



STATE OF ILLINOIS  
**OFFICE OF THE  
AUDITOR GENERAL**

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**UNIVERSITY OF ILLINOIS**

**Single Audit and State Compliance Examination  
For the Year Ended: June 30, 2011**

**Release Date: March 29, 2012**

**Summary of Findings this Audit Cycle:**

• <b>Compliance and Single Audit</b>	<b>34</b>
• <b>Financial Audit (previously reported 1-5-12)</b>	<b>TOTAL <u>3</u></b>
<b>findings</b>	<b>37</b>

**Summary of findings from previous  
audit cycle**

**43**

**Findings repeated:**

**30**

**INTRODUCTION**

The Financial Audit for the year ended June 30, 2011 was previously released on January 5, 2012. That audit contained three findings. This report addresses Federal and State compliance findings pertaining to the Single Audit and State Compliance Examination. In total, this document contains 37 audit findings, three of which had been reported in the Financial Audit.

**SYNOPSIS**

- The University did not have adequate documentation of payroll and fringe benefit expenditures for employees at the Urbana campus who work on the Cooperative Extension Services program or the Hatch Grant under the Research & Development Cluster program.
- The University did not maintain documentation supporting client eligibility determinations made for the Maternal and Child Health Services Block Grant Program.
- The University did not adequately document cost transfers.
- The University did not have an adequate process in place to ensure expenditures used to meet the cost sharing requirement of the Research and Development Cluster are allowable.
- The University did not accurately report expenditure information in American Recovery and Reinvestment Act Section 1512 reports submitted for the Research and Development Cluster program.
- The University did not properly calculate interest on federal funds drawn in advance.
- The University did not adequately perform or document reviews of subrecipient OMB Circular A-133 reports and the Chicago campus did not have a system to track and follow-up with subrecipients when OMB Circular A-133 reports have not been received.
- The University did not establish adequate internal controls over contracts and leases to ensure they contain all necessary provisions, are properly executed prior to performance, and are filed with the Illinois Office of the Comptroller on a timely basis.

{Expenditures and Activity Measures are summarized on the reverse page.}

**UNIVERSITY OF ILLINOIS**  
**SINGLE AUDIT AND COMPLIANCE EXAMINATION**  
**For The Year Ended June 30, 2011**

FINANCIAL OPERATIONS	2011	2010
<b>Operating Revenues</b>		
Tuition and fees, net.....	\$ 905,693,000	\$ 823,488,000
Federal grants, contracts and appropriations.....	703,311,000	657,896,000
State and private gifts, grants and contracts.....	230,764,000	233,043,000
Hospital and medical activities.....	770,822,000	761,913,000
Auxiliary enterprises, net.....	374,644,000	368,515,000
Educational activities.....	267,609,000	251,770,000
Other.....	16,710,000	14,544,000
Total Operating Revenues.....	<u>\$ 3,269,553,000</u>	<u>\$ 3,111,169,000</u>
<b>Operating Expenses</b>		
Instruction.....	\$ 1,006,190,000	\$ 970,339,000
Research.....	680,651,000	652,229,000
Public service.....	387,461,000	395,343,000
Academic support.....	349,095,000	354,238,000
Hospital and medical activities.....	633,795,000	597,426,000
Auxiliary enterprises.....	316,442,000	310,794,000
Operation and maintenance of plant.....	287,825,000	269,739,000
Institutional support.....	209,752,000	228,610,000
Depreciation.....	209,745,000	208,885,000
Scholarships and fellowships.....	238,722,000	215,270,000
Other.....	145,693,000	138,702,000
Total Operating Expenses.....	<u>\$ 4,465,371,000</u>	<u>\$ 4,341,575,000</u>
Operating Income (Loss).....	\$ (1,195,818,000)	\$ (1,230,406,000)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations.....	\$ 716,794,000	\$ 672,300,000
Capital appropriations, gifts and grants.....	26,019,000	82,508,000
Private gifts and endowments.....	134,422,000	144,197,000
On behalf payments for fringe benefits.....	683,201,000	634,745,000
Other, net.....	39,296,000	126,758,000
<b>INCREASE IN NET ASSETS.....</b>	<u>\$ 403,914,000</u>	<u>\$ 430,102,000</u>
SUPPLEMENTAL INFORMATION (Unaudited)	2011	2010
<b>Employment Statistics - Full Time Equivalent.....</b>		
Chicago.....	13,454	13,357
Springfield.....	935	910
Urbana-Champaign.....	14,204	14,409
Total.....	<u>28,593</u>	<u>28,676</u>
<b>Enrollment Statistics - Fall.....</b>		
Undergraduate - .....		
Chicago.....	16,806	16,044
Springfield.....	3,197	3,027
Urbana-Champaign.....	31,540	31,477
Subtotal.....	<u>51,543</u>	<u>50,548</u>
Graduate - .....		
Chicago.....	11,044	10,796
Springfield.....	1,977	1,950
Urbana-Champaign.....	12,322	12,404
Subtotal.....	<u>25,343</u>	<u>25,150</u>
Total .....	<u>76,886</u>	<u>75,698</u>
<b>PRESIDENT</b>		
During Audit Period and Current: Michael Hogan		

