



CALIFORNIA STATE UNIVERSITY
LONG BEACH
RESEARCH FOUNDATION

Internal Control and Compliance Reports
June 30, 2014

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 Government Auditing Standards	1-2
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	3-5
Schedule of Expenditures of Federal Awards	6-12
Note to the Schedule of Expenditures of Federal Awards	13
Schedule of Findings and Questioned Costs	14-16

**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***

To the Board of Directors of
California State University,
Long Beach Research Foundation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of California State University, Long Beach Research Foundation (a nonprofit organization), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered California State University, Long Beach Research Foundation'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 California State University, Long Beach Research Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs noted as findings 2014-01 and 2014-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether California State University, Long Beach Research Foundation'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*.

California State University, Long Beach Research Foundation's Response to Findings

California State University, Long Beach Research Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. California State University, Long Beach Research Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Long Beach, California
September 19, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
California State University,
Long Beach Research Foundation:

Report on Compliance for Each Major Federal Program

We have audited California State University, Long Beach Research Foundation's 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 California State University, Long Beach Research Foundation's major federal programs for the year ended June 30, 2014. California State University, Long Beach Research Foundation's major federal programs are identified in the summary of auditors' 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 California State University, Long Beach Research Foundation'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 California State University, Long Beach Research Foundation'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 California State University, Long Beach Research Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, California State University, Long Beach Research Foundation 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, 2014.

Report on Internal Control Over Compliance

Management of California State University, Long Beach Research Foundation 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 California State University, Long Beach Research Foundation'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 California State University, Long Beach Research Foundation'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.

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

We have audited the financial statements of California State University, Long Beach Research Foundation as of and for the year ended June 30, 2014, and have issued our report thereon dated September 19, 2014, 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.



Long Beach, California
September 19, 2014

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
RESEARCH AND DEVELOPMENT - CLUSTER:			
U. S. Department of Agriculture			
Agricultural Research, Special			
Pass-through:			
University of Alabama-Huntsville	10.200	\$ 648	
Agriculture and Food Research Initiative	10.310	686,910	\$ 13,980
U.S. Department of Commerce			
Sea Grant Support			
Pass-through:			
University of Southern California	11.417	8,182	
Habitat Conservation Coastal Services Center			
National Fish & Wildlife Services	11.463	14,085	
U.S. Department of Defense			
Basic and Applied Scientific Research	12.300	214,112	7,700
Basic Scientific Research	12.431	152,372	
U.S. Department of the Interior			
Earthquake Hazards Reduction Program	15.807	16,765	
US Geological Survey Research and Data Collection			
Pass-through:			
University of Southern California	15.808	7,472	
U.S. Department of Transportation			
University Transportation Centers Program			
Pass-through:			
University of Southern California	20.701	17,574	

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
RESEARCH AND DEVELOPMENT - CLUSTER (CONTINUED):			
National Aeronautics and Space Administration			
Aerospace Education Services Program			
Pass-through:			
University of Maine	43.001	74,494	
Technology Transfer	43.002	934,078	183,730
Pass-through:			
Garvey Spacecraft Corporation	43.002	(1,902)	
Jet Propulsion Laboratory	43.1496960	3,479	
National Science Foundation			
Mathematical and Physical Sciences	47.049	575,706	
Geosciences	47.050	331,932	
Computer & Information Science & Engineering			
Pass-through:			
Harvey Mudd College	47.070	10,743	
Biological Sciences	47.074	124,598	
Pass-through:			
University of Missouri, Columbia	47.074	16,719	
Social, Behavioral, and Economic Sciences	47.075	147,104	
Education and Human Resources	47.076	253,299	16,820
Pass-through:			
University of San Diego	47.076	11,410	
Arizona State University	47.076	93,020	
NSF ARRA Research Support	47.082	160,342	
Environmental Protection Agency			
White Croaker Along Palos Verde Project	66.4304-07163-0030	10,019	

