

**LAKE SUPERIOR STATE UNIVERSITY  
FEDERAL AWARDS**

**SINGLE AUDIT REPORT**

**JUNE 30, 2005**

**LAKE SUPERIOR STATE UNIVERSITY**

**SINGLE AUDIT REPORT**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

## 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

October 7, 2005

Board of Trustees  
Lake Superior State University

We have audited the financial statements of Lake Superior State University as of and for the year ended June 30, 2005 and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### *Internal Control over Financial Reporting*

In planning and performing our audit, we considered Lake Superior State University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### *Compliance and Other Matters*

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

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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**REHMANN ROBSON**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A – 133**

October 7, 2005

Board of Trustees  
Lake Superior State University

***Compliance***

We have audited the compliance of Lake Superior State University with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Lake Superior State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lake Superior State University's management. Our responsibility is to express an opinion on Lake Superior State University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial statements 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 Lake Superior State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lake Superior State University's compliance with those requirements.

As described in item 2005-1 and 2005-2 in the accompanying schedule of findings and questioned costs, Lake Superior State University, did not comply with requirements regarding annual physical inventory of equipment that are applicable to all federal programs, and suspension and debarment requirements that are applicable to its Environmental Protection Agency program. Compliance with such requirements is necessary, in our opinion, for Lake Superior State University, to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Lake Superior State University, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### ***Internal Control over Compliance***

The management of Lake Superior State University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lake Superior State University's internal control over requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

We have audited the financial statements of Lake Superior State University as of and for the year ended June 30, 2005 and have issued our report thereon dated September 9, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



