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HOWARD

UNIVERSITY

**Consolidated Financial Statements, Schedule of
Expenditures of Federal Awards and Reports
Required by *Government Auditing Standards*
And OMB Circular A-133
For the year ended June 30, 2014
EIN 53-0204707**

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Independent Auditor's Report

Board of Trustees
The Howard University
Washington, DC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Howard University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Howard University as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Prior Period Financial Statements

The June 30, 2012 financial statements of the University were audited by other auditors, whose report dated October 29, 2012, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BDO USA, LLP

December 23, 2014

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Consolidated Statements of Financial Position As of June 30, 2014, 2013 and 2012 <i>(in thousands)</i>			
	June 30, 2014	June 30, 2013	June 30, 2012
Assets:			
Cash and cash equivalents	\$ 14,820	\$ 34,795	\$ 35,146
Operating investments	40,095	36,185	34,425
Deposits with trustees	13,853	17,625	38,150
Receivables, net	126,733	137,830	118,024
Inventories, prepaids and other assets	29,205	29,974	23,739
Unexpended bond proceeds	46,325	71,670	87,207
Restricted investments	44,240	37,754	32,402
Endowment investments	591,902	514,073	460,712
Property, plant and equipment, net	625,602	613,081	608,441
Total assets	\$ 1,532,775	\$ 1,492,987	\$ 1,438,246
Liabilities:			
Accounts payable and accrued expenses	\$ 122,955	\$ 108,077	\$ 115,127
Deferred revenue	10,000	9,691	9,938
Other liabilities	30,175	34,568	33,305
Accrued post retirement benefits	71,302	67,852	189,430
Underfunded defined benefit pension plan	106,629	127,455	168,208
Reserves for self-insured liabilities	86,631	90,399	80,595
Notes payable	70,447	46,499	38,569
Capital lease obligations	44,125	47,355	43,431
Bonds payable	293,194	293,496	293,785
Interest rate swap	-	-	21
Refundable advances under Federal Student Loan Program	6,369	6,484	6,852
Total liabilities	841,827	831,876	979,261
Net Assets: Unrestricted			
Temporarily restricted	308,222	315,051	143,977
Permanently restricted	256,783	222,850	200,463
	125,943	123,210	114,545
Total net assets	690,948	661,111	458,985
Total liabilities and net assets	\$ 1,532,775	\$ 1,492,987	\$ 1,438,246

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Activities			
For fiscal years ended June 30, 2014, 2013 and 2012			
(in thousands)	June 30, 2014	June 30, 2013	June 30, 2012
Academic services:			
Tuition and fees, net	\$ 164,722	\$ 160,429	\$ 147,537
Grants and contracts	57,048	58,284	59,766
Auxiliary services	64,937	62,174	60,109
Clinical services:			
Patient service - Hospital	209,752	241,136	265,714
Patient service - Faculty medical practice	33,802	32,441	31,871
Patient service - Dental clinic	2,202	1,864	1,970
Public support:			
Federal appropriation	219,346	230,239	230,567
Contributions	3,601	3,805	3,924
Endowment transfer	6,080	5,866	5,985
Operating investment income	7,053	4,639	211
Net assets released from restrictions	17,060	15,417	14,606
Other income	15,150	20,359	27,819
Total unrestricted operating revenue	800,753	836,653	850,079
Federal appropriation	3,405	3,452	3,593
Contributions	7,535	4,077	5,111
Endowment transfer	6,614	6,265	6,404
Net assets released from restrictions	(17,060)	(15,417)	(14,606)
Other	519	705	519
Total temporarily restricted operating revenue	1,013	(918)	1,021
Contributions	1,162	5,770	1,076
Endowment transfer	402	382	390
Other	790	83	(584)
Total permanently restricted operating revenue	2,354	6,235	882
Total operating revenues	804,120	841,970	851,982
Salaries and wages	385,707	374,843	383,764
Employee benefits other than retirement plans	73,981	72,657	73,237
Retirement plans excluding amortization	15,366	20,004	32,783
Total employment expenses	475,054	467,504	489,784
Telecommunications	10,772	9,208	8,921
Utilities	21,589	21,982	21,449
Medical and office supplies	39,889	44,411	45,523
Repairs and maintenance	21,763	20,108	18,321
Food service costs	13,495	11,550	11,988
Grant subcontracts	19,752	16,456	15,262
Insurance and risk management	27,473	31,089	19,722
Professional and administrative services	125,413	119,431	120,737
Provision for bad debts	5,939	5,268	5,479
Total operating expenses exclusive of interest, depreciation and amortization expense	761,139	747,007	757,186
Interest expense	23,025	22,985	24,500
Depreciation	55,900	52,625	50,453
Amortization of retirement plan actuarial losses	8,672	9,838	10,120
Total operating expenses	848,736	832,455	842,259
Operating revenues (under) over operating expenses	(44,616)	9,515	9,723
Investment income/(loss) in excess of amount designated for operations	40,307	20,004	(6,810)
Restructuring costs	(3,433)	(1,808)	(24,462)
Change in funded status of defined benefit pension plan	19,283	27,689	(119,274)
Change in obligation for post-retirement benefit plan	(15,003)	121,101	2,731
Change in value of interest rate swap, net	-	21	83
Other items, net	-	(131)	(270)
Total unrestricted non-operating income and expenses	41,154	166,876	(148,002)
Total temporarily restricted non-operating income and expenses, net	32,920	23,305	(9,603)
Total permanently restricted non-operating income and expenses, net	379	2,430	(1,035)
Total non-operating income and expenses	74,453	192,611	(158,640)
Unrestricted	(6,829)	171,074	(140,182)
Temporarily restricted	33,933	22,387	(8,582)
Permanently restricted	2,733	8,665	(153)
Change in net assets	\$ 29,837	\$ 202,126	\$ (148,917)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows For the fiscal years ended June 30, 2014, 2013 and 2012 (in thousands)			
	June 30, 2014	June 30, 2013	June 30, 2012
Cash flows from operating activities			
Change in net assets	\$ 29,837	\$ 202,126	\$ (148,917)
Adjustment to reconcile change in net assets to net cash and cash equivalents provided by operating activities:			
Non-operating activities	(74,453)	(192,611)	158,640
Non-cash operating items:			
Depreciation	55,900	52,625	50,453
Retirement plan amortization	8,672	9,838	10,120
Non-cash joint venture gain	-	-	(4,466)
Investment appreciation	(7,053)	(4,639)	(211)
Change in net assets adjusted for non-cash and non-operating items	12,903	139,427	140,477
Change in receivables (excluding notes)	13,561	(18,735)	(6,658)
Change in inventory, prepaid expenses and other assets	769	(6,235)	(4,607)
Change in deposits with trustees	3,772	20,525	10,471
Change in accounts payable and other accrued expenses	(6,888)	(36,135)	(39,620)
Change in deferred revenue	309	(247)	1,484
Change in reserve for self-insured liabilities	(3,768)	9,804	796
Change in other liabilities	(4,393)	1,263	1,103
Change in refundable advances under Federal Student Loan Program	(115)	(368)	(491)
Net cash and cash equivalents provided by operating activities	3,247	37,211	28,097
Cash flows from investing activities			
Proceeds from sale of investments	373,782	388,245	208,951
Purchase of investments	(381,682)	(390,005)	(198,182)
Change in unexpended bond proceeds	25,345	15,537	15,222
Purchases and renovations of property, plant and equipment	(65,560)	(55,720)	(49,363)
Net cash and cash equivalents used in investing activities	(48,115)	(41,943)	(23,372)
Cash flows from financing activities			
Proceeds from notes payable	100,000	70,000	110,000
Payment on notes payable	(76,052)	(62,070)	(102,201)
Payment on bonds payable	(508)	(515)	(489)
Capital leases (payments) receipts, net	(10,148)	(7,734)	(4,818)
Student loans issued	(3,821)	(2,537)	(1,918)
Student loans collected	1,357	1,467	1,491
Proceeds from restricted contributions	1,162	5,770	1,076
Net cash and cash equivalents provided by financing activities	11,990	4,381	3,141
Net (decrease) increase in cash and cash equivalents	(19,975)	(351)	7,866
Cash and cash equivalents at beginning of year	34,795	35,146	27,280
Cash and cash equivalents at end of year	\$ 14,820	\$ 34,795	\$ 35,146
Supplemental cash flow information			
Cash paid for interest	23,111	23,978	23,469
Supplemental non-cash investing activities:			
Acquisition of equipment under capital leases	6,918	11,658	4,702
Supplemental non-cash financing activities:			
Donated securities	2,254	73	30

