

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & Co SC

MICHIGAN TECHNOLOGICAL UNIVERSITY

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OMB CIRCULAR A-133 SUPPLEMENTARY

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 1991

MICHIGAN TECHNOLOGICAL UNIVERSITY

OMB CIRCULAR A-133 SUPPLEMENTARY FINANCIAL REPORT

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS OF THE UNIVERSITY AS AN ENTITY

To the Board of Control,
Michigan Technological University:

We have audited the basic financial statements of MICHIGAN TECHNOLOGICAL UNIVERSITY (the "University") as of and for the year ended June 30, 1991, and have issued our report thereon dated October 31, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1988 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

In planning and performing our audit of the basic financial statements of the University for the year ended June 30, 1991, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

The management of the University is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories.

- Financial Reporting Cycle (including the controls established to ensure compliance with laws and regulations that have a material impact on the University's basic financial statements and the results of the audit thereof)
- Treasury Cycle
- Revenue Cycle
- Payroll Expenditure Cycle
- Vendor Expenditure Cycle
- Conversion (Fixed Assets/Inventory) Cycle
- Federal Grants Cycle

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the basic 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 structure and its operation that we considered to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the University in a separate letter dated October 31, 1991.

This report is intended for the information of the Board of Control members, University management, the U.S. Department of Health and Human Services (the cognizant agency) and Federal grantor agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Arthur Andersen & Co.

Detroit, Michigan,
February 25, 1992.

ARTHUR ANDERSEN

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS OF THE UNIVERSITY'S FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Control,
Michigan Technological University:

We have audited the basic financial statements of MICHIGAN TECHNOLOGICAL UNIVERSITY (the "University") as of and for the year ended June 30, 1991, and have issued our report thereon dated October 31, 1991.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial audits contained in Government Auditing Standards (1988 Revision), issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement and about whether the University complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit of the basic financial statements of the University for the year ended June 30, 1991, we considered the University's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

During the year ended June 30, 1991, the University, expended 97% of its total cash and noncash Federal Financial Assistance under its major Federal financial assistance programs. As required by OMB Circular A-133, our consideration of the internal control structure also included --

1. Tests of controls to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the University's major Federal financial assistance programs, which are identified in the accompanying Schedule of Federal

Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

2. The University utilizes Academic Financial Services (AFS) as servicer for Perkins Loans administered by the University. We did not perform tests of controls to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that would detect material noncompliance with requirements applicable to the University's Perkins Loans. Accordingly, we do not express an opinion on the controls utilized by AFS.
3. Obtaining an understanding of (a) the design of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the University's nonmajor Federal financial assistance programs, and (b) whether they have been placed in operation.

The management of the University is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance (1) that assets are safeguarded against loss from unauthorized use or disposition, (2) that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles, and (3) that Federal Financial Assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories.

Accounting Control Categories

- o Financial Reporting Cycle (including the controls established to ensure compliance with laws and regulations that have a material impact on the University's Federal financial assistance programs and the results of the audit thereof)
- o Treasury Cycle

- Revenue Cycle
- Payroll Expenditure Cycle
- Vendor Expenditure Cycle
- Conversion (Fixed Assets/Inventory) Cycle
- Federal Grants Cycle

Administrative Control Categories (* = Not applicable to the University's 1991 Federal financial assistance programs)

- General Requirements
 - Political activity
 - Davis-Bacon Act*
 - Civil rights
 - Cash management
 - Relocation assistance and real property acquisition*
 - Federal financial reports
 - Drug-Free Workplace Act
 - Allowable costs
 - Administrative requirements
- Specific Requirements
 - Types of services allowed or unallowed
 - Eligibility
 - Matching, level of effort and/or earmarking
 - Reporting
 - Special requirements (if applicable to specific programs)
 - Monitoring subrecipients

- Indirect cost allocation
- Claims for advances and reimbursements
- Amounts claimed or used for matching

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the basic 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 structure and its operation that we considered to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the University in a separate letter dated October 31, 1991.

This report is intended for the information of the Board of Control members, University management, the U.S. Department of Health and Human Services (the cognizant agency) and Federal grantor agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Arthur Andersen & Co.

