accounting firm of AHP 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, AHP was reappointed by the Board on March 15, 2011, March 28, 2012, February 12, 2013, February 24, 2014, and March 6, 2015 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.

**Draft Schedule of Expenditures of Federal Award Programs in
Accordance with OMB Circular A-133 Year Ended June 30, 2015
Oakland University
Board of Trustees
Audit Committee
October 14, 2015
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5. **Educational Implications:** None.
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, and audited by AHP.
8. **Board Action to be Requested:** At the October 22, 2015 Formal Session, the Board will be asked to accept the Schedule.
9. **Attachments:**
 - A. Draft Schedule of Expenditures of Federal Award Programs in Accordance with OMB Circular A-133 Year Ended June 30, 2015

**Submitted by Vice President for Finance and Administration
And Treasurer John W. Beaghan:**




(Please initial)

Reviewed by Secretary Victor A. Zambardi:



(Please initial)

Reviewed by President George W. Hynd:



(Please initial)

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Oakland University

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

Year Ended June 30, 2015

Oakland University

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

Year Ended June 30, 2015

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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, 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, the financial statements of Oakland University (University), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Oakland University's financial statements, and have issued our report thereon dated September 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oakland 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oakland University's internal control. Accordingly, we do not express an opinion on the effectiveness of Oakland University's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Auburn Hills, Michigan
September 14, 2015

Independent Auditors' Report on Compliance For Each Major Program;
Report on Internal Control Over Compliance; and Report on the Schedule
of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Trustees
Oakland University
Rochester, Michigan

Report on Compliance for Each Major Federal Program

We have audited Oakland University's (University) compliance 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 the University's major federal programs for the year ended June 30, 2015. The University's major federal programs are identified in the summary of auditor's 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.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Oakland University as of and for the year ended June 30, 2015 and have issued our report thereon dated September 14, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements 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

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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 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.

DRAFT

Auburn Hills, Michigan
September 14, 2015

Oakland University
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Federal Grant/Pass Through Grant Program Title	Federal Catalog or Grant Number		Federal Expenditures
Research and Development			
U.S. Department of Health and Human Services:			
National Institutes of Health:			
Basic Research Support Grants (13)	93.RD	(1)	\$ 1,714,286
Passed through Michigan State University (2)	93.RD	(1)	272,407
Passed through William Beaumont Hospital	93.866	(1)	69,823
Passed through Vanderbilt University	93.837	(1)	79,725
Substance Abuse and Mental Health Services Administration:			
Basic Research Support Grant	93.243	(1)	116,350
Centers for Disease Control and Prevention:			
Basic Research Support Grant	93.738	(1)	135,971
U.S. Army:			
Basic Research Support Grants (9)	12.RD	(1)	555,226
Passed through the University of Michigan (3)	12.RD	(1)	26,988
Passed through Michigan State University	12.RD	(1)	248,475
Passed through the Stevens Institute of Technology	12.431	(1)	9,173
National Science Foundation:			
Basic Research Support Grants (23)	47.RD	(1)	1,360,948
American Recovery and Reinvestment Act	47.076	(1)	13,759
Passed through Indiana University	47.074	(1)	4,754
Passed through University of New Mexico	47.070	(1)	14,813
Passed through the University of Colorado	47.074	(1)	48,773
Passed through the Oakland County Community Health Association	47.076	(1)	103,299
U.S. Air Force:			
Passed through RNET Technologies	12.RD	(1)	15,411
U.S. Department of Agriculture:			
Basic Research Support Grant	10.310	(1)	84,207
U.S. Department of Defense:			
Passed through Mississippi State University	12.RD	(1)	31,084
Passed through the University of Michigan (2)	12.910	(1)	212,199
Passed through Yale University	12.910	(1)	168,133
Passed through Winchester Technologies	12.RD	(1)	35,035
Passed through Defense Advanced Research Projects Agency	12.RD	(1)	20,368
U.S. Department of Education:			
American Recovery and Reinvestment Act passed through Ohio State University	84.396	(1)	695,444
U.S. Department of Energy:			
Passed through Battelle	81.RD	(1)	79,902
Passed through Ford Motor Company	81.086	(1)	40,886
Passed through Oak Ridge National Laboratory	81.000	(1)	4
U.S. Department of Commerce:			
Passed through University of Nebraska	11.999	(1)	60,522
U.S. Department of State:			
Passed through International Joint Commission	19.017	(1)	451
Environmental Protection Agency:			
Passed through Western Michigan University	66.509	(1)	19,781
National Writing Project Corporation (2)	84.367	(1)	11,090
National Aeronautics & Space Administration:			
Passed through the Michigan Space Grant Consortium (8)	43.000	(1)	28,841
Total Research and Development			6,278,128