The accompanying notes are an integral part of these consolidated financial statements.

Note 1	Summary of Significant Accounting Policies
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(a) ***Description of The Howard University***

The Howard University (Howard) is a private, nonprofit institution of higher education (the University) which also operates Howard University Hospital (the Hospital) located in Washington, DC. The University provides academic services in the form of education and training, primarily for students at the undergraduate, graduate and postdoctoral levels, and performs research, training and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the United States government. Howard also provides patient healthcare services at the Hospital and by certain members of the University's faculty as part of its academic clinical activities.

The consolidated financial statements include the activities of Howard University International (HUI), Howard University Global Initiative – Nigeria, LTD/GTE. (HUGIN), and Howard University Technical Assistance Program in Malawi Limited (HUTAP), wholly-owned subsidiaries of the University. The activities and balances of these entities are reflected in the consolidated statements of activities and consolidated statements of position, and have been eliminated in consolidation.

Howard has a 49% joint venture interest in the Howard University Dialysis Center LLC (LLC). Howard accounts for its interest in the LLC using the equity method which requires Howard to record a proportional share of the LLC's net income or loss as increases and decreases to the initial investment are received.

Howard is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. Any unrelated business income tax generated by Howard is recorded as income tax using the liability method under which deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax basis of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the period that the deferred tax asset or liability is expected to be realized or to be settled. As of June 30, 2014, 2013 and 2012, Howard had no deferred tax assets or liabilities. In addition, Howard analyzed its tax positions for the years ended June 30, 2014, 2013 and 2012, and determined that there were no uncertain tax positions that would have a material impact on Howard's consolidated financial statements.

(b) ***Basis of Presentation***

The consolidated financial statements of Howard have been prepared on the accrual basis of accounting in activities with accounting principles generally accepted in the United States of America. (U.S. GAAP).

(c) ***Use of Estimates***

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates affect the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts realized or paid could differ significantly from the amounts reported for these assets and liabilities. Significant items subject to such estimates and assumptions include the carrying value of receivables, accumulated depreciation related to property, plant and equipment and investments whose fair values are not readily determinable; and the adequacy of reserves for professional liabilities, retirement benefits, self-insured health benefits, self-insured workers' compensation and asset retirement obligations.

(d) ***Net Assets***

Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Net assets that are not subject that donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that either expire by the passage of time or that can be fulfilled by actions pursuant to those stipulations.

Permanently restricted – Net assets subject to donor-imposed stipulations that do not expire with time or Howard action. Generally, the donors of these assets permit Howard to use all or part of the income earned on related investments for general or specific purposes.

Contributions are reported in the appropriate category of revenue, except that contributions with donor-imposed restrictions met in the same fiscal year are included in unrestricted revenues. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from temporarily restricted net assets to unrestricted net assets. Donor restrictions on gifts to acquire long-lived assets are considered fulfilled in the period in which the assets are acquired or placed in service.

(e) ***Receivables and Revenue Recognition***

- (1) **Contributions**, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the gift date. Howard has elected not to recognize or capitalize contributions of works of art, historical treasures, and similar assets held as part of collections. Contribution revenue for the fiscal years ended June 30, 2014, 2013 and 2012 are shown below:

Contribution Revenue	June 30, 2014	June 30, 2013	June 30, 2012
Unrestricted	\$ 3,601	\$ 3,805	\$ 3,924
Temporarily restricted	7,535	4,077	5,111
Permanently restricted	1,162	5,770	1,076
Total contribution revenue	\$ 12,298	\$ 13,652	\$ 10,111

Unconditional promises to give with payments to be received after one year from the date of the consolidated financial statements are discounted. Allowance is made for creditworthiness of the donors, past collection experience, and other relevant factors.

- (2) **Tuition and fees** from student services are recognized ratably over the academic time period to which they apply. A portion of tuition and fees charged in the current fiscal year for the summer term are recognized in the following fiscal year due to summer sessions between May and July crossing fiscal years.