**LAKE SUPERIOR STATE UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

| Federal Grantor/Pass through grantor/ Program title              | Federal CFDA Number | Award # or Pass - through Grant # | Award Amount | Accrued (Deferred) at July 1, 2004 | Receipts   | Other Revenue Recognized | Transfers & Adjustments | Prior Year Expenditures | Current Year Expenditures | Accrued (Deferred) at June 30, 2005 |
|--|---------------------|-----------------------------------|--------------|------------------------------------|------------|--------------------------|-------------------------|-------------------------|---------------------------|-------------------------------------|
| <b><u>U.S. Department of Education</u></b>                       |                     |                                   |              |                                    |            |                          |                         |                         |                           |                                     |
| Direct programs  |                     |                                   |              |                                    |            |                          |                         |                         |                           |                                     |
| Supplemental Educational Opportunity Grant 04/05                 | 84.007              | P007A042029                       | 4 \$ 111,045 | \$ -                               | \$ 111,045 | \$ -                     | \$ -                    | \$ -                    | \$ 111,045                | \$ -                                |
| Federal Work Study 04/05   | 84.033              | P033A042029                       | 4 271,954    | -                                  | 271,954    | -                        | -                       | -                       | 271,954                   | -                                   |
| Federal Pell Grant Program 03/04                                 | 84.063              | P063P030235                       | 4 2,404,198  | 8,887                              | 9,658      | -                        | -                       | 2,403,427               | 771                       | -                                   |
| Federal Pell Grant Program 04/05                                 | 84.063              | P063P040235                       | 4 2,318,836  | -                                  | 2,260,091  | -                        | -                       | -                       | 2,318,836                 | 58,745                              |
| William D. Ford Federal Direct Loan Program 03/04                | 84.268              | P268K031388                       | 4 -          | 30,726                             | 64,171     | -                        | -                       | 8,610,373               | 33,445                    | -                                   |
| William D. Ford Federal Direct Loan Program 04/05                | 84.268              | P268K041388                       | 4 -          | -                                  | 8,750,000  | -                        | -                       | -                       | 8,800,617                 | 50,617                              |
| Federal Perkins Loan Program                                     | 84.038              | P038A042029                       | 4 36,463     | (2,551,141)                        | 36,463     | 107,620                  | 318,644                 | 615,579                 | 388,532                   | (2,625,336)                         |
| SUBTOTAL   |                     |                                   | 5,142,496    | (2,511,528)                        | 11,503,382 | 107,620                  | 318,644                 | 11,629,379              | 11,925,200                | (2,515,974)                         |
| Upward Bound 04/05   | 84.047a             | P047A030828-04                    | 377,530      | 59,547                             | 340,884    | -                        | -                       | 119,547                 | 315,094                   | 33,757                              |
| Upward Bound 05/06   | 84.047a             | P047A030828-05                    | 377,530      | -                                  | 26,646     | -                        | -                       | -                       | 26,646                    | -                                   |
| SUBTOTAL   |                     |                                   | 755,060      | 59,547                             | 367,530    | -                        | -                       | 119,547                 | 341,740                   | 33,757                              |
| Strengthening Institutions-Project Management                    | 84.031a             | P031A010202                       | 254,000      | 2,411                              | 46,924     | -                        | -                       | 54,733                  | 96,941                    | 52,428                              |
| Strengthening Institutions-Academic Progress/Student Success     | 84.031a             | P031A010202                       | 1,190,861    | 9,989                              | 279,976    | -                        | -                       | 282,199                 | 281,599                   | 11,612                              |
| SUBTOTAL   |                     |                                   | 1,444,861    | 12,400                             | 326,900    | -                        | -                       | 336,932                 | 378,540                   | 64,040                              |
| Child Care Access  | 84.335a             | P335A990174                       | 57,221       | 1,160                              | 4,611      | -                        | -                       | 12,677                  | 3,451                     | -                                   |
| Programs passed through Michigan Department of Education         |                     |                                   |              |                                    |            |                          |                         |                         |                           |                                     |
| Occupational Educational Equipment Grant 03/04                   | 84.048              | 043510/402132                     | 131,568      | 10,540                             | 10,540     | -                        | -                       | 131,568                 | -                         | -                                   |
| Occupational Educational Equipment Grant 04/05                   | 84.048              | 053510/502133                     | 158,089      | -                                  | 103,749    | -                        | -                       | -                       | 158,089                   | 54,340                              |
| Local Leadership 04/05   | 84.048              | 053250/502532                     | 1,400        | -                                  | 55         | -                        | -                       | 51                      | 161                       | 106                                 |
