



BUCKNELL UNIVERSITY

Information on Federal Awards

June 30, 2016

(With Independent Auditors' Report Thereon)

BUCKNELL UNIVERSITY

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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Trustees
Bucknell University:

Report on Compliance for Each Major Federal Program

We have audited Bucknell University's (the University) compliance with the types of compliance requirements described in the *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. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the 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, 2016.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

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

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 consolidated financial statements of the University as of and for the year ended June 30, 2016, and have issued our report thereon dated October 20, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

KPMG LLP

Harrisburg, Pennsylvania
March 20, 2017

BUCKNELL UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

<u>Federal grantor/program title (when applicable, pass-through entities including agreement numbers)</u>	<u>CFDA number</u>	<u>Passed through to subrecipients</u>	<u>Federal expenditures</u>
Other Programs			
<i>National Endowment for the Arts</i>			
Promotion of the Arts - Grants to Organizations and Individuals (pass-through the Mid Atlantic Arts Foundation) (27483)	45.024	\$	3,200
Promotion of the Arts - Partnership Agreements (pass-through the Mid Atlantic Arts Foundation) (27267, 27266, 27193, 27263, 27261, 27194)	45.025		24,120
<i>Department of Justice</i>			
Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525		14,827
<i>Small Business Administration:</i>			
Small Business Development Centers (pass-through Trustees of the University of Pennsylvania) (5-68306-A, 5-65897-A)	59.037		336,809
Total Other Programs			<u>378,956</u>
Research and development:			
<i>Department of Commerce</i>			
Sea Grant Support (pass-through Trustees of the King's College) (2017-KC-NOAA-0063)	11.417		7,267
Science, Technology, Business and/or Education Outreach	11.620		8,437
<i>U.S. Department of Interior:</i>			
Great Apes Conservation Fund	15.629		2,531
Endangered Species Conservation – Recovery Implementation Funds	15.657		138,996
Endangered Species Conservation – Recovery Implementation Funds (pass-through Temple University - Of The Commonwealth System of Higher Education) (310288-13120-02)	15.657		29,940
National Land Remote Sensing Education Outreach and Research (pass-through the California University of Pennsylvania) (1415ES021-S3)	15.815		1,110
<i>National Aeronautics and Space Administration</i>			
Science	43.001		33,935
<i>National Science Foundation</i>			
Engineering Grants	47.041		118,963
Mathematical and Physical Sciences	47.049		398,092
Geosciences	47.050		71,775
Computer and Information Science and Engineering	47.070		58,160
Biological Sciences	47.074		44,855
Social, Behavioral, and Economic Sciences (pass-through Mount Holyoke College) (GD9011)	47.075		6,479
Social, Behavioral, and Economic Sciences (pass-through the Research Foundation for State University of New York) (R893939)	47.075		19,065
Education and Human Resources	47.076		231,989
Education and Human Resources (pass-through Lehigh University) (543317-78003)	47.076		984
Education and Human Resources (pass-through Regents of the University of Michigan) (3003423182)	47.076		6,979
Education and Human Resources (pass-through the University of Florida) (UF-EIES-1109037-BKU)	47.076		2,020
Office of International Science and Engineering	47.079		1,687
<i>Environmental Protection Agency</i>			
Chesapeake Bay Program (pass-through Susquehanna River Basin Commission) (0603.14.045237)	66.466	\$	12,906
<i>Department of Health and Human Services</i>			
Mental Health Research Grants (pass-through Geisinger Clinic) (7055726)	93.242		45,374
Alcohol Research Programs	93.273		74,663
Cardiovascular Diseases Research (pass-through The General Hospital Corp./d/b/a Massachusetts General Hospital) (226743)	93.837		32,725
Child Health and Human Development Extramural Research	93.865		41,147
<i>United States Agency for International Development</i>			
USAID Foreign Assistance for Programs Overseas (pass-through EcoHealth Alliance) (003030335)	98.001		28,895
Total research and development		<u>12,906</u>	<u>1,419,508</u>
Student financial aid cluster:			
<i>U.S. Department of Education</i>			
Federal Supplemental Educational Opportunity Grant Program	84.007		263,992
Federal Work-Study Program	84.033		273,698
Federal Perkins Loan Program	84.038		4,037,047
Federal Pell Grant Program	84.063		1,725,182
Federal Direct Loans	84.268		14,282,455
Total student financial aid cluster			<u>20,582,374</u>
Total expenditures of federal awards		<u>\$ 12,906</u>	<u>\$ 22,380,838</u>

See accompanying notes to schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) presents the expenditures of Bucknell University's (the University) federal financial assistance programs for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the 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). Because the Schedule represents only a portion of the operations of the University, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the University.