## INTRODUCTION

The Financial Audit for the year ended June 30, 2011 was previously released on January 5, 2012. That audit contained three findings. This report addresses Federal and State Compliance findings pertaining to the Single Audit and State Compliance Examination. In total, this document contains 37 audit findings, three of which had been reported in the Financial Audit.

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **INADEQUATE DOCUMENTATION FOR PAYROLL AND FRINGE BENEFIT EXPENDITURES**

The University did not have adequate documentation of payroll and fringe benefit expenditures for employees at the Urbana campus who work on the Cooperative Extension Services (CES) program or the Hatch Grant under the Research and Development Cluster program.

**Effort certifications were not  
obtained as required**

The University does not obtain effort certifications for employees who work on the CES program or the Hatch Grant under the Research and Development Cluster program as required by federal regulations. We reviewed a sample of 40 fringe payroll and fringe benefit expenditures totaling \$296,716 for the CES program and 3 payroll and fringe benefit charges totaling \$3,603 for the Hatch Grant. We noted that the effort (services) of these individuals was charged to multiple activities; however, effort certifications were not obtained.

Additionally, we noted effort certifications were not obtained for any of the payroll charges used to meet the cost sharing (matching) requirements of the CES and the Hatch Grant. Total payroll and fringe benefit expenditures charged to the CES program for the fiscal year ended June 30, 2011 were \$2,840,684 and \$2,469,678, respectively. Total payroll and fringe benefit expenditures charged to the Hatch Grant for the fiscal year ended June 30, 2011 were \$1,756,265 and \$83,814, respectively. Total payroll and fringe benefit expenditures used to meet the cost sharing (matching) requirement of the CES program and Hatch Grant for the year ended June 30, 2011 were \$9,797,419 and \$14,527,032, respectively. No indirect costs were charged to the CES program or Hatch Grant.

**Bi-weekly reports do not include  
activities of the employee as required**

We did note that bi-weekly time reports are prepared for most employees. However, these bi-weekly time reports, which are prepared on both a positive and negative (exception) basis depending on the type of employee, do not include activities of the employee as required by OMB Circular A-21.

**Monthly review by principal investigators is not documented**

Our audit identified other controls and processes that the University has implemented to mitigate the risk that payroll costs are improperly charged to a federal program. These include required reviews and approvals of the initial appointments of employees (i.e., allocation of federal and nonfederal projects) and monthly reviews by principal investigators (PI's) of labor distribution reports and project ledgers. However, the monthly review by principal investigators is not documented. (Finding 4, Pages 27-29)

**This finding was first reported in 2009.**

We recommended the University implement procedures to ensure documentation exists to substantiate the after-the-fact confirmation of activity allocable to each federal grant and cost share by the respective employee, principal investigator, or a responsible official.

**The University disagrees with auditors**

University officials did not accept this finding. The University believes its systems provide sufficient documentation to meet the requirements for programmatic and financial reporting as outlined in the administrative manuals associated with these funding streams in addition to Circular A-21 requirements. (For the previous University response, see Digest Footnote #1.)

**Auditors' comment**

In an auditors' comment, we noted that bi-weekly time reports do not include the activities of employees. We acknowledge there are other controls and processes the University has implemented to mitigate the risk that payroll costs are improperly charged to a federal program. In conclusion, we believe the University is not in compliance with documentation requirements for payroll costs under OMB Circular A-21.

**INCOMPLETE DOCUMENTATION IN CLIENT ELIGIBILITY FILES**

The University did not maintain documentation supporting client eligibility determinations made for the MCH Block Grant.