| SUBTOTAL   |                     |                                   | 291,057      | 10,540                             | 114,344    | -                        | -                       | 131,619                 | 158,250                   | 54,446                              |
| Programs passed through EUP Intermediate School District         |                     |                                   |              |                                    |            |                          |                         |                         |                           |                                     |
| Tech Prep 03/04  | 84.243a             | 4014-03                           | 11,438       | 11,438                             | 11,438     | -                        | -                       | 11,438                  | -                         | -                                   |
| Tech Prep 03/04  | 84.385a             | S358A04-4732                      | 534          | -                                  | 534        | -                        | -                       | -                       | 534                       | -                                   |
| Tech Prep 04/05  | 84.048a             | 5012-03                           | 939          | -                                  | 939        | -                        | -                       | -                       | 939                       | -                                   |
| Tech Prep 04/05  | 84.243a             | 5014-03                           | 12,541       | -                                  | 5,978      | -                        | -                       | -                       | 12,541                    | 6,563                               |
| SUBTOTAL   |                     |                                   | 25,452       | 11,438                             | 18,889     | -                        | -                       | 11,438                  | 14,014                    | 6,563                               |
| <b><u>Total U.S. Department of Education</u></b>                 |                     |                                   |              |                                    |            |                          |                         |                         |                           |                                     |
|  |                     |                                   | 7,716,147    | (2,416,443)                        | 12,335,656 | 107,620                  | 318,644                 | 12,241,592              | 12,821,195                | (2,357,168)                         |
| <b><u>U.S. Department of Health and Human Services</u></b>       |                     |                                   |              |                                    |            |                          |                         |                         |                           |                                     |
| Direct program   |                     |                                   |              |                                    |            |                          |                         |                         |                           |                                     |
| Nursing Student Loans 04/05                                      | 93.364              | 6339831N04                        | 4 21,382     | (527,581)                          | 21,382     | 19,565                   | 185,580                 | 113,094                 | 185,600                   | (568,508)                           |
| Programs passed through Michigan Department of Community Health  |                     |                                   |              |                                    |            |                          |                         |                         |                           |                                     |
| Center for Medicare and Medicaid Services                        | 93.778              | 20040410                          | 57,165       | 3,535                              | 8,691      | -                        | -                       | 51,679                  | 5,156                     | -                                   |
| Center for Medicare and Medicaid Services                        | 93.778              | 20051293                          | 57,117       | -                                  | 57,117     | -                        | -                       | -                       | 57,117                    | -                                   |
| <b><u>Total U.S. Department of Health and Human Services</u></b> |                     |                                   |              |                                    |            |                          |                         |                         |                           |                                     |
|  |                     |                                   | 114,282      | 3,535                              | 65,808     | -                        | -                       | 51,679                  | 62,273                    | -                                   |
| <b><u>U.S. Department of the Interior</u></b>                    |                     |                                   |              |                                    |            |                          |                         |                         |                           |                                     |
| Direct programs  |                     |                                   |              |                                    |            |                          |                         |                         |                           |                                     |
| Sea Lamprey Study 04/05  | 15.ffa              | 32154M044                         | 5,800        | 1,020                              | 5,800      | -                        | -                       | 1,020                   | 4,780                     | -                                   |
| Sea Lamprey Study 05/06  | 15.ffa              | 301815J069                        | 5,900        | -                                  | -          | -                        | -                       | -                       | 1,389                     | 1,389                               |
| USFWS Eagle Cooperative  | 15.fib              | 1448000397105499                  | -            | (289)                              | -          | -                        | -                       | 180                     | 289                       | -                                   |
| <b><u>Total U.S. Department of the Interior</u></b>              |                     |                                   |              |                                    |            |                          |                         |                         |                           |                                     |
|  |                     |                                   | 11,700       | 731                                | 5,800      | -                        | -                       | 1,200                   | 6,458                     | 1,389                               |