Detroit, Michigan,
February 25, 1992.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
OF THE UNIVERSITY AS AN ENTITY

To the Board of Control,
Michigan Technological University:

We have audited the basic financial statements of MICHIGAN TECHNOLOGICAL UNIVERSITY (the "University") as of and for the year ended June 30, 1991, and have issued our report thereon dated October 31, 1991.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1988 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the University is the responsibility of University management. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the University's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the University complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the University had not complied, in all material respects, with those provisions.

This report is intended for the information of the Board of Control members, University management, the U.S. Department of Health and Human Services (the cognizant agency) and Federal grantor agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Arthur Andersen & Co.

Detroit, Michigan,
February 25, 1992.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO THE UNIVERSITY'S MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Control,
Michigan Technological University:

We have applied procedures to test MICHIGAN TECHNOLOGICAL UNIVERSITY'S (the "University") compliance with the following requirements applicable to its major Federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended June 30, 1991.

- Political activity
- Davis-Bacon Act (not applicable to the University's 1991 Federal financial assistance programs)
- Civil rights
- Cash management
- Relocation assistance and real property acquisition (not applicable to the University's 1991 Federal financial assistance programs)
- Federal financial reports
- Drug-Free Workplace Act
- Allowable costs
- Administrative requirements

Our procedures were limited to the applicable procedures described in the OMB's Draft Compliance Supplement for Audits of Universities and Other Nonprofit Institutions (dated May 1991). Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the University's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the University had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed an immaterial instance of noncompliance with those requirements, which is described in the accompanying Schedule of Findings - 1991.

This report is intended for the information of the Board of Control members, University management, the U.S. Department of Health and Human Services (the cognizant agency) and Federal grantor agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Arthur Andersen & Co.

Detroit, Michigan,
February 25, 1992.

ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO. SC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO THE UNIVERSITY'S MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Board of Control,
Michigan Technological University:

We have audited MICHIGAN TECHNOLOGICAL UNIVERSITY'S (the "University") compliance with the requirements governing (1) types of services allowed or unallowed, (2) eligibility, (3) matching, level of effort and/or earmarking, (4) reporting, (5) special requirements, (6) monitoring subrecipients, (7) indirect cost allocation, (8) claims for advances and reimbursements, and (9) amounts claimed or used for matching that are applicable to the University's major Federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended June 30, 1991. The management of the University is responsible for the University's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial audits contained in Government Auditing Standards (1988 Revision), issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above, which is described in the accompanying Schedule of Findings - 1991. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the University complied, in all material respects, with the requirements governing (1) types of services allowed or unallowed, (2) eligibility, (3) matching, level of effort, and/or earmarking, (4) reporting, (5) special

requirements, (6) monitoring subrecipients, (7) indirect cost allocation, (8) claims for advances and reimbursements, and (9) amounts claimed or used for matching that are applicable to the University's major Federal financial assistance programs for the year ended June 30, 1991.

This report is intended for the information of the Board of Control members, University management, the U.S. Department of Health and Human Services (the cognizant agency) and Federal grantor agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Arthur Andersen & Co.

Detroit, Michigan.
February 25, 1992.

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**INDEPENDENT AUDITORS' REPORT ON THE UNIVERSITY'S COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL
ASSISTANCE PROGRAM TRANSACTIONS**

To the Board of Control,
Michigan Technological University:

In connection with our audit of the 1991 basic financial statements of MICHIGAN TECHNOLOGICAL UNIVERSITY (the "University") and with our study and evaluation of the University's internal control systems used to administer Federal financial assistance programs, as required by OMB Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions, we selected certain transactions applicable to certain nonmajor Federal financial assistance programs for the year ended June 30, 1991.

As required by OMB Circular A-133, we have performed auditing procedures to test compliance with the requirements governing (1) types of services allowed or unallowed, (2) eligibility, (3) matching, level of effort and/or earmarking requirements, (4) special reporting requirements and (5) special tests and provisions, that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the University's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the University had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed an immaterial instance of noncompliance with those requirements, which is described in the accompanying Schedule of Findings 1991.