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
RESEARCH AND DEVELOPMENT - CLUSTER (CONTINUED):			
Department of Energy			
Office of Science Financial Assistance	81.049	18,656	
Battelle Energy Alliance LLC	81.122447-01	57,964	
Alpha Radiolysis of Nuclear Science Project Pass-through:			
Battelle Energy Alliance LLC	81.10341	223,628	119,670
Lawrence Livermore National Laboratory	81.B604738	23,032	
U. S. Department of Health and Human Services			
Community Program to Improve Minority Health Pass-through:			
The Cambodian Family	93.137	482	
Substance Abuse and Mental Health Services Pass-through:			
Substance Abuse Foundation of Long Beach	93.243	244	
Drug Abuse and Addiction Research Program Pass-through:			
University of California, San Francisco	93.279 (7,218)	
Minority Health and Health Disparities Pass-through:			
Behavioral Assessment, Inc.	93.307 (1,044,119)	
Academic Research Enhancement Award	93.310	207,738	
Trans-NIH Recovery Act Research Support Microbiology and Infectious Disease Research	93.856	208,785	49,327
Biomedical Research and Training	93.859	1,547,989	
Population Research Pass-through:			
University of California, Los Angeles	93.864	29,718	
Child Health and Human Development Extramural Research	93.865	43,401	
HIV/AIDS Whitepaper Pass-through:			
Social and Scientific Systems Inc.	93.LOA20130122	23,714	
TOTAL RESEARCH AND DEVELOPMENT		<u>7,878,769</u>	<u>404,203</u>

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
OTHER PROGRAMS:			
U. S. Department of Agriculture			
Summer Food Service Program for Children			
Pass-through:			
California Department of Education	10.559	18,255	
National Oceanic and Atmospheric Administration Habitat Conservation			
Pass-through:			
National Fish and Wildlife Foundation	11.463	17,776	
U.S. Department of Defense			
Language Training Center			
Pass-through:			
Institute of International Education	12.579	233,445	
Congressionally Directed Assistance	12.599	409,388	279,560
Sexual Assault Prevention Training 12.SWRWFS13C0001		44,475	
U.S. Department of the Interior			
Water Conservation Field Services Program			
Pass-through:			
Metropolitan Water District of Southern California	15.530	1,871	
U.S. Department of Labor			
Trade Adjustment Assistance Community College			
Pass-through:			
Long Beach Community College	17.282	17,283	

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
OTHER PROGRAMS (CONTINUED):			
U.S. Department of Transportation			
Highway Training and Education			
Pass-through:			
California Department of Transportation	20.215	34,581	
University Transportation Centers Program			
Pass-through:			
University of Southern California	20.701	43,081	
Southern California Regional Transit Consortium	20.PO247	1,323	
National Aeronautics and Space Administration			
NASA Education (NASA) Pass-through			
AERO Institute	43.008	2,248	
Institute of Museum and Library Services			
Promotion of the Arts Grants to Organizations and Individuals	45.024	22,063	
Promotion of Humanities Teaching and Learning Resources	45.162	33,446	
Promotion of Humanities Teaching and Learning Resources	45.163	21,020	
National Science Foundation			
Education and Human Resources	47.076	16,172	
Senior LSAMP Phase IV Yr5 Program			
Pass-through:			
California State University, Sacramento-University Enterprises, Inc.	47.076 (33)	
California State University, Sacramento-University Enterprises, Inc.	47.HRD0802628515321	5,297	

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
OTHER PROGRAMS (CONTINUED):			
U.S. Department of Veterans Affairs			
Comprehensive End of Life	64.691-C10470	(245)	
Quality Improvement Resource Center	64.VA262-12-9-329-3297	3,133	
QUIRC – Palliative Care Team	64.V962-13-P-1491	24,298	
Environmental Protection Agency Post-Superstam Monitoring	66.12002.013	84,150	
U.S. Department of Education			
Higher Educational Institutional Aid	84.031	941,070	
Pass-through:			
Antelope Valley College	84.031	359,532	
TRIO-Student Support Services	84.042	481,354	
TRIO-Talent Search	84.044	670,528	
TRIO-Upward Bound	84.047	960,780	39
TRIO-Educational Opportunity Center	84.066	213,253	
Migrant Education	84.149	437,076	
TRIO-McNair Post-Baccalaureate Achievement	84.217	5	
Rehabilitation Services Vocational Rehabilitation			
Pass-through			
California Department of Rehabilitation	84.126	184,750	
Special Education – Personnel Development	84.325	248,491	
Gaining Early Awareness and Readiness for Undergraduate Programs			
Pass-through:			
California State University Fullerton Foundation	84.334	26,487	
Transition to Teaching Program	84.350	(70)	
Improving Teacher Quality State Grants			
Pass-through:			
Postsecondary Education Commission, California	84.367	716,631	330,816