(2) Summary of Significant Accounting Policies

The Schedule is presented using the accrual basis of accounting, which is consistent with the University's consolidated financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or OMB Circular A-21, *Cost Principles for Educational Institutions*, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Federal Perkins Loan Program

The University administers and accounts for all aspects of the Federal Perkins Loan Program. Therefore, the University's consolidated financial statements include the program's balances and transactions. The balance of loans outstanding under the loan program at June 30, 2016 was \$3,273,701. The amount presented on the Schedule is the beginning balance of the loans outstanding at July 1, 2015 plus the amount of the loans issued (\$280,619) during the fiscal year ended June 30, 2016. No administrative cost allowance was claimed for the Federal Perkins Loan Program for the year ended June 30, 2016.

(4) Federal Direct Loans

For the Federal Direct Loan Programs, the University is responsible only for the performance of certain administrative duties; therefore, the loan balances and transactions for those programs are not included in the University's financial statements.

(5) Indirect costs

The University has a federally negotiated indirect cost rate and therefore may not elect to use the de minimus 10% indirect cost rate.

BUCKNELL UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

Section I – Summary of Auditors’ Results

- (a) Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None Reported**
- (c) Noncompliance material to the consolidated financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **Yes (2016-001)**
- (e) The type of report issued on compliance for major programs: **Unmodified**
- (f) Any audit findings which are required to be reported in accordance with 2 CFR 200.516(a): **Yes (2016-001)**
- (g) Major programs:
 - Research and Development Cluster – various CFDA numbers
 - Student Financial Assistance Cluster – various CFDA numbers
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- (i) Auditee qualified as a low-risk auditee: **Yes**

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

Reference Number: 2016-001
Federal Agency: National Science Foundation
Program Name (CFDA#): Research and Development Cluster (47.041, 47.070, 47.074)
Federal Award Year: July 1, 2015 to June 30, 2016
Compliance Requirement: Equipment Management

BUCKNELL UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Criteria

Non-federal entities other than States must follow 2 CFR sections 200.313(c) through (e), which require that:

- (1) Equipment, including replacement equipment, be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award, or when appropriate, under other Federal awards; however, the non-Federal entity must not encumber the equipment without prior approval of the Federal awarding agency.
- (2) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.
- (3) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (4) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (5) Adequate maintenance procedures must be developed to keep the property in good condition.

Condition

The following exceptions were noted during our audit of equipment management:

- A physical inventory of the property acquired with federal awards was not performed at least once in the past two years. The University's most recent physical inventory inspection of property acquired with federal awards was completed in January 2017, whereas the University's previous physical inventory was completed in January 2014.
- A specific item of equipment (funded by a federal award in fiscal year 2013) had been transferred to another university in July 2016. However, Bucknell and the other university had not documented the terms and conditions of the transfer in a timely manner. The equipment that was transferred had a cost basis of \$179,765 and was fully depreciated at June 30, 2016.

Cause and Effect

Although the University has policies and procedures in place regarding federal equipment management, it failed to follow them in the instances noted above, and did not have sufficient monitoring controls in place to detect the noncompliance.

BUCKNELL UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Questioned Costs

There are no questioned costs associated with this finding.

Repeat Finding

The finding was not repeated in the immediate prior year.

Statistically Valid Sampling

This sample was not intended to be, and was not, a statistically valid sample.

Recommendation

We recommend that the University design and implement monitoring controls to reasonably ensure compliance with federal equipment management policies and procedures.

View of Responsible Officials

The University concurs with this finding.