Student receivables represent unpaid tuition and fees assessed in current and prior periods that are generated when a student registers for classes through the University's formal registration process. Howard maintains a policy of offering qualified applicants admission to the University without regard to financial circumstance. Student financial aid is generally fulfilled through a combination of scholarships, fellowships, loans and employment during the academic year. Tuition and fees are recorded net of discounts for scholarships (merit, talent, and need based), fellowships, graduate remission and employee tuition remission. Funding for financial aid may come from donor designated sources or from unrestricted operations and assets. Financial aid for fiscal years ended June 30, 2014, 2013 and 2012 was \$92,923, \$87,849 and \$86,390, respectively.

Net Tuition Revenue	June 30, 2014	June 30, 2013	June 30, 2012
Gross tuition and fees	\$ 257,645	\$ 248,278	\$ 233,927
Financial aid:			
Merit	53,373	50,070	46,709
Need	16,683	14,933	14,081
Talent	7,183	7,082	6,518
Other	15,684	15,764	19,082
Total financial aid	\$ 92,923	\$ 87,849	\$ 86,390
Total net tuition	\$ 164,722	\$ 160,429	\$ 147,537

- (3) **Other income** represents income from activities other than core business operations and is recognized as revenue in the period it is received.
- (4) **Federal appropriation** revenue is recognized when received and expended. Howard receives a Federal appropriation that can be used for support of the University's educational mission, a portion of which is held as a temporarily restricted term endowment. For fiscal years ended June 30, 2014, 2013 and 2012, Howard received 28%, 28% and 27%, respectively, of its revenue support from the Federal appropriation. The \$3,405, \$3,452 and \$3,593, receivable as of June 30, 2014, 2013 and 2012, respectively, represents the portion to be collected on the Federal term endowment as defined in Note 13.
- (5) **Net patient service revenue** is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and bad debt expense. The Hospital and University faculty physicians have arrangements with third-party payors that provide for payments at established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per-diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient and third party healthcare payor receivables are the amounts due for patient care services rendered by the University's Faculty Practice Plan (FPP) and the Hospital.

Net Patient Service Revenue	June 30, 2014	June 30, 2013	June 30, 2012
Gross Revenues	\$ 725,111	\$ 704,912	\$ 722,582
Third-party settlement revenue	49,952	54,559	43,315
Contractual allowances and adjustments	(494,137)	(420,442)	(384,762)
Charity services	(8,241)	(35,986)	(52,800)
Bad debt	(26,929)	(27,602)	(28,780)
Total net patient service revenue	\$ 245,756	\$ 275,441	\$ 299,555
% of contractuals and charity services of gross revenues	69%	65%	61%

- (6) **Grants and contracts** revenue is recognized when reimbursable expenses are incurred (for cost plus contracts) or when deliverables or milestones are met (for fixed price contracts). These revenues include recoveries of eligible direct expenses and indirect costs for facilities and administration, which are generally determined as a negotiated or agreed-upon percentage of direct costs. Receivables under research grants and development agreements represent amounts due from Federal, state, local, private grants, contracts and others.

Grants and contracts revenue	June 30, 2014	June 30, 2013	June 30, 2012
Reimbursement of direct expenses	\$ 49,651	\$ 50,318	\$ 51,421
Recovery of indirect costs	7,397	7,966	8,345
Total grants and contracts revenue	\$ 57,048	\$ 58,284	\$ 59,766
Indirect costs recovery as a % of direct costs	15%	16%	16%

Grants and contracts revenue by type is detailed in the table below:

Grants and contracts revenue by type	June 30, 2014	June 30, 2013	June 30, 2012
Research	\$ 32,119	\$ 31,036	\$ 34,083
Training	13,873	14,732	15,801
Service/other	11,056	12,516	9,882
Total grants and contracts revenue by type	\$ 57,048	\$ 58,284	\$ 59,766

- (7) **Auxiliary services** revenue is generally recognized when services are rendered or as activities have been completed. Auxiliary receivables are comprised primarily of amounts due from advertisers on Howard's commercial radio station WHUR, bookstore vendors and property rents.

Auxiliary services revenue	June 30, 2014	June 30, 2013	June 30, 2012
Student housing	\$ 32,370	\$ 29,517	\$ 28,616
Radio station	12,851	13,664	11,880
Meal plans	10,321	8,748	8,630
Bookstore	5,094	6,309	7,026
Property rentals	1,505	1,384	1,175
Parking fees	775	807	878
Vending sales and fees	678	691	837
Ticket sales	793	511	484
Licensing	11	148	14
Other	539	395	569
Total auxiliary services revenue	\$ 64,937	\$ 62,174	\$ 60,109

- (8) **Notes receivable** represent loans the University extended to students from institutional resources and Federal Student Loan programs with outstanding balances, which includes Federal Perkins Loans. A reasonable estimate of the fair value of the loans receivable advances from the Federal Government under the Federal Student Loan Program could not be made because the loan receivables are not stable and can only be assigned to the U.S. Government or its designees. Management regularly assesses the adequacy of the allowance for credit losses on student loans by performing ongoing evaluations of the student loan portfolio, including the financial condition of specific borrowers, the economic environment in which the borrowers operate, and the level of delinquent loans.

Howard's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under this Program are able to be assigned to the Federal Government in certain non-repayment situations. In these situations, the Federal portion of the loan balance is generally guaranteed.

(f) ***Cash and Cash Equivalents***

Short-term investments with maturities at date of purchase of nine months or less are classified as cash equivalents, except that any such investments purchased with funds on deposit with bond trustees, or with funds held in trusts or by external endowment investment managers are classified as Deposits with trustees or Investments, respectively. Cash equivalents include repurchase agreements, certificates of deposit, short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at approximate fair value. Howard's practice is to enter into repurchase agreements only when collateralized by government or other agency securities held in safekeeping by a bank. These transactions are recorded on the consolidated statements of financial position, with any earnings recorded as interest income. Howard's repurchase arrangement was suspended in August 2011.

(g) ***Investments***

Investments are segregated between operating, restricted and endowment investments and deposits with trustees on the consolidated statements of financial position, all of which are stated at fair value and defined as follows:

Operating Investments – represent investments free of any donor or lender imposed restrictions. These investments are short-term in nature and can be liquidated at the discretion of the Board of Trustees (the "Board") to meet operational demands.

Restricted Investments – represent non-endowed investments whose principal and or income are restricted by external sources, including liquidation restrictions. The use of the principal and interest of these investments is not subject to the discretion of the Board and as such they are not available to meet the operational needs of the University.

Endowment Investments – represent the pooled endowment and the Federal matching endowment investments. The endowment investments are spread across various asset categories with the use of the income from these investments restricted based on stated donor stipulations.