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
OTHER PROGRAMS (CONTINUED):			
U.S. Department of Education (Continued)			
College Access Challenge Grant			
Pass-through:			
California Student Aid Commission	84.378	271,441	
U.S. Department of Health and Human Services			
Disabilities Prevention	93.184	1,804	
Foster Care - Title IV-E			
Pass-through:			
Children/Family Services, LA County	93.658	1,627,548	
University of California, Berkeley	93.658	2,119,128	
University of California, Los Angeles	93.658	33	
Biomedical Research and Research Training	93.859	413,927	
Pass-through:			
Montana State University	93.859	78,455	
HIV Prevention Activities			
Pass-through:			
Los Angeles County Department of Health Services	93.940	283,069	
Maternal and Child Health Services Block Grant to the States			
Pass-through:			
California Department of Health Services	93.994	(6,227)	
Corporation for National and Community Services			
Americorps			
Pass-through:			
Kern County Superintendent of Schools	94.006	29,368	
U.S. Department of Homeland Security			
Scholars and Fellows and Education Programs	97.062	<u>58,931</u>	
TOTAL OTHER PROGRAMS		<u>11,150,391</u>	<u>610,415</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 19,029,160</u>	<u>\$ 1,014,618</u>

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**NOTE TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of California State University, Long Beach Research Foundation, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued – Unmodified

Internal control over financial reporting

1. Material weakness(es) identified? – Yes
2. Significant deficiencies identified? - No
3. Noncompliance material to financial statements noted? – No

Federal Awards

Internal control over major programs

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Type of auditors' report issued on compliance for major programs – Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? – No
5. Identification of major programs: TRIO Cluster: Student Support Services – CFDA #84.042, Talent Search – CFDA #84.044, Upward Bound – CFDA #84.047, Educational Opportunity Center – CFDA #84.066, McNair Post-Baccalaureate Achievement – CFDA #84.217; Foster Care Title IV-E – CFDA #93.658.
6. Dollar threshold used to distinguish between type A and type B programs was \$570,875.
7. Auditee qualified as low-risk auditee? – Yes

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

2014-01: Overstatement of Accounts Receivable and Unearned Revenues

Condition:	The Foundation has a process to review accounts receivable and unearned revenues to ensure the amounts are properly stated at the end of the fiscal year. However, during the year ended June 30, 2014, we noted the accounts were overstated due to errors, which lead to material adjustments of the Foundation’s records. Specifically, we noted the following: <ul style="list-style-type: none">• Accounts receivable and unearned revenues were both overstated by approximately \$1,300,000. This was due to accounting personnel incorrectly booking journal entries during the monthly close process which resulted in grossing up accounts receivable and unearned revenues for the same amount, when in fact these amounts should have netted.• Accounts receivable and unearned revenue were both overstated by approximately \$550,000 due to accounting personnel not reviewing for advance funds received on the project prior to generating project billings for expenditures incurred.
Criteria:	Accounts receivable and unearned revenues should be reviewed in conjunction as part of the monthly close process to ensure amounts are properly monitored and recorded.
Effect:	Accounts receivable and unearned revenues were overstated by approximately \$1,850,000. There was no effect on net position as revenues and expenses were properly recorded.
Cause:	Change in accounting system and personnel turnover lead to misunderstandings on the Foundation’s policies and procedures over accounts receivable billings and unearned revenue recognition.
Recommendation:	We recommend the Foundation review and amend, if necessary, their policies and procedures over reviewing and reconciling accounts receivable and unearned revenues to ensure journal entries are correctly booked and ending balances are properly stated.
Views of Responsible Officials and Planned Corrective Action:	We concur. We believe that staff is now fully aware of the year-end closing process in the new system and that no further action needs to be taken.

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014
(Continued)**

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

2014-02: Prior Period Adjustment to Net Position

Condition: During the year ended June 30, 2014, management determined that approximately \$4,500,000 of accounts receivable related to post-retirement health benefits dating back to fiscal year 2007 was determined to be uncollectible. As a result, an adjustment was made to restate the net position balance as of June 30, 2012 and 2013 to correct the overstatement.

Criteria: Amounts recorded as a receivable should be reviewed periodically for collectability to ensure effective internal controls over accounts receivable.

Effect: Accounts receivable and net position were overstated by approximately \$4,500,000.

Cause: Previously, management anticipated recovery from individual grants and contracts. However, management determined the amount would not be reimbursed separately and never should have been accrued for in the Foundation’s records.

Recommendation: We recommend the Foundation review and amend, if necessary, their policies and procedures over reviewing of accounts receivable to ensure they are appropriately billable to a contract and collectible.

**Views of Responsible
Officials and Planned**

Corrective Action: We concur. Post-retirement health benefits will not be booked as a receivable in the future unless there is a legitimate belief that collection of the receivable is likely. Accounts receivables will be more closely monitored at year-end.

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None