This report is intended for the information of the Board of Control members, University management, the U.S. Department of Health and Human Services (the cognizant agency) and Federal grantor agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Arthur Andersen & Co.

Detroit, Michigan,
February 25, 1992.

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF
FEDERAL FINANCIAL ASSISTANCE

To the Board of Control,
Michigan Technological University:

We have audited the basic financial statements of MICHIGAN TECHNOLOGICAL UNIVERSITY (the "University") as of and for the year ended June 30, 1991, and have issued our report thereon dated October 31, 1991. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on the basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards (1988 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the University taken as a whole. The accompanying Schedule of Federal Financial Assistance for the year ended June 30, 1991, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Arthur Andersen & Co.

Detroit, Michigan,
February 25, 1992.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

<u>Federal Agency/Grant Number</u>	<u>Expenditures</u>
STUDENT FINANCIAL AID	
U.S. DEPARTMENT OF EDUCATION:	
PELL	\$ 2,176,371
College Work Study	336,485
Supplemental Educational Opportunity Grant	219,460
Perkins Loans	4,614,031

Total Student Financial Aid	\$ 7,346,347*
	=====
RESEARCH AND DEVELOPMENT	
<u>U.S. DEPARTMENT OF DEFENSE</u>	
U.S. ARMY TANK AUTOMOTIVE COMMAND:	
DAAE07-89-C-R071	\$ 917,915
DAAE07-87-C-R012	92,561
DAAA2189M2659	10,456
DAA307-91-V-C108	752

	1,021,684

U.S. ARMY COLD REGIONS RESEARCH:	
DACA89-90-K-0008	88,594
DACA89-89-K-0012	72,817
DAAL03-90-G-0151	29,924
DACA89-90-K-0006	24,711
DACA89-90-K-0010	10,217
DACA89-90-K-0009	8,624
DACA89-90-M-1292	4,015
DAAK70-90-P-1924	4,002
DACA89-89-M-3001	2,149

	245,053

The accompanying notes are an integral part of this schedule.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

(Continued)

<u>Federal Agency/Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT (Continued)	
<u>U.S DEPARTMENT OF DEFENSE (Continued)</u>	
U.S. ARMY - DCASR:	
DAAE07-87-G-R004	576,931
DAAE07-90-G-R001	212,085
DAAE07-87-G-0004	12,217
DAAH01-9-P-1143	2,914
IPA R07-91-0064	2,864
DAAE07-87-GR004	2,021

	809,032

U.S. ARMY - FORT BELVOIR:	
DAAK70-89-P-2497	878

U.S. ARMY PASS THROUGH FUNDING FROM OTHERS	
AM GENERAL CORPORATION (Purchase Order Numbers):	
631788 and 633111	55,671
627221 WA	47,397
628860 WA	21,854

	124,922

NORTHWESTERN UNIVERSITY:	
0650-350-W484MTU	16,571

BATTELLE COLUMBUS DIVISION:	
T2396(1493)-1347	7,961
T2396 SUPL# 05	4,247

	12,208

The accompanying notes are an integral part of this schedule.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

(Continued)

<u>Federal Agency/Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT (Continued)	
<u>U.S. DEPARTMENT OF DEFENSE (Continued)</u>	
TE TECHNOLOGY, INC.:	
Agreement 1190	5,226
Agreement 910315	3,540

	8,766

FMC CORPORATION:	
PT12096-00	2,851
PT12435-00	1,530

	4,381

U.S. AIR FORCE:	
F086535-90-C-0063	74,046

U.S. AIR FORCE PASS THROUGH FUNDING FROM OTHERS:	
UNIVERSAL ENERGY SYSTEMS, INC.	
S-210-11MG-003	21,682

DYNETICS, INC.:	
13431-A	18,842

THE ANALYTIC SCIENCES CORPORATION:	
SUB 91112 DO#01	2,778

APPLIED RESEARCH ASSOCIATES, INC.:	
ARA-5571-90-KRC	1,707

The accompanying notes are an integral part of this schedule.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

(Continued)

<u>Federal Agency/Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT (Continued)	
<u>U.S. DEPARTMENT OF DEFENSE (Continued)</u>	
U.S. NAVY - OFFICE OF NAVAL RESEARCH:	
N00014-89-J-1966	123,192
N00014-89-J-1601	96,392
N00014-89-J-1326	72,876
N62269-90-C-0272	66,691