**Documentation was not maintained**

MCH Block Grant funds are used to provide care to special needs children who meet a variety of program eligibility requirements which include medical, financial, and other general criteria. During our testwork of 40 beneficiary payments claimed under the MCH program, we noted two beneficiaries (receiving payments totaling \$13,183) for which information used to complete the financial need determination was not available. Specifically, the University could not locate tax returns, pay stubs, or other documentation supporting the family income reported for these beneficiaries. Total beneficiary payments for the MCH Block Grant were

\$4,296,503 for the fiscal year ended June 30, 2011. (Finding 6, Pages 33-34 )

We recommended that the University review its current procedures for documenting eligibility determinations and implement any changes necessary to ensure eligibility determinations are documented in accordance with program regulations.

University officials accepted the finding and stated that procedures will be revised in accordance with program regulations for all active program files.

**University agrees with auditors**

### **INADEQUATE SUPPORTING DOCUMENTATION FOR COST TRANSFERS**

The University did not adequately document cost transfers.

The University has formal policies and procedures which outline the documentation required to support cost transfers and a standard form has been developed to assist the University in collecting supporting documentation for each cost transfer.

The standard form provides a series of potential reasons a cost transfer may be required and prompts the preparer to other sections of the form to provide additional supporting documentation as prescribed by University policy. The form is required to be certified by the principal investigator or another responsible official and must be reviewed and approved by the Grants and Contracts Office.

**Certification required**

We were initially provided brief journal entry descriptions as the supporting documentation for each of the cost transfers selected for testing. The journal entry descriptions consisted of a few sentences which generally stated an error had occurred in the original entry and that a transfer was required. These descriptions did not provide sufficient information to allow an independent party to understand the reason the cost transfer was required.

**Descriptions did not provide sufficient information**

Upon further investigation and inquiry, the University was able to provide other support which better described the reasons for some of the cost transfers tested. However, the standard cost transfer form was not completed in accordance with University policy for a majority of the transfers tested. We noted these transfers were initiated by the Grants and Contracts Office in closing out projects and that the standard cost transfer forms were not completed for any cost transfers prepared by the Grants and Contracts Office. (Finding 8, Pages 41-44) **This finding was first reported in 2009.**

**Standard cost transfer form was not completed for a majority of the transfers tested**

We recommended that the University implement procedures to ensure cost transfers are adequately documented and supported in accordance with University policy.

**The University disagrees with auditors**

University officials did not accept this finding. The University stated that every campus has formal written policies for cost transfers and that these policies are followed by Grants Office personnel during their review of cost transfers posted to sponsored project funds. The GC-81 form was not designed for, nor is there a requirement for it to be completed for, transfers made by internal Grants Office personnel in the course of making an administrative adjustment or closing out an award. (For the previous University response, see Digest Footnote #2.)

**Auditors' comment**

In an auditors' comment we noted that the nature and reason for the cost transfer not being adequately documented had to be supplemented through inquiry of University personnel in response to our questions. We understand University policy to require a specific form to be completed to support cost transfers; however, several of the cost transfers were not supported with the standard cost transfer form.

#### **INADEQUATE PROCESS FOR MONITORING COST SHARE REQUIREMENT**

The University did not have an adequate process in place to ensure expenditures used to meet the cost sharing requirement of the Research and Development Cluster are allowable.

The University is required to meet the cost share requirements for numerous awards in the Research and Development Cluster. The expenditures used to meet the cost share requirement are funded by multiple sources including contributed effort by University personnel, University funded contractual services, and costs funded by subrecipients of the University.

**Information provided by the subrecipient was not sufficient**

During our testwork over 40 cost share expenditures, we noted twelve subrecipient expenditures that were not supported by detailed expenditure information. Upon further review, we noted that the University had received signed letters certifying the expenditures were incurred from each subrecipient; however, the information provided by the subrecipient was not sufficient to allow the University to determine whether the costs meet allowable cost criteria, including whether the expenditures are adequately supported and documented by the subrecipient. (Finding 9, Pages 45-46)

We recommended that the University implement monitoring procedures to ensure cost share expenditures reported by its subrecipients are allowable.

**The University disagrees with auditors**

University officials did not accept this finding. The University believes that certified statements from their research partners are sufficient documentation for amount of its third party cost share.

**Auditors' comment**

In an auditors' comment we noted that the information received by the University only included a dollar amount which is less detailed than the information required by the University for federal expenditures reported by its subrecipients.

### **INACCURATE FEDERAL REPORTING**

The University did not accurately report expenditure information in Section 1512 reports submitted for the Research and Development Cluster program.

