

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 19

DATE:
February 5, 2016

RECOMMENDATION

**OMB CIRCULAR A-133 SUPPLEMENTARY FINANCIAL REPORTS
FOR THE YEAR ENDED JUNE 30, 2015**

ACTION REQUESTED

It is recommended that the Board of Regents receive and place on file the U.S. Office of Management and Budget (OMB) Circular A-133 Supplementary Financial Reports for the year ended June 30, 2015.

STAFF SUMMARY


The U.S. OMB requires an annual audit and report of compliance with the requirements of federal award programs. Plante & Moran, PLLC, Eastern Michigan University's independent auditor, conducted the audit and provided their opinion. In their opinion, Eastern Michigan University has fairly stated, in all material respects the financial information related to the complied, in all material respects, with the requirements that could have a direct and material effect on each of its major federal programs year ended June 30, 2015.

FISCAL IMPLICATIONS

None

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board approval.


University Executive Officer

February 5, 2016
Date

Eastern Michigan University

**Federal Awards
Supplemental Information
June 30, 2015**

Independent Auditor's Reports:

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

Independent Auditor's Report

To the Board of Regents
Eastern Michigan University

We have audited the basic financial statements of Eastern Michigan University (the "University") and its discretely presented component unit as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 21, 2015 which contained an unmodified opinion on the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 21, 2015.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Kalamazoo, Michigan
December 23, 2015

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*

Independent Auditor's Report

To Management and the Board of Regents
Eastern Michigan University

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 basic financial statements of Eastern Michigan University (the "University") and its discretely presented component unit as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 21, 2015. The financial statements of Eastern Michigan University Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Michigan University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

To Management and the Board of Regents
Eastern Michigan University

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastern Michigan 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.



Kalamazoo, Michigan
October 21, 2015

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance
Independent Auditor's Report

To the Board of Regents
Eastern Michigan University

Report on Compliance for Each Major Federal Program

We have audited Eastern Michigan University's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2015. Eastern Michigan 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 each of its federal programs.

Auditor's Responsibility

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

To the Board of Regents
Eastern Michigan University

Opinion on Each Major Federal Program

In our opinion, Eastern Michigan University complied, in all material respects, with the types of 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 Eastern Michigan 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 Eastern Michigan 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Finding 2015-001, that we consider to be a significant deficiency.

Eastern Michigan University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Eastern Michigan University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

To the Board of Regents
Eastern Michigan University

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.



Kalamazoo, Michigan
December 23, 2015

Eastern Michigan University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Federal Agency/Pass-through Agency/Program Title	Direct or Pass through	Federal CFDA Number	Federal Award Number	Federal Expenditures
Clusters:				
Student Financial Aid Cluster:				
Loan and Loan Guarantee Programs:				
USDE: Perkins Loans Issued and Outstanding	Direct	84.038		\$ 8,427,471
USDE: Direct PLUS Loans	Direct	84.268	P268K111630	14,629,175
USDE: Direct Loan Stafford	Direct	84.268	P268K111630	<u>121,124,843</u>
Total Loan and Loan Guarantee Programs				144,181,489
U.S. Department of Education:				
USDE: Supplemental Education Opportunity Grant	Direct	84.007	P007A132005	916,500
USDE: College Work Study	Direct	84.033	P033A142005	884,698
USDE: CWS Job Locator	Direct	84.033	P033A142005	45,974
USDE: PELL Grants	Direct	84.063	P063P131630	32,808,663
USDE: TEACH - Teacher Education Assistance for College and Higher Education Grant Program	Direct	84.379	P379T141630	<u>72,743</u>
Total U.S. Department of Education and Loan and Loan Guarantee Programs				178,910,067
U.S. Department of Health and Human Services:				
ARRA USHHS: Nurse Faculty Loan Program - Loans issued and outstanding	Direct	93.408	IEOAPH1548-01-00	40,495
USHHS: Nurse Faculty Loan Program - Loans issued and outstanding	Direct	93.264	E01HP25866	<u>244,180</u>
Total U.S. Department of Health and Human Services				284,675
Total Student Financial Aid Cluster				179,194,742
Research and Development Cluster:				
Department of Agriculture:				
Soy Based Functional Building Blocks for Sustainable Advanced Coatings	Direct	10.200	2013-38202-20398	120,908
USDA/Univ. of S.MS: Exploring Innovative Marketing Strategies and Delivery Models Used in Effective Summer Food Service Programs	Passthrough	10.587	USM-GR05074-04	<u>151</u>
Total Department of Agriculture				121,059
Department of Defense:				
ONR Cross-National Analysis of Islamic Fundamentalism - Task 1 Utilizing Probability Distribution Functions and Ensembles to Forecast Ionospheric and Thermospheric Space Weather - Year 1 of 3	Direct	12.300	N00014-09-1-0985	148,112
DoD Information Assurance Scholarship Program for 2013-2014 Academic Year: Annex II Capacity	Passthrough	12.800	SUB 3002294751	16,322
	Direct	12.902	H98230-13-1-0444	<u>37,256</u>
Total Department of Defense				201,690
Department of the Interior Fish and Wildlife Service -				
Mudpuppy (Necturus maculosus) Assessment and Habitat Restoration Along the Huron-Erie Corridor: Conservation of the Obligate Host for the Endangered Salamander Mussel (Simponaias ambigua)	Passthrough	15.662	PRIME:F14AP00887 SUB:001	4,940
Department of the Interior National Park Service -				
Roosting Ecology of the Northern Long-eared Bat on the Manistee National Forest	Direct	15.994	AG-54A4-P-14-0033	11,323

Eastern Michigan University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2015