	359,151

U.S. NAVY PASS THROUGH FUNDING FROM OTHERS	
ILLINOIS INSTITUTE OF TECHNOLOGY:	
E06595-88-C-001	351,611
E06595-88-C-002	92,431

	444,042

NATIONAL RESEARCH COUNCIL:	
SHRP-88-H204 A03	98,261

NASA-LEWIS RESEARCH CENTER:	
NAG 3-560 SUP#8	75,740
NAG 3-1109 SUP#1	71,321
NAG 3-1109 SUP#2	21,867
NCC1-145	37,000
NAG3-519 SUP#8	13,738
NCC3-183 SUPL#1	2,317
NAG3-216 SUPL#15	1,556
NAG 3-1017	718

	224,257

The accompanying notes are an integral part of this schedule.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

(Continued)

<u>Federal Agency/Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT (Continued)	
<u>U.S DEPARTMENT OF DEFENSE (Continued)</u>	
NASA HEADQUARTERS:	
NGT-70514 SUPL #2	23,731
NASW-4486	22,160
NAG3-711 SUPL #08	5,899

	51,790

NATIONAL SECURITY AGENCY:	
MDA904-90-H-1026	13,916

OTHER PASS THROUGH CONTRACTS	
UNIVERSAL TECHNOLOGY CORPORATION:	
SUB S476-07-05-1	35,638

HONEYWELL, INC.:	
#637932-0W	10,158
#637947-05	1,807

	11,965

THE UNIVERSITY OF MICHIGAN:	
Z 47995 AMD#01	43,820
Z15022	363

	44,183

The accompanying notes are an integral part of this schedule.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

(Continued)

<u>Federal Agency/Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT (Continued)	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>	
U.S. FORESTRY SERVICE:	
Unknown	173,077
A# 88-33521-4085	69,113
90-37291-5708	42,327
G# 89-34171-4384	39,099
88-34158-3274	6,498
#87-FSTY-9-0278	2,271
AGR 23-448 AMD#2	95,619
COOP AGR 23-448	53,766
INT-90-504-COA 1	42,931
CN #56A1-9-01351	28,249
AGRMT 010891	5,000
COOP #28-C9-511	1,996
PO# 43-54AT-0030	591
COOP# 23-583	210
USDA-ARS-SAA-	
58-43YK-0-0049	19,853
FED ID# 23-91-01	65,250
23-88-20 AMEND #2	9,038
R910-CS-90-002	30,277
Challenge 050490	14,954
Letter 040591	10,524
A# 89-34158-4233	24,227
A# 89-34158-4234	21,597
91-34158-5887	1,366

	757,833

The accompanying notes are an integral part of this schedule.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

(Continued)

<u>Federal Agency/Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT (Continued)	
<u>U.S. DEPARTMENT OF ENERGY</u>	
DEFG05-89ER75514	510,121
DEFG02-87ER45315	146,266
DEAC22-88PC88856	65,303
DEFG02-86ER45255	32,014
OF-69 R W HECKEL	17,073

	770,777

U.S. DEPARTMENT OF ENERGY PASS THROUGH FUNDING: MARTIN MARIETTA ENERGY SYSTEMS, INC.	79,620

<u>NATIONAL SCIENCE FOUNDATION</u>	
GT # DMR-8808294	138,159
USE-8953504 AM01	99,208
EAR-8916492	83,463
DMR-8922824	83,263
DMR-8815049 MOD2	77,092
EAR-8916323	74,498
MIP-8912990 AM01	64,560
DIR-8921936	52,098
ECS-8913663 AM04	42,238
EAR-9052328 AMD1	39,776
CES-8800459	37,291
DMR-9015665	34,046
PHY-8950926	33,759
USE-9152722	32,802
CTS-8910518	32,341
MSM-8910012	29,049
EAR-8803745 AM#1	27,650
CTS-9009518	25,046
EAR-8916932	25,037
DCB-9020773	23,620

The accompanying notes are an integral part of this schedule.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

(Continued)