The University is required to prepare the quarterly American and Reinvestment Act (ARRA) 1512 reports for ARRA awards. These reports are intended to provide transparency into how Federal dollars are being spent and will help drive accountability for the timely, prudent, and effective spending of recovery dollars.

**Data reported did not match the corresponding quarter**

During our testing over three ARRA 1512 reports submitted for the quarter ending March 31, 2011 related to the Research and Development Cluster, we noted three reports prepared by the Urbana campus that were prepared using data for the quarter ending February 28, 2011. Additionally, during our testing over three ARRA 1512 reports submitted for the quarter ending June 30, 2011 related to the Research and Development Cluster, we noted two reports prepared by the Urbana campus that were prepared using data for the quarter ending May 31, 2011. As a result, the cumulative expenditures reported did not correspond to the quarter being reported. (Finding 12, Pages 52-53)

We recommended that the University revise its procedures to ensure expenditure data reported in Section 1512 reports corresponds to the applicable reporting period and to review and approve the reports prior to submission.

**University agrees with auditors**

University officials accepted the finding and stated that they have revised their reporting methodology for fiscal year 2012 to ensure the data corresponds to the applicable reporting period.

## **INTEREST CALCULATIONS RELATED TO FEDERAL ADVANCES**

The University did not properly calculate interest on federal funds drawn in advance.

The University receives federal funds on an advance basis under the Research and Development Cluster, Cooperative Extension Services, Supplemental Nutrition Assistance Program, Education and Human Resources, AIDS Training and Education Centers, Child Care and Development Fund Cluster, and Maternal and Child Health Services Block Grant.

During our testwork, we noted the University has not performed an interest calculation for any of the programs or grants on which it received advance funding as required by federal regulations. The University calculated interest on the net cash position of all its federal awards as of June 30, 2011; however, this methodology has not been approved by the University's federal cognizant agency, the U.S. Department of Education. (Finding 18, Pages 68-70) **This finding was first reported in 2009.**

**Interest calculation methodology has not been approved**

We recommended that the University implement procedures to properly calculate interest on federal funds received in advance of expenditures and to remit any interest earned to the appropriate federal agencies as required by federal regulations.

**University disagrees with auditors**

University officials did not accept this finding. The University stated that the methodology is being addressed by their cognizant agency for clarification and guidance on this issue. The University provided documentation as requested by the cognizant to review. Although the University has not yet received a final response, they are actively working to seek guidance and resolution regarding this matter. (For the previous University response, see Digest Footnote #3.)

**Auditors' Comment**

In an auditors' comment we recommended that the University continue to work with their Federal cognizant agency (U.S. Department of Education and OMB) to determine whether interest calculations should be performed at a lower level, such as by individual letter of credit, program, or federal agency.

## **INADEQUATE MONITORING OF SUBRECIPIENT OMB CIRCULAR A-133 AUDIT REPORTS**

The University was not adequately performing or documenting reviews of subrecipient OMB Circular A-133 audit reports and the Chicago campus does not have a system to track and follow-up with OMB Circular A-133 reports not received.

The University requires subrecipients expending more than \$500,000 in federal awards during their fiscal year to: (1) submit OMB Circular A-133 audit reports, or (2) provide written notification that an audit was conducted in accordance with OMB Circular A-133 and the schedule of findings and questioned costs disclosed no a udit findings relating to the Federal awards that were pass-through the University (notification letter).

University staff in the Office of Grants and Contracts are responsible for reviewing the OMB Circular A-133 audit reports and determining whether the audit reports meet the audit requirements of OMB Circular A-133, evaluating the type of audit opinion issued (i.e. unqualified, qualified, adverse), and issuing management decisions on findings reported within required timeframes.

**No documentation of desk reviews performed**

During our audit we noted: 1) there is no documentation of the “desk reviews” performed, and 2) management does not use a checklist to help determine whether the audit reports meet the requirements of OMB Circular A-133 and whether management decisions have been issued on findings reported within required timeframes. Further, we noted the Chicago campus does not have a process to track and follow-up with subrecipients when OMB Circular A-133 reports or notification letters have not been received.

In addition we noted the following conditions related to the Research and Development Program cluster:

**Management decisions were not issued**

- There were three subrecipients at the Urbana campus and three subrecipients at the Chicago campus for which a management decision was required, but was not issued by the University.
- There were three subrecipients at the Chicago campus for which A-133 reports were submitted after the nine month filing deadline. These files contained no documentation the University followed up on the delinquent report or approved an extension of the filing deadline. (Finding 20, Pages 74-77)

**This finding was first reported in 2009.**

We recommended the University establish procedures to ensure all subrecipients receiving federal awards have audits performed in accordance with OMB Circular A-133. Additionally, desk reviews of A-133 audit reports should be formally documented using an A-133 desk review checklist and management decisions should be issued within six months.