**LAKE SUPERIOR STATE UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

| Federal Grantor/Pass through grantor/ Program title                         | Federal<br>CFDA<br>Number | Award # or<br>Pass - through<br>Grant # | Award<br>Amount     | Accrued<br>(Deferred) at<br>July 1, 2004 | Receipts             | Other Revenue<br>Recognized | Transfers &<br>Adjustments | Prior<br>Year<br>Expenditures | Current<br>Year<br>Expenditures | Accrued<br>(Deferred) at<br>June 30, 2005 |
|---|---------------------------|---|---------------------|--|----------------------|-----------------------------|----------------------------|-------------------------------|---------------------------------|---|
| <b>U.S. Department of Labor</b>   |                           |   |                     |  |                      |                             |                            |                               |                                 |   |
| Program passed through Marquette Alger Regional Educational Service Agency  |                           |   |                     |  |                      |                             |                            |                               |                                 |   |
| U.P. Entrepreneurship Curriculum Development                                | 17.267                    | 650 W02-01                              | 6,790               | -  | -                    | -                           | -                          | -                             | 2,707                           | 2,707                                     |
| <b>Total U.S. Department of Labor</b>                                       |                           |   | <b>6,790</b>        | <b>-</b>                                 | <b>-</b>             | <b>-</b>                    | <b>-</b>                   | <b>-</b>                      | <b>2,707</b>                    | <b>2,707</b>                              |
| <b>National Science Foundation</b>  |                           |   |                     |  |                      |                             |                            |                               |                                 |   |
| Direct programs   |                           |   |                     |  |                      |                             |                            |                               |                                 |   |
| NSF DNA Sequencer   | 47.074                    | DBI-0116086                             | 113,200             | 1,266                                    | 6,375                | -                           | -                          | 25,440                        | 9,796                           | 4,687                                     |
| NSF Geoscience Curriculum Model   | 47.076                    | DUE-9952319                             | 113,678             | 473                                      | 20,195               | -                           | -                          | 25,879                        | 21,521                          | 1,799                                     |
| NSF First   | 47.076                    | DUE-9980685                             | 124,745             | (1,463)                                  | -                    | -                           | -                          | -                             | 1,463                           | -   |
| NSF ICPMS   | 47.049                    | CHE-0116036                             | 192,922             | -  | 4,793                | -                           | -                          | (5,265)                       | 4,793                           | -   |
| NSF Energy Lab  | 47.076                    | DUE-0126684                             | 98,814              | 248                                      | 19,816               | -                           | -                          | 44,466                        | 19,568                          | -   |
| NSF HPLC 04-07  | 47.076                    | CHE-0342928                             | 69,975              | (3)                                      | 380                  | -                           | -                          | 69,593                        | 383                             | -   |
| NSF CSEM Scholars Program   | 47.076                    | DUE-0094775                             | 101,250             | 258                                      | 9,031                | -                           | -                          | 50,218                        | 8,773                           | -   |
| <b>Total National Science Foundation</b>                                    |                           |   | <b>814,584</b>      | <b>779</b>                               | <b>60,590</b>        | <b>-</b>                    | <b>-</b>                   | <b>210,331</b>                | <b>66,297</b>                   | <b>6,486</b>                              |
| <b>U.S. Department of Agriculture</b>                                       |                           |   |                     |  |                      |                             |                            |                               |                                 |   |
| Indirect program  |                           |   |                     |  |                      |                             |                            |                               |                                 |   |
| Brooktrout 05/06  | 10.UKN                    | 04-CS-11090700-013                      | 3,000               | -  | -                    | -                           | -                          | -                             | 938                             | 938                                       |
| <b>Total U.S. Department of Agriculture</b>                                 |                           |   | <b>3,000</b>        | <b>-</b>                                 | <b>-</b>             | <b>-</b>                    | <b>-</b>                   | <b>-</b>                      | <b>938</b>                      | <b>938</b>                                |
| <b>U.S. Environmental Protection Agency</b>                                 |                           |   |                     |  |                      |                             |                            |                               |                                 |   |
| Direct programs   |                           |   |                     |  |                      |                             |                            |                               |                                 |   |
| Sediment Quality in St Mary's River   | 66.469                    | GL-97510101-0                           | 86,285              | 25,951                                   | 26,694               | -                           | -                          | 68,286                        | 743                             | -   |
| Sediment Quality in St Mary's River   | 66.469                    | GL-96513301-0                           | 46,000              | 2,459                                    | 15,768               | -                           | -                          | 3,512                         | 11,514                          | (1,795)                                   |
| EPA-GLNPO 04/07   | 66.469                    | GL-96538301-0                           | 715,300             | -  | 375,436              | -                           | -                          | -                             | 410,379                         | 34,943                                    |
| EPA 5 SITE ALGAL 04/05  | 66.UKN                    | 4C-WD11-NAEX                            | 45,275              | -  | -                    | -                           | -                          | -                             | 9,910                           | 9,910                                     |
| Program passed through University of Wisconsin                              |                           |   |                     |  |                      |                             |                            |                               |                                 |   |
| Inactivation of Algal Toxins  | 66.UKN                    | 901B821                                 | 14,900              | (779)                                    | -                    | -                           | -                          | 7,324                         | 779                             | -   |
| <b>Total U.S. Environmental Protection Agency</b>                           |                           |   | <b>907,760</b>      | <b>27,631</b>                            | <b>417,898</b>       | <b>-</b>                    | <b>-</b>                   | <b>79,122</b>                 | <b>433,325</b>                  | <b>43,058</b>                             |
| <b>U.S. Department of Justice</b>   |                           |   |                     |  |                      |                             |                            |                               |                                 |   |
| Program passed through Michigan State Police, Emergency Management Division |                           |   |                     |  |                      |                             |                            |                               |                                 |   |
| Homeland Security   | 97.004                    |   | 4,500               | 2,205                                    | -                    | -                           | -                          | 2,205                         | 2,295                           | 4,500                                     |
| <b>Total U.S. Department of Justice</b>                                     |                           |   | <b>4,500</b>        | <b>2,205</b>                             | <b>-</b>             | <b>-</b>                    | <b>-</b>                   | <b>2,205</b>                  | <b>2,295</b>                    | <b>4,500</b>                              |
| <b>TOTAL FEDERAL AWARDS</b>   |                           |   | <b>\$ 9,600,145</b> | <b>\$ (2,909,143)</b>                    | <b>\$ 12,907,134</b> | <b>\$ 127,185</b>           | <b>\$ 504,224</b>          | <b>\$ 12,699,223</b>          | <b>\$ 13,581,088</b>            | <b>\$ (2,866,597)</b>                     |

