

**Agendum  
Oakland University  
Board of Trustees  
Audit Committee  
October 4, 2016**

**DRAFT SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS IN  
ACCORDANCE WITH OMB CIRCULAR A-133 YEAR ENDED JUNE 30, 2016**

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, 2016 (Schedule) for Oakland University (University) has been completed (Attachment A).

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

"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, Oakland 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."

"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."

"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, March 6, 2015, and February 22, 2016 to conduct annual audits of the University's financial accounting records.



Oakland University  
Schedule of Expenditures of Federal  
Awards Audit

*Year Ended June 30, 2016*

Oakland University

Schedule of Expenditures of Federal Awards Audit

Year Ended June 30, 2016

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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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Oakland University's financial statements, and have issued our report thereon dated September 22, 2016.

**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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Oakland 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 Oakland 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 our testing, and not to provide an opinion on the effectiveness of Oakland 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 Oakland University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Auburn Hills, Michigan  
September 22, 2016

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 the Uniform Guidance

Board of Trustees  
Oakland University  
Rochester, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Oakland University's 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 the University's major federal programs for the year ended June 30, 2016. Oakland 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Oakland 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* 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 Oakland 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 Oakland University's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Oakland 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 Oakland 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 Oakland 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 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 Oakland 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Oakland University as of and for the year ended June 30, 2016, and have issued our report thereon dated September 22, 2016, 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 the Uniform Guidance 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,



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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.

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Auburn Hills, Michigan  
September 22, 2016

## Oakland University

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grant/Pass Through Grant Program Title	Federal Catalog or Grant Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Research and Development</b>				
U.S. Department of Health and Human Services:				
National Institutes of Health:				
Basic Research Support Grants (17)	93.RD	*(1)	\$ 7,958	\$ 2,318,837
Passed through Michigan State University	93.113	*(1)	RC103336OU	237,524
Passed through Henry Ford Health System	93.395	*(1)	B11080	9,754
Passed through State University of New York	93.867	*(1)	1124264	26,975
Passed through William Beaumont Hospital	93.866			10,104
Passed through Vanderbilt University	93.837		VUMC41792	74,291
Substance Abuse and Mental Health Services Administration:				
Basic Research Support Grant	93.243	*(1)		30,977
Centers for Disease and Control Prevention:				
Basic Research Support Grants (2)	93.738	*(1)	122,964	692,104
U.S. Army:				
Basic Research Support Grants (7)	12.RD	*(1)		491,866
Passed through Virginia Polytechnic Institute and State University	12.431	*(1)	450373-19853	93,251
National Science Foundation:				
Basic Research Support Grants (26)	47.RD	*(1)	148,401	1,317,861
Passed Through the University of New Mexico	47.070	*(1)	27145587W0	22,840
Passed through the University of Colorado	47.074	*(1)	1550592	7,397
Passed through the Stevens Institute of Technology	47.076	*(1)		585
Passed through the University of Houston	47.070	*(1)	R-15-0049	38,064
U.S. Department of Agriculture:				
Passed through Wayne State University	10.216	*(1)	WSU15068	14,430
U.S. Department of Homeland Security:				
Passed through Oakland County	97.067	*(1)		7,902
U.S. Department of Defense:				
National Security Agency:				
Basic Research Support Grant	12.901	*(1)		28,476
National Center for Manufacturing Sciences:				
Basic Research Support Grant	12.RD	*(1)		121,754
Advanced Research Projects Agency:				
Passed through University of Michigan (3)	12.910	*(1)	3002217936	193,319
Passed through Yale University	12.910	*(1)	C11K11196	131,201
Passed through Winchester Technologies	12.RD	*(1)		71,987
U.S. Department of Education:				
American Recovery and Reinvestment Act passed through				
Ohio State University	84.396	*(1)		5,413
U.S. Department of Energy:				
Passed through Battelle	81.RD	*(1)	181942	69,490
Passed through the Pacific Northwest National Laboratory	81.RD	*(1)	254185	68,711
U.S. Department of Commerce:				
Passed through University of Nebraska	11.999	*(1)	26-0521-0129-004	162,543
Environmental Protection Agency:				
Passed through Western Michigan University	66.509	*(1)	7770-2-OAK	1,584
National Writing Project Corporation	84.367	*(1)		8,178
National Aeronautics & Space Administration:				
Passed Through the Michigan Space Grant Consortium (11)	43.000	*(1)		51,027
Total Research and Development				6,308,445