**University disagrees with auditors**

University officials did not accept this finding. The University stated that while management decisions were made on the exceptions pertaining to the Urbana campus, none of the exceptions required management decision letters as the reviewed findings did not relate to any of their subawards and the corrective action plans were deemed adequate. (For the previous University response, see Digest Footnote #4.)

**Auditors' Comment**

In an auditors' comment we noted that the three subrecipient reports for the Urbana campus included findings of internal control deficiencies related to overall compliance processes used to administer the funding passed through by the University. Accordingly, management decisions were required by the University.

**CONTRACTS AND REAL ESTATE LEASES NOT PROPERLY EXECUTED**

**Need to improve internal controls**

The University had not established adequate internal controls over contracts and leases to ensure they contain all necessary provisions, are properly executed prior to performance, and are filed with the Office of the Comptroller on a timely basis.

Some of the conditions noted during our review of 60 contracts follow:

- 57 contracts did not contain the signature of the employee signing on behalf of the University Comptroller.
- 6 contracts were executed subsequent to performance of the contract. The contract execution dates ranged from 3 to 160 days after the beginning of the contract start date.
- 4 contracts were not published in the Illinois Procurement Bulletin.
- 9 contracts were not timely filed with the Office of the Comptroller. The late filings ranged from one to 28 days late.

During our review of 40 real estate leases executed we noted 5 leases were executed after the lease term began. Further, the lease execution dates ranged from two days to 82 days after the beginning of the lease term. (Finding 32, Pages 103-104)

**This finding was first reported in 2003.**

We recommended that the University establish appropriate procedures to ensure all contracts and leases are completed, approved, and executed prior to the start of the services and lease term. Further the University should ensure that all signatures, clauses and certifications are obtained prior to execution for their contracts and leases and they are filed with the Office of the Comptroller and emergency purchase affidavits with the Auditor General.

**University agrees with auditors**

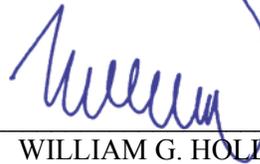
University officials accepted the recommendation and stated that they will continue to examine and improve procedures to ensure contracts and leases are properly approved and executed prior to the start of the agreement, include all necessary documents and are filed on a timely basis. (For the previous University response, see Digest Footnote #5.)

**OTHER FINDINGS**

The remaining findings are reportedly being given attention by the University. We will review the University's progress towards the implementation of our recommendations in our next engagement.

**AUDITORS' OPINION**

The financial audit reports were previously released. Our auditors state the June 30, 2011 financial statements are fairly presented in all material respects.



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WILLIAM G. HOLLAND  
- Auditor General

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**SPECIAL ASSISTANT AUDITORS**

KPMG were our special assistant auditors.

## DIGEST FOOTNOTES

### **#1 –Inadequate Documentation for Payroll and Fringe Benefit Expenditures – Previous University Response**

Not accepted. This is a repeat finding from FY09. The University has sought guidance using the audit resolution process which is still pending. The University disagrees with the audit firm's assessment that a method of effort certification is not occurring. The University utilizes the Activity Reporting System (ARS) and the Banner Time Reporting System to meet reporting requirements associated with receipt of federal formula funds allocated to the University of Illinois. Use of these systems is consistent with guidance outlined in the Administrative Manual for the Hatch Act (page10) and the Administrative Handbook for Cooperative Extension Work (Pages 3-28, 29).

ARS is a campus-based system for monitoring, validating and reporting activities and effort in primary mission areas including instruction, research and outreach activity. Sources of funds supporting salary, as well as percent effort, are documented in this system. All fund sources and effort are captured and documented, including those from federal formula funds. The system is tied to the Banner HR, Finance and Student modules. Utilizing this system, units review, monitor and validate the accuracy of fund source and mission area effort for all academic and graduate employees holding appointments in the unit. Modifications to appointments and/or salary funding source are captured in this system. Validation by authorized personnel at the unit level with specific knowledge of employee effort occurs annually.

The Banner Time Reporting System captures funding sources and hours worked for all employees paid in a non-salaried, biweekly manner. Supervisors and authorized unit personnel certify accuracy when approving work or benefit time reported in this system.