<u>Federal Agency/Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT (Continued)	
<u>NATIONAL SCIENCE FOUNDATION (Continued)</u>	
BSR-8716095 AMD2	20,660
CCR-8823031 MOD1	15,064
MIP-8710757 AM02	11,461
DDM-9002605	11,200
DMB-8803998	11,171
PHY-8917746 AMD1	10,554
CES - 8858526	8,803
USE - 8950504	8,533
OCE-8722960	7,439
MSS-8820172 AM#1	6,683
IPA AGR 111489	6,557
INT-9017063	4,476
INT-8914847	3,729
DMS-9100829	2,077
INT-8915827	2,009
CTS-9111244	1,452
EAR-9017821	306
USE-8854155	284
INT-8914718	153
PHY-8506177 AM#1	487

	1,188,094

NATIONAL SCIENCE FOUNDATION FEDERAL PASS THROUGH FUNDING FROM OTHERS	
UNIVERSITY OF CALIFORNIA:	
VB64274-0 C/O#01	29,690
VB64274-0	14,318

	44,008

The accompanying notes are an integral part of this schedule.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

(Continued)

<u>Federal Agency/Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT (Continued)	
<u>DEPARTMENT OF INTERIOR</u>	
NATIONAL PARK SERVICE:	
6075-0325-188-90	130,506
CA-6310-0-8008M1	42,831
CA-6000-6-8013 M3	39,432
CA-6310-9-0001	39,177
CA-6310-8-8034	21,076
PX-6310-9-0432	15,151
CA-6310-8-8034 M1	10,600
CA-6140-7-8033	1,002
CA-6115-6-8008M3	669
PX-6310-1-0304	187
6075-0325-188 89	32,026
CA-6000-8-8030 MI	8,568
CA-6000-9-8007 M1	2,846
CA-6000-6-8015M#4	1,909
CA-6000-9-8022	1,706

	347,686

PICTURED ROCKS NATIONAL LAKESHORE:	
CX6000-1-0004	4,751

ENVIRONMENTAL PROTECTION AGENCY:	
R-816894-01-0	85,099
CR-815683-01-0	28,473
CR-814319-02-1	19,177
Illinois SWS (Federal Pass Through Funding) - Sub #90-168 AMD 1	19,516

	152,265

The accompanying notes are an integral part of this schedule.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

(Continued)

<u>Federal Agency/Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT (Continued)	
<u>DEPARTMENT OF INTERIOR (Continued)</u>	
BUREAU OF MINES:	
G1104126	112,005
G1004126	34,594
PO 203201	17,858
G1114126	14,616
G1194126	158

	179,231

U.S. BUREAU OF MINES FEDERAL PASS THROUGH FUNDING FROM OTHERS	
THE PENNSYLVANIA STATE UNIVERSITY:	
USDITPSU-142-559	87,189
USDITPSU-142-427	26,543
USDITPSU-142-639	13,701

	127,433

U.S. GEOLOGICAL SURVEY:	
90-4420-0336	15,572

<u>U.S. DEPARTMENT OF TRANSPORTATION</u>	
90-1/88-0008	106,237
91-1/88-0008	100,312

	206,549

The accompanying notes are an integral part of this schedule.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

(Continued)

<u>Federal Agency/Grant Number</u>	<u>Expenditures</u>
RESEARCH AND DEVELOPMENT (Continued)	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>	
HEALTH EFFECTS INSTITUTE:	
Agreement 89-10-2	99,760
Agreement 89-10	92,600

	192,360

NATIONAL INSTITUTE OF HEALTH:	
5 R01 OH02611-02	47,310
5 R01 OH02611-03	35,859
1R15AR39940-01A2	4,857

	88,026

Total Research and Development	\$ 7,799,958*
	=====
OTHER	
<u>U.S. DEPARTMENT OF EDUCATION</u>	
16A90013-90 ACT3	\$ 44,106
P183D90065	17,483
GT #PO 16A90013	1,606
<u>MICHIGAN DEPARTMENT OF EDUCATION</u>	
P.A. 102 OF 1986	5,469
P.A. 219 OF 1986	113,330
<u>U.S. ARMY - MAINTENANCE</u>	
DAA307-90-C-R002	63,862

