

# Hope College

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Federal Awards  
Supplemental Information  
June 30, 2007

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## Independent Auditor's Report

To the Board of Trustees  
Hope College

We have audited the basic financial statements of Hope College for the year ended June 30, 2007 and have issued our report thereon dated September 24, 2007. Those basic financial statements are the responsibility of the management of Hope College. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United

Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees  
Hope College

We have audited the basic financial statements of Hope College as of and for the year ended June 30, 2007 and have issued our report thereon dated September 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable

To the Board of Trustees  
Hope College

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hope College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,



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To the Board of Trustees  
Hope College

## **Internal Control Over Compliance**

The management of Hope College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hope College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-02, 2007-03, and 2007-04 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Hope College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Hope College's response and, accordingly, we express no opinion on it.

To the Board of Trustees  
Hope College

This report is intended solely for the information and use of the board of trustees, the audit committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  


January 22, 2008











## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

### Section III - Federal Program Audit Findings

Reference Number	Findings
2007-02	<p><b>Program Name</b> - Research and Development Cluster - Received directly from the National Science Foundation, CFDS #47.049 and #47.074</p> <p><b>Finding Type</b> - Noncompliance/Significant deficiency</p> <p><b>Criteria</b> - A pass-through entity is responsible for identifying to the subrecipient, the federal award information and applicable compliance requirements, monitoring the subrecipient's use of federal awards, and ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (Compliance Supplement Part 3 Section M).</p> <p><b>Condition</b> - Of the two subrecipients, one was not made aware of the compliance requirements by the College at the time of the award. In addition, the College did not implement proper monitoring during the award year for either of the two subrecipients. The College did not request annual audits and Federal Compliance A-133 reports from each of the subrecipients (both of which expend greater than \$500,000 in federal awards).</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The College has two subrecipients within its research and development award cluster.</p> <p><b>Cause and Effect</b> - The College did not have procedures in place to properly identify the compliance requirements related to subrecipient awards. As a result, the College did not properly identify to one of the subrecipients the compliance requirements of the award or monitor the federal pass-through dollars to the subrecipients.</p> <p><b>Recommendation</b> - The College should implement a policy regarding subrecipient awards to ensure that all the requirements of OMB Circular A-133 are met, including identification to the subrecipient of federal award information and applicable compliance requirements, monitoring the subrecipient's use of federal awards, and ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133.</p>

# Hope College

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## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-02 (continued)	<p data-bbox="418 567 1437 640"><b>Program Name</b> - Research and Development Cluster - Received directly from the National Science Foundation, CFDS #47.049 and #47.074</p> <p data-bbox="418 682 1437 907"><b>Views of Responsible Officials and Planned Corrective Actions</b> - We agree that subrecipients have not been requested by the College to submit copies of their A-133 audits. Our procedures have been updated to annually request from subrecipients copies of their A-133 audit reports and to review the reports to ensure that the subrecipient is in compliance with federal regulations.</p>

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2007

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-03	<p><b>Program Name</b> - Research and development cluster, received directly from the National Science Foundation CFDA #47.074</p> <p><b>Finding Type</b> - Noncompliance/Significant deficiency</p> <p><b>Criteria</b> - The A-102 Common Rule and OMB Circular A-21 require that equipment purchased with federal funds be used in the program for which it was acquired or, when appropriate, other federal programs. Equipment records shall be maintained, physical inventories of equipment shall be taken, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5,000 or more is no longer needed for a federal program, it may be retained or sold with the federal agency having a right to a proportionate amount of the current fair market value (Compliance Supplement Part 3 Section F).</p> <p><b>Condition</b> - The College acquired one item of equipment during the year with federal funds, which was recorded and maintained along with all other equipment otherwise acquired. No physical inventories of equipment were taken. Dispositions of equipment acquired under federal funds were unidentifiable due to the College's practice of maintaining the federally funded equipment within the records of otherwise acquired equipment. Therefore it is unknown whether any items of equipment that were purchased with federal funds were disposed of during the year.</p> <p><b>Questioned Costs</b> - None</p>

# Hope College

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## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-03 (Continued)	<p data-bbox="418 556 1448 703"><b>Recommendation</b> - The College should maintain proper records of equipment purchased with federal funds. The College should periodically conduct a physical inventory that is reconciled to the property inventory records.</p> <p data-bbox="418 745 1448 970"><b>Views of Responsible Officials and Corrective Action Planned</b> - We agree that the College did not have an inventory policy in place. Our procedures will be updated to maintain inventory records on equipment purchased of \$5,000 or more with federal funds. Annual physical inventories will be conducted to verify inventory records with equipment on the premises.</p>



# Hope College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-04	<p data-bbox="407 569 1440 642"><b>Program Name</b> - Research and Development Cluster received directly from the National Science Foundation CFDA#47.074</p> <p data-bbox="407 684 1440 720"><b>Finding Type</b> - Noncompliance/Significant deficiency</p> <p data-bbox="407 762 1440 873"><b>Criteria</b> - It is prohibited to contract with or make subawards of federal funds to parties that are suspended or debarred or whose principals are suspended or debarred (Compliance Supplement Part 3 Section I).</p> <p data-bbox="407 915 1440 1062"><b>Condition</b> - The College acquired one item of equipment during the year with federal funds at a purchase price that exceeded \$25,000 and did not verify that the procurement was made from an entity that was not suspended or debarred or otherwise excluded.</p> <p data-bbox="407 1104 1440 1140"><b>Questioned Costs</b> - None</p> <p data-bbox="407 1182 1440 1293"><b>Context</b> - This item of equipment was purchased when there was no procurement policy in place that would call for verification that the vendor was not suspended or debarred or otherwise excluded.</p> <p data-bbox="407 1335 1440 1446"><b>Cause and Effect</b> - At the time this purchase was made, the College did not have a procurement policy in place to properly require verification of vendors from whom procurements are made.</p> <p data-bbox="407 1488 1440 1640"><b>Recommendation</b> - The College has since implemented a procurement policy. We recommend that the College add to the procurement policy a procedure requiring the verification that a vendor is not on the listing of those considered suspended or debarred or otherwise excluded.</p> <p data-bbox="407 1671 1440 1969"><b>Views of Responsible Officials and Corrective Action Planned</b> - We agree that the College did not have a procurement policy in place at the time the equipment was purchased nor were the vendors verified that they were not on the listing of vendors suspended or debarred. The College has implemented a procurement policy which includes requesting from vendors certification that they are not on the listing of those considered suspended or debarred. This policy will be forwarded to all grant principal investigators (PIs) and is available on the business services website.</p>

# Hope College

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## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Reference Number	Corrective Action Taken
2006-01	<b>Program Name</b> - Student Financial Aid Cluster - 84.268, 84.063, 84.007, 84.033, and 84.038 - Received directly from the U.S. Department of Education

### Description