Deposits with Trustees – represent short-term investments in various operating trusts, designed to meet certain obligations including professional liability, workers' compensation, health insurance, capitalized interest and the debt service reserve funds. Investment balances may include some cash and cash equivalents held by investment managers for a specific purpose.

Temporarily and permanently restricted non-operating income and expense, net on the consolidated statements of activities primarily relates to investment income (loss) in excess of amounts designated for operations. Fair values of the University's investments are determined by the most relevant available and observable valuation inputs as defined in Note 12. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based upon average historical value (cost of securities purchased or the fair market value at date of gift, if received by donation). Dividend and interest income are recorded on an accrual basis. Accrued but unpaid dividends, interest and proceeds from investment sales at the report date are recorded as investment receivables.

Realized and unrealized investment gains and losses are allocated in a manner consistent with interest and dividends, to either unrestricted, temporarily restricted or permanently restricted net assets (distinguished between operating and non-operating), based on donor intent or lack thereof. Such amounts may be expended for operations, for specified donor purposes if temporarily restricted, or held in perpetuity at the donor's request. Realized and unrealized investment gains and losses on loan funds are accumulated in permanently restricted net assets.

Operating investment income includes interest, dividends and operating investment returns. This balance is calculated using operating investments as a percentage of total Level 1 investments in common stock and mutual funds.

(h) ***Inventories, Prepaids and Other Assets***

Inventories consist primarily of bookstore items and medical supplies, and are recorded at the lower of cost or realizable value on a first-in, first-out basis. Prepaids consist primarily of insurance, dues, subscriptions and other fees and are amortized over the useful period. Other assets consist primarily of unamortized

bond issuance costs, deferred health charges, intellectual property and investment interest in a dialysis joint venture, see Note 21.

(i) ***Property, Plant and Equipment***

Property, plant and equipment are stated at cost or at estimated fair value if received by gift, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. A half year of depreciation is recorded in the year of acquisition. The useful lives for fiscal years reported are as follow:

Land and land improvements	0-25 years
Building and building improvements	5-40 years
Furniture and equipment	3-20 years
Software	3-10 years
Library books	10 years

Property, plant and equipment acquired under capital leases are amortized in a manner consistent with Howard's normal depreciation policy for owned assets. Lease obligations are amortized using the straight-line method, over the shorter period of the lease term or the estimated useful life.

Property, plant and equipment are capitalizable when the unit cost is equal to or exceeds \$3 and has a useful life of more than one year.

Property held for expansion consists of land and buildings acquired for future use in carrying out educational, research and other activities in line with the overall mission of Howard. Depreciation for buildings commences when property is converted to use.

Title to certain equipment purchased using funds provided by government grants or contracting agencies is vested with Howard, and therefore is included in reported property balances. Interest costs eligible for capitalization are the costs of restricted borrowings, less any interest earned on temporary investment of the proceeds of those borrowings, from the date of borrowing until qualifying assets are intended for use. The recorded values of certain properties include the fair value of any asset retirement obligation necessary to meet contractual or regulatory requirements for disposal or remediation of the property. This primarily pertains to the cost of removal and disposal of asbestos.

(j) ***Refundable Advances Under Federal Student Loan Program***

Funds provided by the United States Department of Education under the Federal Student Loan Programs are loaned to qualified students and may be re-loaned after collections. The portion of these funds provided by the Department of Education are ultimately refundable to the Department of Education and are reported as liabilities in the consolidated statements of financial position and as

cash flows from financing activities in the consolidated statements of cash flows. Loans issued to students are reported as part of receivables in the consolidated statements of financial position.

(k) ***Functional Expenses***

Howard allocates its expenses on a functional basis among its various programs and institutional support. Expenses that can be identified with a specific program are charged directly. Costs related to the operation and maintenance of physical plant including utilities, depreciation of fixed assets and interest expense, are allocated among programs and institutional support based upon square footage.

For fiscal years ended June 30, 2014, 2013 and 2012, expenses were allocated across functions as follows:

Functional expenses	June 30, 2014	June 30, 2013	June 30, 2012
Program services:			
Instruction	\$ 215,022	\$ 205,891	\$ 214,254
Research	35,609	35,285	40,068
Public service	10,492	8,189	9,943
Academic support	47,173	40,589	38,625
Student services	27,754	27,154	26,872
Patient care	299,372	302,772	297,194
Total program services expenses	\$ 635,422	\$ 619,880	\$ 626,956
Supporting services:			
Institutional support	144,070	139,427	140,477
Auxiliary enterprises	69,244	73,148	74,826
Total supporting services	\$ 213,314	\$ 212,575	\$ 215,303
Total program and supporting services expenses	\$ 848,736	\$ 832,455	\$ 842,259

Reserves for Self-Insured Liabilities

The reserve for self-insured liabilities is comprised primarily of amounts accrued for asserted medical malpractice and worker's compensation claims and includes estimates of the ultimate cost to resolve such claims. The reserve also includes an estimate of the cost to resolve unasserted claims that actuarial analyses indicate are probable of assertion in the future. Medical malpractice claim reserves are stated at an undiscounted amount.

(m) ***Other Liabilities***

Other liabilities are comprised primarily of asset retirement obligations, unclaimed property, student deposits, deposits held in custody for others, reserves for legal and other contingencies and miscellaneous items.

(n) ***Compensated Absences***

Howard records an amount due to employees for future absences, which are attributable to services performed in the current and prior periods and subject to a maximum carryover. This obligation is recognized on the consolidated statements of financial position as part of accounts payable and accrued expenses. At June 30, 2014, 2013 and 2012 the obligation was \$7,421, \$6,920 and \$11,172, respectively.

(o) ***Pension and Post-Retirement Benefits***

The funded status of Howard's pension benefit (the Plan) is actuarially determined and recognized in the consolidated statements of financial position as an asset to reflect an overfunded status, or as a liability to reflect an underfunded status. Howard's actuarially determined post-retirement benefit obligation is recognized on the consolidated statements of financial position as a liability. Howard follows the Internal Revenue Service (IRS) guidelines in the administration of the Plan.

(p) ***Measure of Operations***

Howard includes in its measure of operations all revenue and expenses that are integral to its continuing core program services with the key objective being predictability of indicated results. Such measures include the amortization of actuarial gains and losses previously recorded as non-operating items. Howard uses a spending rate methodology to determine the amount of endowment assets allocated to operations in a given year. Non-operating income and expenses include realized and unrealized appreciation (depreciation), investments, changes in retirement plan liabilities due to market factors, restructuring costs and (charges) credits that do not pertain to continuing core program services.