Authority or receipt and appropriate use of federal formula funding in support of research (Hatch) and extension work (Smith-Lever) rests with the Directors of the Agricultural Experiment Station and the Extension Service in accordance with guidelines outlined in the administrative manuals provided by USDA, including both programmatic and financial reporting. Funds are allocated for use and budgeted in units where programmatic activity occurs. Federal formula funds are not received in direct support of a specific project proposal, principal investigator or project period in the same way that funds are awarded to faculty who submit successful proposals to NIH, NSF or other granting agencies, including other grant programs provided by USDA. Programmatic oversight for use of these federal formula funds is achieved through annual reporting to USDA through the Plan of Work. Additionally, the Planning, Reporting and Evaluation System (PRES) brings together several reporting features for Extension professional field staff and hourly program staff that include activity reporting, contact reporting, leave reporting for professional field staff, plan of work impact reporting, and annual self evaluations. Financial oversight is achieved through the filing of annual financial reports that outline the amount of appropriation expended, and the amount of required match made available to support the research and extension programs at Illinois in any given fiscal year. Financial information from University accounting systems is utilized to document expenditures associated with federal formula funds and also to document the pool of allowable expenditures associated with required matching.

Given the unique nature of the federal formula fund appropriations, we believe the University systems in place provide sufficient documentation to meet the requirements for programmatic and financial reporting as outlined in the administrative manuals associated with these funding streams in addition to Circular A-21 requirements.

**#2 –Inadequate Supporting Documentation for Cost Transfers –  
Previous University Response**

Not accepted. The University believes cost transfers are adequately documented and supported in accordance with University policy and requirements of OMB Circular A-21 and OMB Circular A-110. The University has formal written policies for cost transfers for every campus. These policies are followed by Grants Office personnel during their review of cost transfers posted to sponsored project funds. However, the University will consider refinements to internal policies to make it clear that certain administrative transactions, especially those moving minor costs off grant accounts during the close out process, do not require supporting documentation.

The University's cost transfer policies address the type of support and documentation that is to be provided by the departments and/or PIs to support cost transfers. In some circumstances, as outlined in the policies, a standard form GC-81 "Cost Transfer Justification for Sponsored Projects" must be completed and filed with the Grants Office. The GC-81 form is an administrative document developed by the Grants Office to obtain additional supporting information from units for cost transfers on Sponsored Projects. The GC-81 form was not designed for, nor is there a requirement for it to be completed for, transfers made by internal Grants Office personnel in the course of making an administrative adjustment or closing out an award. Additionally, this form is not used by Federal Agriculture Appropriations, i.e., Cooperative Extension Services.

The JV test form (FOATEXT) functionality, in the University's Banner system, is used to attach a brief explanation of the cost transfer to the journal voucher document number. The purpose of FOATEXT is to provide Grants Office personnel basic, general information as outlined in the cost transfer policy and to provide a contact point for follow-up and investigative action, if needed. Space in the FOATEXT form is limited to 50 characters per line. Comments provided in the FOATEXT form are not intended to provide an all-encompassing record for independent party review. In addition to reading the brief narrative in the FOATEXT, a review of the grant file and other supporting documentation related to the transfer is often required in order to gain a more complete understanding of the reason for the cost transfer.

**#3 –Failure to Properly Perform Interest Calculations on Federal  
Advances – Previous University Response**

Not accepted. This is a repeat finding from FY09. It is pending resolution.

The University has been performing a calculation of interest based on the net cash position of its advances. We believe the methodology is adequate for compliance with OMB Circular A-110. The results of the calculation have shown that there was no excess of federal cash on hand and no interest due.

The methodology is being addressed by the University's cognizant for clarification and guidance on this issue. We have provided documentation as requested to the cognizant for review. The University has not yet received a response.

**#4 –Inadequate Monitoring of Subrecipient OMB Circular A-133 Audit  
Reports – Previous University Response**

Accepted. The University will implement procedures to strengthen oversight of subrecipient monitoring and follow-up activities.

**#5 –Contracts and Real Estate Leases Not Properly Executed – Previous  
University Response**

Accepted. The University will continue to examine and improve procedures to ensure contracts and leases are properly approved and executed prior to the start of the services and lease terms, that appropriate clauses and certifications are obtained in advance of execution, and that all applicable contracts and real estate leases are filed with the Office of the Comptroller per State statutes and related guidelines.