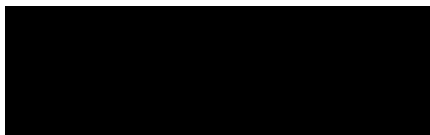
Federal Agency/Pass-through Agency/Program Title	Direct or Passthrough	Federal CFDA Number	Federal Award Number	Federal Expenditures
Clusters (Continued):				
Research and Development Cluster (Continued):				
National Science Foundation:				
Coatings made from enzymatically processed polymers - Phase I	Passthrough	47.041	EEC-0540713	\$ (8,602)
Gulliver Innovative Learning: A Platform for managing Kinesthetic Activities	Direct	47.041	1533741	15,359
TWC: TTP Option Small: Collaborative: Integrated Smart Grid Analytics for Anomaly Detection	Direct	47.049	CNS-1421879	57,512
NSF: Collaborative Research: Macrophytes Across the Proterozoic - Phanerozoic Boundary: A Baseline Study of Macroalgae during a Critical Interval in Earth System History	Direct	47.050	EAR-1250756	17,551
RUI: SG: A Model System in a Model Reigon- Identification of Evolutionary Process Driving Plant Diversification on Madagascar in Metistohibiscus (Malvaceae)	Passthrough	47.074	1457589	170
NSF: Collaborative Research: Automatically Annotated Repository of Video and Audio Resources Community	Direct	47.075	BCS-1244713	5,255
NSF: MultiTree: Completing the Library of Language Relationships	Direct	47.075	BCS-1227106	(8,044)
NSF: Collaborative Research ELIIP: Endangered Languages Catalog	Direct	47.075	BCS-1057725	21,522
NSF: 19th Lexical-Functional Grammar Conference	Direct	47.075	BCS-1362098	10,930
NSF: Collaborative Research: GIS Resources and Applications for Career Education (GRACE)	Direct	47.076	DRL-1433712	205,201
Robert Noyce Scholarship Program	Direct	47.076	DUE-0833286	25,688
NSF: The Physics Scholars Program at Eastern Michigan University	Direct	47.076	DUE-0966106	14,800
NSF: Creative Scientific Inquiry Experience	Direct	47.076	AWARD 0525514	(46,091)
Total National Science Foundation				311,251
Environmental Protection Agency -				
F&W S&U SGS/GLF: Refinement of a New Trapping Tool for Migrating Adult Sea	Passthrough	66.469	GLFC-EMU-REINHARD	35,285
Department of Education:				
Global Michigan: Expanding Access to East Asian Languages and Cultures	Passthrough	84.016	P016A140043	38,429
Thinking Like an Artist in Core Curriculum Subjects - Year I	Passthrough	84.351	U351D140054	173,837
2014-2015 SEED: Teacher Leadership Development Grant Budget	Passthrough	84.367	NO.6A 92-MI01-SEED2012	10,584
NWP: SEED #2: Professional Development in a High-Need School	Passthrough	84.367	NO.4 92-MI01-SEED2012	(2,963)
Total Department of Education				219,887
Department of Health and Human Services:				
CDC/WSU: Strengthening Supports for Health Relationships: A Gender-Sensitive - Mixed Methods Analysis of Protective Factors for Intimate Partner Violence - Year 1 of 3	Passthrough	93.136	WSU13030	(2,592)
CDC/WSU: Strengthening Supports for Health Relationships: A Gender-Sensitive - Mixed Methods Analysis of Protective Factors for Intimate Partner Violence - Year 2 of 3	Passthrough	93.136	WSU14027	21,935
CDC/WSU: Strengthening Supports for Health Relationships: A Gender-Sensitive - Mixed Methods Analysis of Protective Factors for Intimate Partner Violence - Year 3 of 3	Passthrough	93.136	PO # PO694994	82,229
NIH: Parent Focused Obesity Intervention for Low-African American Preschoolers	Direct	93.847	1R03DK097444-01	236,389
NIH: Causes and Consequences of Genomic Instability at Fragile Sites	Direct	93.859	R15GM107841-01	129,687
Alzheimer's Education and Research Program, 2010-2011	Passthrough	93.958	MICOM	820
Alzheimer's Education and Research Program, 2014-15	Passthrough	93.958	14B1MICMHS	51,761
HHS/MDCH: Alzheimer's Education and Research Program, 2013-2014	Passthrough	93.958	13B1MICMHS/20141342	12,046
Total Department of Health and Human Services				532,275
Total Research and Development Cluster				1,437,710

Eastern Michigan University

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

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-001 (Cont.)	<p>Recommendation - We recommend the University implement internal controls to ensure the University is obtaining and reviewing subrecipients A-133 audit reports and review for findings. If necessary, a management decision should be documented related to the University's decision whether to impose sanctions on the subrecipient.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University concurs with this finding of the audit and is implementing new procedures in order to monitor the University's subrecipients.</p> <p>On an annual basis, subsequent to grant issuance, the grants accounting department will send a request to their subrecipients requesting a copy of their A-133 report. If no report is received, the grants accounting department will attempt to obtain the report online or by following up with the institution or organization. Once the report is obtained, the report will be reviewed for findings. All significant findings will be followed up on, and if necessary a management decision will be made as to whether the University will continue to work with the subrecipient.</p>



A-133

3 year Trend by Cluster

(000's)

<u>Cluster</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>
Student Financial Aid	192,104	188,397	179,194
Research and Development	2,016	1,114	1,437
TRIO	613	567	545
Other Federal Awards	<u>4,171</u>	<u>3,570</u>	<u>4,301</u>
Total	198,904	193,648	185,477
Sub-Recipient Total	209	165	291