(q) ***Non-operating Restricted Income and Expense***

The table below details the items of non-operating restricted income and expense summarized in the consolidated statements of activities for the fiscal years ended June 30, 2014, 2013 and 2012:

Non-operating restricted income and expense	June 30, 2014	June 30, 2013	June 30, 2012
Investment income (loss) in excess of amount designated for operations	\$ 33,289	\$ 25,462	\$ (9,591)
Other items, net	(369)	(2,157)	(12)
Temporarily restricted non-operating income (expense)	\$ 32,920	\$ 23,305	\$ (9,603)
Investment income (loss) in excess of amount designated for operations	193	146	(1,230)
Other items, net	186	2,284	195
Permanently restricted non-operating income (expense)	\$ 379	\$ 2,430	\$ (1,035)

(r) ***New Accounting Pronouncements***

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Howard is currently evaluating the impact of adoption of ASU 2014-09 on Howard's consolidated financial statements, but does not expect the impact to be material.

(s) ***Reclassification***

Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications did not have any impact Howard's previously reported net asset balances.

Note 2	Fundraising Expenses
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For fiscal years ended June 30, 2014, 2013 and 2012, Howard incurred expenses of approximately \$4,803, \$6,278 and \$6,276, respectively, in connection with its fundraising activities. These amounts are reflected on the accompanying consolidated statements of activities within each respective expense category, as appropriate.

Note 3	Charity Care
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The Hospital provides services to patients who meet the criteria of its charity care policy, without charge, or at amounts less than established rates. The criteria for charity services are comprised of family income, net worth and eligibility at time of application. In addition the Hospital provides services to patients under the District of Columbia charity care program, DC Alliance. The total of charges forgone for services furnished under the Hospital's charity care policy and the DC Alliance program were \$8,241, \$35,986 and \$52,800 for fiscal years ended June 30, 2014, 2013 and 2012, respectively.

Total uncompensated care charges under all of Howard's clinical services which includes bad debt write offs as well as charity care, for fiscal years ended June 30, 2014, 2013 and 2012 were \$35,170, \$63,588 and \$81,580, respectively.

Note 4	Insurance and Risk Management
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Howard, along with 16 other institutions of higher education, is a subscriber in Pinnacle Consortium of Higher Education, a Vermont Reciprocal Risk Retention Group. Pinnacle provides commercial general and certain specific liability coverage. Howard's annual payments to Pinnacle for insurance coverage are based on actuarial studies and are charged to expense. Pinnacle reinsures 95% of its risk to Genesis, Ltd. (Genesis), an affiliated reinsurer. Genesis, a Class 2 reinsurer under the Insurance Act of 1978 of Bermuda, was jointly formed by Howard and 16 other higher education institutions. Genesis reinsures general liability and automobile liability risks of its shareholders. At June 30, 2014, Howard had an approximate 6% interest of Genesis and Pinnacle, respectively. Howard's interest in Genesis and Pinnacle is included in restricted investments. Liability insurance coverage in excess of the primary coverage has been purchased by Howard, with limits of \$125,000 from commercial insurance companies.

Howard is self-insured for initial layers of medical malpractice, worker's compensation, and employee health benefits. The reserves for self-insured risks are actuarially determined and Howard has set aside assets in revocable trusts to partially fund these self-insured risks.

The self-insured program covers professional liability costs up to \$7,500 per occurrence depending on the cause. In addition, there are two layers of excess insurance coverage. The first layer of the excess insurance coverage is up to \$35,000 on a claims-made basis. This layer is purchased through a captive insurance company, Howard University Capitol Insurance Company Ltd. (HUCIC), organized under the laws of the Cayman Islands. HUCIC covers prior acts retroactive to two separate policy periods dating July 1, 1996 and January 1, 1986, and is completely reinsured. The second layer of excess liability insurance which also covers patient care related general liability and professional liability, is up to \$50,000 on a claims-made basis. The second layer of excess coverage is provided by an independent excess insurance company.

The types of insurance and risk management coverages are detailed in the table below:

Insurance and Risk Management	June 30, 2014	June 30, 2013	June 30, 2012
Malpractice claims expense	\$ 14,705	\$ 16,636	\$ 7,479
Malpractice excess insurance	1,590	1,640	1,837
Student sickness	6,771	6,646	4,902
General and other	4,407	6,167	5,504
Totals	\$ 27,473	\$ 31,089	\$ 19,722

Note 5 Restructuring Costs

Restructuring costs represent non-recurring expenses required to facilitate management, faculty and staff changes resulting from Howard's various renewal initiatives. In fiscal years 2014, 2013 and 2012, Howard implemented a reduction-in-force to better align the number of administrative staff with expected needs and its financial capacity. Severance and other payments related thereto amounted to \$3,433, \$1,808 and \$4,646, for the fiscal years ended June 30, 2014, 2013 and 2012, respectively. Additionally, Howard implemented a Faculty Phased Retirement Program with incentive payments of \$19,816 payable between September 2012 and September 2017, which was accrued as of June 30, 2012. As of June 30, 2014, \$6,118 is accrued, reflecting \$13,698 of cumulative payment activity.

Note 6 Concentration of Credit Risk

Financial instruments that potentially subject Howard to significant concentrations of credit risk consist principally of deposits of cash, cash equivalents, and investments in financial institutions in excess of the applicable government insurance limits. The limit was \$250 per account as of June 30, 2014. Concentrations of credit risk with respect to receivables pertain mainly to self-pay patients of Howard's clinical services, and to students.