The accompanying notes are an integral part of this schedule.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

(Continued)

<u>Federal Agency/Grant Number</u>	<u>Expenditures</u>
OTHER (Continued)	
<u>U.S. DEPARTMENT OF COMMERCE PASS THROUGH FUNDING FROM OTHERS</u>	
WAYNE STATE UNIVERSITY:	
P153961	47,419
P141186	30,892
P153962	29,696
P1411185	23,232
MICHIGAN DEPARTMENT OF COMMERCE:	
91-CGA-0094	25,402
MDOC GANT 90-693	20,641
60NANB9D0948	19,835
PENINSULA COPPER INDUSTRIES INC.:	
Agreement 080189	2,749
SMALL BUSINESS ADMINISTRATION:	
SBA 9049 MA-86	4,384
<u>U.S. DEPARTMENT OF LABOR</u>	
WESTERN U P MANPOWER CONSORTIUM:	
Contract 89-4005	8,138
Total Other	\$ 458,244
NONCASH ASSISTANCE	
STAFFORD LOANS	\$ 1,496,229*
TOTAL FEDERAL FINANCIAL ASSISTANCE	\$17,100,778

* Major program

The accompanying notes are an integral part of this schedule.

MICHIGAN TECHNOLOGICAL UNIVERSITY

NOTES TO THE SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 1991

(1) SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All Federal grant operations of Michigan Technological University (the "University"), are included in the scope of the OMB Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB's Compliance Supplement for Single Audits of State and Local Governments (September 1990 Revision) and the Draft Compliance Supplement for Audits of Universities and Other Nonprofit Institutions (dated May 1991) (the "Compliance Supplements"). Compliance testing of all general requirements, as described in the Compliance Supplements, was performed.

The U.S. Department of Health and Human Services has been designated as the University's cognizant agency for the Single Audit.

(2) FISCAL PERIOD AUDITED

Audits have been performed in prior years of the University's Student Financial Assistance (SFA) Programs in accordance with applicable audit guides. The audit of program transactions occurring during the year ended June 30, 1991, has been performed pursuant to OMB Circular A-133.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Federal Financial Assistance includes all Federal grants to the University which had activity during the year ended June 30, 1991. Grant revenues are recorded for financial reporting purposes when the University has met the qualifications for the respective grants. Federal grants are applied against Federal grant funds to the extent of revenue available when they properly apply to the grant.

MICHIGAN TECHNOLOGICAL UNIVERSITYSCHEDULE OF FINDINGS - 1991

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
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Finding #1

Observation

We noted during our audit of the University's financial statements that the University's decentralized responsibility and reporting structure resulted in a loss of accountability and a lack of information being reported to the Board of Control and to upper management. The direct impact of this was that the system of internal accounting controls could not ensure that commitments were adequately or accurately reflected in the University's accounting, financial reporting and cash management systems until the time that invoices were actually paid. This presented the risk that expenditures could exceed budgeted amounts, or that adequate funding was not available to support expenditures.

This matter was considered in our review of the University's administration of its Federal financial assistance programs. We noted that, with respect to the grants tested, the University had reimbursement type contracts, and the impact of the finding above was to delay reimbursement to the University. We also noted that in situations where expenditures exceeded amounts authorized under grants, that reimbursement was not requested until the amounts were properly billable under an amendment to the original grant.

* The reimbursement effect is either nominal, not reimbursable or not ascertainable.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FINDINGS - 1991

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
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University Response

The University is re-establishing a centralized monitoring function where all requisitions for expenditures will be reviewed for appropriateness, reasonableness and budgetary availability prior to granting approval for the requested expenditure.

Finding #2

Observation

We noted that the University has instituted procedures to monitor subrecipients and obtain audit reports from them in accordance with the provisions of OMB A-133. We noted at the time of our audit that subrecipient audit reports had not yet been received. We encourage the University to continue to communicate to subrecipients the need to obtain audits of their subgrants in accordance with OMB A-133.

University Response

Procedures have been implemented to obtain audit reports from our subrecipients. Since the provisions of A-133 provide for biannual audits, many of our subrecipients have elected the biannual method of reporting on their expenditures, as well as subgrants they have received. In addition, Arthur Andersen & Co.'s audit was performed prior to the submission deadline for single audits. We have procedures in place and will be diligent in the monitoring and collection of single audit reports from subrecipients.