Notes to Schedule of Federal Award Expenditures

- 1) Includes interest collected and institution match
- 2) Total loans disbursed from available funds
- 3) Amount included in net assets of financial statements
- 4) Consists of the student financial aid cluster
- 5) Basis of presentation -  
The Schedule of expenditures of federal awards includes the federal grant activity of the University and is presented on the modified 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 or used in the preparation of the financial statements.
- 6) During the year ended June 30, 2005 the University passed through to subrecipient agencies \$ -0- in federal award funding.

**Lake Superior State University  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005**

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SECTION 1 - SUMMARY OF AUDITORS RESULTS:

*Financial Statements*

|  |               |
|--|---------------|
| Type of Auditor's report issued:   | Unqualified   |
| Internal control over financial reporting:                                 |               |
| Material weakness identified?  | No            |
| Reportable conditions identified not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted?                      | No            |

*Federal Awards*

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| Material weaknesses identified?  | No            |
| Reportable conditions identified not considered to be material weaknesses?   | None reported |
| Type of auditor's report issued on compliance for major programs:  | Qualified     |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) ? | Yes           |

Identification of major programs:

| <i>CFDA #</i>                             | <i>Name of Program</i>                        |
|---|---|
| 84.007,84.033,84.038,84.063,84.268,93.364 | Student financial aid cluster                 |
| 84.047a                                   | Upward bound                                  |
| 66.469                                    | Environmental protection agency – Great Lakes |



**Lake Superior State University**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2005**

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

Auditee qualified as a low risk auditee? Yes

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No financial statement findings are reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2005-01 Physical inventory of equipment**

Condition: A physical inventory of equipment was not performed for the past two years.

Criteria: OMB Circular A-110 states a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

Effect: This causes the University not to be in compliance with OMB Circular A-110.

Cause: The University postponed its physical inventory one year so any adjustments made to the physical inventory listing could be done in conjunction with going live with their new financial software system, Banner.

Recommendation: The University should adhere to its policy to perform a physical inventory of equipment on a biannual basis.

**2005-02 Suspension and debarment**

Condition: There was no evidence the University determined whether or not a vendor was a suspended or debarred party through verification on the following federal government website which lists all suspended and debarred vendors <http://epls.arnet.gov> or obtaining a suspension and debarment certificate from the vendor stating they are not suspended or debarred from receiving federal funds.

**Lake Superior State University**  
**Schedule of Findings and Questioned Costs (Concluded)**  
**For the Year Ended June 30, 2005**

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Criteria: Code of Federal Regulations for the Environmental Protection Agency awards, 40CFR31.35 states that grantees and subgrantees may not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549 "Debarment and Suspension." This executive order was subsequently updated by executive order 12689 to include procurement activities.

Effect: This causes the University to be in noncompliance with 40CFR31.35.

Cause: The University was not aware of this requirement.

Recommendation: The University should implement a policy where all procurement activities exceeding the small dollar threshold (\$25,000) should either require a suspension or debarment certificate obtained or verification the vendor is not including on the suspended or debarred listing on the Federal government's website <http://epls.arnet.gov>.

#### SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No prior year federal award findings or questioned costs.

#### SECTION V – CORRECTIVE ACTION PLANS

##### **2005-01 Physical inventory of equipment**

It is the University's intent to perform a physical inventory during the fiscal year ending June 30, 2006.

##### **2005-02 Suspension and debarment**

The University is currently working out a policy and procedure to provide reasonable assurance that vendors providing goods and services for projects funded with Federal monies are not listed as debarred or suspended.