Note 7 Receivables

Accounts receivable, prior to adjustment for doubtful collections, is summarized as follows at June 30, 2014, 2013 and 2012:

Receivables	June 30, 2014	June 30, 2013	June 30, 2012
Student	\$ 20,151	\$ 15,331	\$ 11,663
Notes	15,024	12,561	11,490
Federal appropriation	4,290	3,452	3,623
Patients and third-party payors - Hospital	88,326	103,544	83,011
Patients and third-party payors - FPP	16,611	12,171	10,271
Patients and third-party payors - Dental	1,851	1,629	2,186
Grants and contracts	17,343	16,739	18,956
Contributions	4,566	3,364	3,388
Insurance claims	14,057	16,896	16,254
Auxiliary services	6,176	4,300	2,892
Other	3,532	2,967	9,714
Total	\$ 191,927	\$ 192,954	\$ 173,448

Allowance for doubtful receivables is summarized as follows at June 30, 2014, 2013 and 2012:

Allowance for Doubtful Receivables	June 30, 2014	June 30, 2013	June 30, 2012
Student	\$ 10,444	\$ 7,396	\$ 6,760
Notes	3,210	3,210	3,287
Patients and third-party payors - Hospital	38,943	32,300	31,984
Patients and third-party payors - FPP	4,349	3,041	4,178
Patients and third-party payors - Dental	571	709	996
Grants and contracts	4,505	3,788	3,918
Contributions	1,623	1,738	1,599
Insurance claims	1,326	1,488	1,615
Auxiliary services	109	235	266
Other	114	1,219	821
Totals	\$ 65,194	\$ 55,124	\$ 55,424
Total receivables, net	\$ 126,733	\$ 137,830	\$ 118,024

Provision for bad debt is summarized as follows at June 30, 2014, 2013 and 2012:

Provision for Bad Debt	June 30, 2014	June 30, 2013	June 30, 2012
<i>Non-clinical services:</i>			
Student services	\$ 5,011	\$ 3,266	\$ 5,461
Research grants and development Agreements	717	210	-
Insurance claims	(162)	(127)	(985)
Auxiliary services	234	321	347
Uncollectible pledges	266	89	29
Other	(127)	1,509	627
Total non-clinical services	\$ 5,939	\$ 5,268	\$ 5,479
<i>Clinical services:</i>			
Patients and third-party payors - Hospital	20,057	20,754	20,677
Patients and third-party payors - FPP	6,755	6,777	7,590
Patients and third-party payors - Dental	117	71	513
Total clinical services	\$ 26,929	\$ 27,602	\$ 28,780
Total provision for bad debt	\$ 32,868	\$ 34,872	\$ 34,276

Bad debt expense of \$5,939, \$5,268 and 5,479 for fiscal years ended June 30, 2014, 2013 and 2012, respectively, reflected in total operating expenses on the consolidated statements of activities excludes bad debt expense related to certain clinical services determined to be uncollectible. Clinical services bad debt expense, as shown in the table above, has been netted against patient service revenues.

Contributions receivable at June 30, 2014, 2013 and 2012 are expected to be received as follows:

Contributions Receivable	June 30, 2014	June 30, 2013	June 30, 2012
Within one year	\$ 4,314	\$ 2,969	\$ 2,725
Between one and five years	274	433	725
Thereafter	4	-	13
Contributions receivable gross	4,592	3,402	3,463
Unamortized discount on contributions receivable (2%-6.5%)	(26)	(38)	(75)
Contributions receivable, net of discounts	4,566	3,364	3,388
Allowance for uncollectible contributions	(1,623)	(1,738)	(1,599)
Contributions receivable, net of discounts and allowance	\$ 2,943	\$ 1,626	\$ 1,789

Note 8 Inventories, Prepaids and Other Assets

Components of inventories, prepaids and other assets accounts at June 30, 2014, 2013 and 2012 are as follows:

Inventories, Prepaids and Other Assets	June 30, 2014	June 30, 2013	June 30, 2012
Inventories - Bookstore	\$ -	\$ 1,076	\$ 1,056
Inventories - Hospital	4,679	5,912	5,194
Prepaid expenses	6,154	5,683	5,463
Unamortized bond issuance costs	4,778	4,993	5,207
Deferred health charges	1,414	1,621	1,588
Dialysis joint venture interest	5,337	4,800	4,436
Beneficial interest trust	4,968	4,423	-
Intellectual property costs	1,682	1,163	617
Other	193	303	178
Total	\$ 29,205	\$ 29,974	\$ 23,739

Note 9 Accounts Payable and Accrued Expenses

Components of this liability account at June 30, 2014, 2013 and 2012 are as follows:

Accounts Payable and Accrued Expenses	June 30, 2014	June 30, 2013	June 30, 2012
Vendor invoices	\$ 73,739	\$ 58,769	\$ 46,189
Accrued salaries and wages	21,930	21,440	23,908
Accrued employee benefits	7,194	6,372	8,489
Accrued annual leave	7,421	6,920	11,172
Accrued faculty retirement incentive payments	6,118	9,125	19,816
Accrued interest	4,822	4,908	4,997
Other	1,731	543	556
Total	\$ 122,955	\$ 108,077	\$ 115,127

Note 10 Other Liabilities and Deferred Revenue

These obligations include the following at June 30, 2014, 2013 and 2012:

Other liabilities	June 30, 2014	June 30, 2013	June 30, 2012
Asset retirement obligation	\$ 13,128	\$ 12,687	\$ 12,247
Environmental remediation	3,000	3,000	3,000
Unclaimed property	2,879	2,588	2,582
Student deposits and refunds	2,725	4,974	5,051
Reserve for legal contingencies	3,664	6,690	7,119
Deposits held in custody for others	2,425	2,260	706
Other	2,354	2,369	2,600
Total	\$ 30,175	\$ 34,568	\$ 33,305

Deferred revenue	June 30, 2014	June 30, 2013	June 30, 2012
Deferred tuition, room and board	\$ 2,825	\$ 3,159	\$ 2,864
Deferred grant revenue	6,677	5,924	6,410
Other	498	608	664
Total	\$ 10,000	\$ 9,691	\$ 9,938

Howard's assets retirement costs and obligations have been discounted using a rate of 4.9%. Amounts for the fiscal years ended were as follows:

Asset Retirement Costs and Obligations	June 30, 2014	June 30, 2013	June 30, 2012
Asset retirement costs	\$ 4,565	\$ 4,565	\$ 4,565
Accumulated depreciation	2,205	2,147	2,091
Accretion Expense	410	412	414
Asset retirement obligation	13,218	12,687	12,247

Howard incurred costs related to asbestos abatement during fiscal years ended June 30, 2014, 2013 and 2012 of \$135, \$87 and \$356, respectively.