* The reimbursement effect is either nominal, not reimbursable or not ascertainable.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FINDINGS - 1991

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
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Finding #3

Observation

We noted that the University has not received CFDA numbers on all grants with Federal monies. As a result, we were required to expand our audit procedures to audit more grants than may otherwise have been required in order to ensure that audit scopes were adequate and in accordance with the provisions of OMB A-133. This has resulted in higher cost to the University than would have otherwise been required. We recommend that Research Services personnel request the appropriate CFDA numbers at the time a grant is initiated.

University Response

The University has begun requesting Catalog of Federal Domestic Assistance (CFDA) numbers at the time new grants are initiated. Improvements to this requesting process are currently being implemented.

Then University has found that many federal granting agencies are unfamiliar with CFDA numbers. Therefore, these agencies are unable to provide the University with such numbers.

* The reimbursement effect is either nominal, not reimbursable or not ascertainable.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FINDINGS - 1991

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
	<u>Finding #4</u>	*
Student Financial Assistance	High school diplomas or the equivalent are not maintained in admissions files prior to the 89-90 enrollment year.	
	<u>University Response</u>	
	The Admissions Office staff now retains documentation to verify high school graduation or the equivalent (G.E.D. or other examination).	
	<u>Finding #5</u>	*
Student Financial Assistance	The University applies financial aid to student's accounts before the time allowed by the Federal regulations. However, no funds are disbursed directly to students until the time allowed.	
	<u>University Response</u>	
	As we have done in the past, we will continue to draw down Federal funds within the appropriate time period prior to classes, and we will continue to withhold disbursement of funds to students until the first day of classes.	

* The reimbursement effect is either nominal, not reimbursable or not ascertainable.

MICHIGAN TECHNOLOGICAL UNIVERSITY

SCHEDULE OF FINDINGS - 1991
(Continued)

<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
	<u>Finding #6</u>	
Student Financial Assistance	Refund calculations are not standardized, increasing the risk of error. We noted no errors in refund calculations which were tested, however.	*

University Response

The University has agreed upon a standard form to record refund calculations and this form will be used beginning with the 1991-92 fiscal year.

* The reimbursement effect is either nominal, not reimbursable or not ascertainable.

MICHIGAN TECHNOLOGICAL UNIVERSITYSCHEDULE OF STATUS OF PRIOR YEAR (1990) AUDIT FINDINGSRELATING TO THE STUDENT FINANCIAL ASSISTANCE PROGRAMS

There were five findings during the fiscal 1990 Audit of Student Financial Assistance Programs relating to high school diploma, application of Stafford loan funds, refunds and financial aid award notification. The University has implemented procedures to eliminate similar events of noncompliance unless otherwise noted on the Schedule of Findings for 1991.

MICHIGAN TECHNOLOGICAL UNIVERSITY

GENERAL INFORMATION

HOUGHTON, MICHIGAN 49931

Arthur Andersen
One Detroit Center
500 Woodward Avenue
Detroit, Michigan
Engagement Partner: Mark W. Mehall
Tel No.: (313) 596-9000

The audit was performed between May 27, 1991 and February 25, 1992, at the University's facilities, as follows:

<u>Location</u>	<u>Description of Facility</u>	<u>Dates Visited</u>
Houghton, Michigan	Michigan Technological University Administrative Building	5/27/91-2/25/92

Institution's Accrediting Organization: Commission on Higher Education of the North Central Association of Colleges and Secondary Schools.

The University does not utilize an SFA Consultant. The University utilizes AFSA Data Corporation as servicer for the Perkins Loan Program.

The University utilizes the billing, payment processing and delinquent account follow-up process of AFSA. The University received the service center review performed by KPMG Peat Marwick for the year ended June 30, 1991 which review indicated that the degree of compliance provided reasonable assurance that the objectives were achieved.

Records for the accounting and administration of the Federal Financial Assistance programs are located at the Administration Building on the Campus of Michigan Technological University, Houghton, Michigan 49931.