## Oakland University

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grant/Pass Through Grant Program Title	Federal Catalog or Grant Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Education:				
Student Financial Assistance:				
Federal Supplemental Educational Opportunity Grants	84.007	*(1)		\$ 598,989
Federal Work-Study Program (Note 7)	84.033	*(1)		470,516
Federal Perkins Loan Program (Note 5)	84.038	*(1)		1,840,111
Federal Pell Grant Program (Note 6)	84.063	*(1)		20,844,616
William D. Ford Federal Direct Loan Program (Note 4)	84.268	*(1)		109,478,387
Federal TEACH Grant	84.379	*(1)		142,248
Total Student Financial Assistance				<u>133,374,867</u>
TRIO Program:				
Upward Bound	84.047A	(1)		620,779
Gear Up:				
Passed through the State of Michigan (4)	84.334S		15-00-09	157,225
U.S. Department of Health and Human Services:				
Fostering Futures Scholarship passed through State of Michigan	93.558			6,000
Bureau of Health Resource & Services Administration:				
Basic Instruction Grant, nurse anesthetist training	93.124			30,408
National Endowment for the Arts	45.025			1,290
Total Expenditures of Federal Awards			<u>\$ 279,323</u>	<u>\$140,499,014</u>

\* Denotes a major program.

(1) Denotes a cluster.

## Oakland University

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

**1. Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Oakland University (University) under programs of the federal government for the fiscal year ended June 30, 2016. 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 the Uniform Guidance. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance, 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 the University, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of the 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 the Uniform Guidance, 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 and Research and Development Clusters 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	\$10,639
Federal Work-Study Program	29,019
Federal Supplemental Educational Opportunity Grant Program	39,933
Federal Pell Grant Program	27,935

The University has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. The University has approved predetermined indirect cost rates that are effective for the year ended June 30, 2016. The base rate for on-campus organized research and instruction is 50% and 49.5%, respectively of Modified Total Direct Cost.

## Oakland University

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

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

During the 2015/2016 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, 2016, Direct Student Loans totaled \$91,783,086 (\$28,986,212 subsidized and \$62,796,874 unsubsidized), Direct Parent Loans for Undergraduate Students (PLUS) totaled \$13,170,252, and Direct PLUS Graduate Loans totaled \$4,525,049.

**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, 2016 was received and reviewed. No significant items of noncompliance or control weaknesses were noted. During the 2015/2016 fiscal year, Perkins Loans were issued which included no current year federal contribution. There was \$1,840,111 of Federal Perkins Loans (CFDA Number 84.038) outstanding as of June 30, 2016.

Total program disbursements under the Federal Perkins Loans program for the year ended June 30, 2016 were as follows:

Student loans awarded	\$ 212,781
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**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 29, 2016. Expenditures are the actual amounts incurred through June 30, 2016. The University will process amendments at year end to finalize the 2015/2016 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, 2016

Section I – Summary of Independent Auditors’ Results

**Financial Statements**

Type of auditors’ report issued:	<u>Unmodified</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:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ Yes	<u>  X  </u> No	

Identification of major programs:

<b><u>Federal Grantor/Program Name</u></b>	<b><u>Federal Catalog or Grantor Number</u></b>
<b>Student Financial Assistance Cluster</b>	
U.S. Department of Education	84.007; 84.033; 84.038; 84.063; 84.268; 84.379
<b>Research and Development Cluster</b>	
U.S. Department of Health and Human Services	93.RD; 93.113; 93.395; 93.867; 93.866; 93.837; 93.243; 93.738
U.S. Army	12.RD; 12.431
National Science Foundation	47.RD; 47.070; 47.074; 47.076
U.S. Department of Agriculture	10.216
U.S. Department of Homeland Security	97.067
U.S. Department of Defense	12.901; 12.RD; 12.910
U.S. Department of Education	84.396
U.S. Department of Energy	81.RD
U.S. Department of Commerce	11.999
Environmental Protection Agency	66.509
National Writing Project Corporation	84.367
National Aeronautics & Space Administration	43.000

Oakland University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Dollar threshold used to distinguish between Type A and  
Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X Yes

       No

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, 2016

None.