Note 11 Deposits with Trustees and Self-insured Liabilities

	Dedicated Assets			Liability		
	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2014	June 30, 2013	June 30, 2012
Debt service reserve	\$ 12,880	\$ 12,880	\$ 12,878	NA	NA	NA
Capitalized interest	-	3,737	12,061	NA	NA	NA
Professional liability	5	239	6,520	\$ 54,365	\$ 55,204	\$ 42,863
Workers' compensation	12	14	3,292	27,956	30,306	32,799
Health insurance trust	956	755	3,399	4,310	4,889	4,933
Total	\$ 13,853	\$ 17,625	\$ 38,150	\$ 86,631	\$ 90,399	\$ 80,595

NA = Not applicable

(a) Debt Service Reserve Fund

As required by the 2011 Revenue Bonds, Howard maintains a debt service reserve fund in an amount greater than or equal to the Debt Service Fund Requirement of \$12,634 for all periods reported. The assets in the debt service reserve fund consist primarily of cash, fixed income investments and other short-term securities.

(b) Capitalized Interest Fund

As required by the 2011 Revenue Bonds, Howard established a capitalized interest fund of \$19,782 for the fiscal year ended June 30, 2011. These funds are intended to satisfy bond interest payments through June 30, 2014. As of June 30,

2014, the capitalized interest fund balance is \$0, reflecting interest payments of \$19,782 from the fund cumulatively.

(c) ***Professional Liability***

Howard is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and certain faculty physicians and are currently in various stages of litigation. Additional claims may be asserted arising from services provided to patients through June 30, 2014. It is the opinion of management based on the advice of actuaries and legal counsel that estimated malpractice costs accrued for fiscal years ended June 30, 2014, 2013 and 2012 of approximately \$54,365, \$55,204 and \$42,863, respectively is adequate to provide for losses resulting from probable unasserted claims and pending or threatened litigation.

Professional liability activity is summarized as follows for fiscal years ended June 30, 2014, 2013 and 2012 in the table below.

Professional Liability	June 30, 2014	June 30, 2013	June 30, 2012
Beginning balance	\$ 55,204	\$ 42,863	\$ 43,141
Malpractice claims expense	14,705	16,636	7,479
Settlement payments	(15,544)	(4,295)	(7,757)
Ending balance	\$ 54,365	\$ 55,204	\$ 42,863

(d) ***Workers' Compensation***

Prior to July 1, 2012, Howard had established a revocable trust fund to partially provide for the satisfaction of its liability under applicable workers' compensation liability. The assets in the workers' compensation trust fund consisted of U.S. Treasury Bills and obligations, as well as domestic and foreign corporate bonds. As of June 30, 2014, workers' compensation liabilities are being satisfied as claims arise. Howard also maintains \$8,360 in letters of credit, which serve as collateral for specific insurance carriers. These letters of credit are secured by Howard's principal lending bank. Howard is self-insured for workers' compensation claims up to per occurrence retention of \$500. The excess is covered through commercial insurance.

For fiscal years ended June 30, 2014, 2013 and 2012 expenses related to workers' compensation were \$3,234, \$2,433 and \$3,372, respectively and are reflected in employee benefits.

The total liability for future workers' compensation liability claims was approximately \$27,956, \$30,306 and \$32,799 at June 30, 2014, 2013 and 2012, respectively, and includes liabilities for claims covered under existing insurance policies. Reserves reflect actuarially determined estimates for losses on asserted claims, as well as unasserted claims arising from reported and unreported

incidents. This liability is recorded on the accompanying consolidated statements of financial position in reserves for self-insured liabilities. Estimated claims for which payments will be covered under existing insurance policies were \$12,731, \$15,408 and \$14,639 at June 30, 2014, 2013 and 2012, respectively, net of allowances for uncollectible amounts and are reflected in other receivables.

(e) ***Health Insurance***

Prior to July 1, 2012, Howard established a revocable self-insured trust fund for the purpose of partially funding group health benefits for its employees. The assets consisted primarily of investments in money market funds. As of June 30, 2014, health insurance claims are being funded as incurred. Deposits to the fund are amounts withheld from employees' salaries and wages and Howard's contributions based on estimates established by the claims administrator. Disbursements from the fund are made in accordance with the payment plan established with the claims administrator. The total estimated liability for asserted and unasserted probable claims at June 30, 2014, 2013 and 2012, is approximately \$4,310, \$4,889 and \$4,933, respectively.

Note 12 Fair Value Measurements

Howard applies applicable accounting standards for fair value measurements, defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. These accounting standards establish three categories for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date as follows:

- Level 1 – quoted market prices for identical assets or liabilities in active markets.
- Level 2 – quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; or other than quoted prices in which all significant inputs and significant value drivers are observable in active markets either directly or indirectly.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are not observable.

Howard's financial assets and liabilities as of June 30, 2014, 2013 and 2012 are subject to fair value accounting.

The Howard University
Notes to the Consolidated Financial Statements
For Fiscal Years Ended June 30, 2014, 2013 and 2012 (amounts in thousands)

Fair value as of June 30, 2014 is as follows:

Fair Value as of June 30, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	\$ -	\$ 46,325	\$ -	\$ 46,325
Deposits with trustees (7)	968	12,885	-	13,853
Other assets (8)	-	-	4,968	4,968
Total Asset (non investment)	\$ 968	\$ 59,210	\$ 4,968	\$ 65,146
Operating investments				
Fixed Income-Government Bonds (2)	\$ 8,431	\$ -	\$ -	\$ 8,431
Common Stock (3)	31,664	-	-	31,664
Total operating investments	\$ 40,095	\$ -	\$ -	\$ 40,095
Restricted investments				
Money Market Instrument (1)	\$ -	\$ 3,434	\$ -	\$ 3,434
Common Stock (3)	38,684	-	-	38,684
Private Equity (4)	-	-	1,872	1,872
Real Estate (4)	-	-	250	250
Total restricted investments	\$ 38,684	\$ 3,434	\$ 2,122	\$ 44,240
Endowment Investments				
Money Market Instrument (1)	\$ 841	\$ 34,890	\$ -	\$ 35,731
Commingled Funds				
Emerging Market Equity (3)	-	22,357	-	22,357
Global Fixed Income (2)	-	32,693	-	32,693
International Equity (3)	-	105,359	-	105,359
US Common Stock (3)	-	22,661	-	22,661
Commodity Inflation Hedging (4)	-	19,016	-	19,016
Common Stock (3)	61,777	-	-	61,777
Fixed Income (2)				
Asset backed	-	1,840	-	1,840
Corporate Bonds	-	4,153	-	4,153
Hedge Funds (4)				
Distressed Debt	-	3,002	-	3,002
Equity Long/Short	-	9,084	-	9,084
Event Driven	-	3,697	3,804	7,501
Global Opportunities	-	7,901	-	7,901
Multi-strategy	-	24,679	3,584	28,263
Mutual Funds Investment				
Emerging Market Equity (3)	27,275	-	-	27,275
Domestic Common Stock (3)	26,838	-	-	26,838
Domestic Fixed Income (2)	57,563	-	-	57,563
International Equity (3)	9,942	-	-	9,942
Private Equity and Venture Capital (4)	-	-	91,102	91,102
Real Estate (4)	-	-	17,054	17,054
Total endowment investments	\$ 184,236	\$ 291,332	\$ 115,544	\$ 591,112
Total investments	\$ 263,015	\$ 294,766	\$ 117,666	\$ 675,447
Assets not subject to fair value reporting	\$ 1,416	\$ -	\$ -	\$ 1,416
Liabilities not subject to fair value reporting	(626)	-	-	(626)
Total assets and liabilities measured at fair value	\$ 264,773	\$ 353,976	\$ 122,634	\$ 741,383

