



BUCKNELL UNIVERSITY

Information on Federal Awards

June 30, 2017

(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 the University's major federal program for the year ended June 30, 2017. The University's major federal program is 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 the University's major federal program 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 its major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on the major federal program is not modified with respect to this matter.

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 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, 2017, and have issued our report thereon dated October 16, 2017, 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
January 30, 2018

BUCKNELL UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

<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	45.024	\$	10,000
Promotion of the Arts – Partnership Agreements (pass-through the Mid Atlantic Arts Foundation) (28538, 28462, 28463, 28713, 28522, 28521, 28534, 15-6100-2057, 16-6100-2062)	45.025		24,246
<i>Small Business Administration</i>			
Small Business Development Centers (pass-through Trustees of the University of Pennsylvania) (5-68306-A, 5-70945-A)	59.037		<u>232,736</u>
Total Other Programs			<u>266,982</u>
Research and development:			
<i>Department of Commerce</i>			
Measurement and Engineering Research and Standards	11.609		2,860
<i>U.S. Department of Interior</i>			
Endangered Species Conservation – Recovery Implementation Funds	15.657		72,103
Endangered Species Conservation – Recovery Implementation Funds (pass-through Temple University – Of The Commonwealth System of Higher Education) (310288-13120-02)	15.657		7,225
National Land Remote Sensing Education Outreach and Research (pass-through the California University of Pennsylvania) (1617ES013-S3)	15.815		1,250
<i>National Endowment for the Humanities</i>			
Promotion of the Humanities Research	45.161	\$ 3,136	15,644
Promotion of the Humanities Research (pass-through the University of Oregon) (237630A)	45.161		20,578
<i>National Science Foundation</i>			
Engineering Grants	47.041		223,399
Mathematical and Physical Sciences	47.049		194,475
Mathematical and Physical Sciences (pass-through Syracuse University) (28746-04405-S01)	47.049		8,818
Geosciences	47.050		117,137
Computer and Information Science and Engineering	47.070		25,423
Biological Sciences	47.074		39,812
Social, Behavioral, and Economic Sciences (pass-through Mount Holyoke College) (GD9011)	47.075		18,749
Education and Human Resources	47.076		285,712
Education and Human Resources (pass-through Lehigh University) (543317-78003)	47.076		8,550
Education and Human Resources (pass-through Regents of the University Michigan) (3003423182)	47.076		6,028
<i>Department of Energy</i>			
Renewable Energy Research and Development	81.087		8,194
<i>Department of Health and Human Services</i>			
Alcohol Research Programs	93.273		101,873
Cardiovascular Diseases Research (pass-through The General Hospital Corp./d/b/a Massachusetts General Hospital) (226743)	93.837		63,010
Child Health and Human Development Extramural Research	93.865		77,337
Allergy and Infectious Diseases Research	93.855		132,707
<i>United States Agency for International Development</i>			
USAID Foreign Assistance for Programs Overseas (pass-through EcoHealth Alliance) (003030335)	98.001		<u>23,517</u>
Total research and development		<u>3,136</u>	<u>1,454,401</u>
Student financial aid cluster:			
<i>U.S. Department of Education</i>			
Federal Supplemental Educational Opportunity Grant Program	84.007		236,942
Federal Work-Study Program	84.033		278,334
Federal Perkins Loan Program	84.038		3,495,169
Federal Pell Grant Program	84.063		1,549,875
Federal Direct Loans	84.268		<u>13,582,073</u>
Total student financial aid cluster			<u>19,142,393</u>
Total expenditures of federal awards		\$ <u>3,136</u>	\$ <u>20,863,776</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, 2017

(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, 2017. 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. 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.

(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.

(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, 2017 was \$2,896,424. The amount presented on the Schedule is the beginning balance of the loans outstanding at July 1, 2016 plus the amount of the loans issued (\$221,468) during the fiscal year ended June 30, 2017. No administrative cost allowance was claimed for the Federal Perkins Loan Program for the year ended June 30, 2017.

(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 consolidated financial statements. It is not practical to determine the loan balances outstanding to students under this program as of June 30, 2017.

(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

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

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 (2017-001)**
- (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 (2017-001)**
- (g) Major programs:
 - 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: 2017-001

Federal Agency: U.S. Department of Education (ED)

Program Name (CFDA#): Student Financial Aid Cluster:
Federal Pell Grant Program (84.063)

Federal Award Year: July 1, 2016 to June 30, 2017

Compliance Requirement: Pell Reporting

BUCKNELL UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Criteria

All schools receiving Pell grants submit Pell payment data to the ED through the Common Origination and Disbursement (COD) System. Schools submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. The acknowledgments identify the processing status of each record: Rejected, Accepted with Corrections, or Accepted. Institutions must report student payment data within 15 calendar days after the school makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly or may set up their own system to ensure that changes are reported in a timely manner (34 CFR Section 690.83).

Condition

For 1 of the 40 students sampled for testing the timeliness and accuracy of the University's reporting of Pell disbursements to the COD, the student's Pell disbursement was not reported within 15 calendar days of when the disbursement was made to the student. The University discovered the error in October of 2016 and upon further investigation determined that a total of 26 students' Pell disbursements were not reported timely. The University immediately reported the 26 students' Pell disbursements to the COD. The disbursements were between 1 and 51 days late.

Cause and Effect

The University did not compile a complete list of Pell disbursements made between August 23, 2016 and October 27, 2016. There was no control in place to determine whether or not the list of Pell disbursements was complete and thus 26 Pell disbursements were not reported timely to the COD.

Questioned Costs

Questioned costs related to this finding are not determinable.

Repeat Finding

This was not a finding 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 implement a control to ensure that the list of Pell disbursements used to report to the COD is complete and accurate for each instance that the list is compiled.

View of Responsible Officials

The University concurs with this finding and recommendation. During the 2017 Fall semester, the University's Financial Aid office now maintains a weekly roster of all Pell recipients by semester. The roster documents dates of Pell award postings to each student account, subsequent adjustments, if any, change in student status, if any, and the date(s) the information was reported to the COD system.

Summary Schedule of Current Year Audit Finding

Reference number: 2017-001

Compliance Requirement: Pell Reporting

Contact person: Michael S. Cover, Treasurer & Controller

Corrective Action Plan:

The University concurs with this finding and recommendation. During the 2017 Fall semester, the University's Financial Aid office now maintains a weekly roster of all Pell recipients by semester. The roster documents dates of Pell award postings to each student account, subsequent adjustments, if any, change in student status, if any, and the date(s) the information was reported to the Common Origination and Disbursement (COD) System.

Completion Date: December 2017.

Summary Schedule of Prior Year Audit Finding

Reference number: 2016-001

Compliance Requirement: Equipment management

Contact person: Michael S. Cover, Treasurer & Controller

Status

- Corrected. Bucknell performed a physical inventory of items purchased with federal funding in January 2017. The next scheduled physical inventory is June 2018. Furthermore, Bucknell has written procedures that include the requirement to obtain timely documentation when transferring federally funded equipment to other qualifying institutions.