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

Oakland University

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2015

Federal Grant/Pass Through Grant Program Title	Federal Catalog or Grant Number		Federal Expenditures
U.S. Department of Education:			
Student Financial Assistance:			
Federal Supplemental Educational Opportunity Grants	84.007	*(1)	\$ 553,234
Federal Work-Study Program (Note 7)	84.033	*(1)	431,899
Federal Perkins Loan Program (Note 5)	84.038	*(1)	300,567
Federal Pell Grant Program (Note 6)	84.063	*(1)	21,878,577
William D. Ford Federal Direct Loan Program (Note 4)	84.268	*(1)	112,468,123
National Teach Grant	84.379	*(1)	299,691
Total Student Financial Assistance			<u>135,932,091</u>
TRIO Program:			
Upward Bound	84.047A	(1)	623,046
Gear Up:			
Passed through the State of Michigan (4)	84.334S		218,233
U.S. Department of Energy – ARRA	81.087		19,930
U.S. Department of Health and Human Services:			
Fostering Futures Scholarship passed through State of Michigan	38.558		9,622
Bureau of Health Resource & Services Administration:			
Basic Instruction Grant, nurse anesthetist training	93.124		34,415
National Endowment for the Arts	45.025		1,330
Total Expenditures of Federal Awards			<u><u>\$143,116,795</u></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, 2015

1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the University under programs of the federal government for the fiscal year ended June 30, 2015. Expenditures reported on the Schedule are reported on the same basis of accounting as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Because the Schedule presents only a selected portion of the operations of Oakland University, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of Oakland University.

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 is 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. The Student Financial Assistance Cluster has been defined as a major program. 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	\$15,028
Federal Work-Study Program	22,675
Federal Supplemental Educational Opportunity Grant Program	36,882
Federal Pell Grant Program	29,355

The University has approved predetermined indirect cost rates that are effective for the year ended June 30, 2015. The base rate for on-campus is 49.50% of Modified Total Direct Cost.

Oakland University

Notes to Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2015

4. William D. Ford Federal Direct Loan Program

During the 2014/2015 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, 2015, Direct Student Loans totaled \$98,163,290 (\$30,481,078 subsidized and \$67,682,212 unsubsidized), Direct Parent Loans for Undergraduate Students (PLUS) totaled \$10,305,899, and Direct PLUS Graduate Loans totaled \$3,998,934.

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 the Title IV Student Financial Assistance Programs report for the fiscal year ended June 30, 2015 was received and reviewed. No significant items of noncompliance or control weaknesses were noted. During the 2014/2015 fiscal year, Perkins Loans were issued which included no current year federal contribution. There was \$1,904,199 of Federal Perkins Loans (CFDA Number 84.038) outstanding as of June 30, 2015.

Total program disbursements under the Federal Perkins Loans program for the year ended June 30, 2015 were as follows:

Student loans awarded	\$300,567
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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 19, 2015. Expenditures are the actual amounts incurred through June 30, 2015. The University will process amendments at year end to finalize the 2014/2015 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 and was fully expended.

Oakland University
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2015

Section I – Summary of Independent Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None Reported

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

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

Identification of major programs:

<u>Federal Grantor/Program Name</u>	<u>Federal Catalog or Grantor Number</u>
Student Financial Assistance Cluster U.S. Department of Education	84.007; 84.033; 84.038; 84.063; 84.268; 84.379

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Oakland University

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2015

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, 2015

None.