Fair value as of June 30, 2013 is as follows:

Fair Value as of June 30, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	\$ -	\$ 71,670	\$ -	\$ 71,670
Deposits with trustees (7)	770	16,855	-	17,625
Other assets (8)	-	-	4,378	4,378
Total Asset (non investment)	\$ 770	\$ 88,525	\$ 4,378	\$ 93,673
Operating investments				
Fixed Income-Government Bonds (2)	\$ 6,877	\$ -	\$ -	\$ 6,877
Common Stock (3)	28,217	-	-	28,217
Total operating investments	\$ 35,094	\$ -	\$ -	\$ 35,094
Restricted investments				
Money Market Instrument (1)	\$ -	\$ 1,089	\$ -	\$ 1,089
Common Stock (3)	34,074	-	-	34,074
Private Equity (4)	-	-	2,341	2,341
Real Estate (4)	-	-	250	250
Total restricted investments	\$ 34,074	\$ 1,089	\$ 2,591	\$ 37,754
Endowment Investments				
Money Market Instrument (1)	\$ 704	\$ 27,644	\$ -	\$ 28,348
Commingled Funds				
Global Fixed Income (2)	-	30,200	-	30,200
International Equity (3)	-	53,378	-	53,378
US Common Stock (3)	-	17,788	-	17,788
Commodity Inflation Hedging (4)	-	17,357	-	17,357
Common Stock (3)	50,741	-	-	50,741
Fixed Income (2)				
Asset backed	-	2,054	-	2,054
Corporate Bonds	-	4,804	-	4,804
Hedge Funds (4)				
Distressed Debt	-	2,793	-	2,793
Equity Long/Short	-	4,866	-	4,866
Event Driven	-	3,123	3,562	6,685
Global Opportunities	-	4,399	-	4,399
Multi-strategy	-	26,802	2,369	29,171
Mutual Funds Investment				
Emerging Market Equity (3)	51,892	-	-	51,892
Domestic Common Stock (3)	20,320	-	-	20,320
Domestic Fixed Income (2)	54,883	-	-	54,883
International Equity Security (3)	32,114	-	-	32,114
Private Equity and Venture Capital (4)	-	-	93,565	93,565
Real Estate (4)	-	-	8,715	8,715
Total endowment investments	\$ 210,654	\$ 195,208	\$ 108,211	\$ 514,073
Total investments	\$ 279,822	\$ 196,297	\$ 110,802	\$ 586,921
Assets not subject to fair value reporting	\$ 1,368	\$ -	\$ -	\$ 1,368
Liabilities not subject to fair value reporting	(277)	-	-	(277)
Total assets and liabilities measured at fair value	\$ 280,913	\$ 196,297	\$ 110,802	\$ 588,012

Fair value as of June 30, 2012 is as follows:

Fair Value as of June 30, 2012	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	\$ -	\$ 87,207	\$ -	\$ 87,207
Deposits with trustees (7)	4,701	33,449	-	38,150
Total Asset (non investment)	\$ 4,701	\$ 120,656	\$ -	\$ 125,357
Operating investments				
Fixed Income-Government Bonds (2)	\$ 5,925	\$ -	\$ -	\$ 5,925
Common Stock (3)	28,500	-	-	28,500
Total operating investments	\$ 34,425	\$ -	\$ -	\$ 34,425
Restricted investments				
Money Market Instrument (1)	\$ -	\$ 670	\$ -	\$ 670
Common Stock (3)	29,075	-	-	29,075
Private Equity (4)	-	-	2,407	2,407
Real Estate (4)	-	-	250	250
Total restricted investments	\$ 29,075	\$ 670	\$ 2,657	\$ 32,402
Endowment Investments				
Money Market Instrument (1)	\$ 911	\$ 39,097	\$ -	\$ 40,008
Commingled Funds				
Global Fixed Income (2)	-	28,870	-	28,870
International Equity (3)	-	38,165	-	38,165
US Common Stock (3)	-	15,190	-	15,190
Commodity Inflation Hedging (4)	-	15,172	-	15,172
Common Stock (3)	62,946	-	-	62,946
Fixed Income (2)				
Asset backed	-	2,662	-	2,662
Corporate Bonds	-	5,765	-	5,765
Hedge Funds (4)				
Distressed Debt	-	2,298	-	2,298
Equity Long/Short	-	4,488	-	4,488
Event Driven	-	2,353	3,261	5,614
Global Opportunities	-	3,950	-	3,950
Multi-strategy	-	24,610	2,260	26,870
Mutual Funds Investment				
Emerging Market Equity (3)	28,165	-	-	28,165
Domestic Common Stock (3)	16,513	-	-	16,513
Domestic Fixed Income (2)	61,898	-	-	61,898
Private Equity and Venture Capital (4)	-	-	93,138	93,138
Real Estate (4)	-	-	9,000	9,000
Total endowment investments	\$ 170,433	\$ 182,620	\$ 107,659	\$ 460,712
Liabilities:				
Interest rate swap (5)	\$ -	\$ 21	\$ -	\$ 21
Total assets and liabilities measured at fair value	\$ 238,634	\$ 303,946	\$ 110,316	\$ 652,896

The following assumptions and estimates were used to determine fair value of each class of financial instruments listed above:

- (1) Money market instruments include investments in open ended mutual funds that invest in US treasury securities, US agency bonds, certificates of deposit and corporate bonds. Funds that are quoted daily in active markets are classified as Level 1. Funds that are not quoted daily with prices based on amortized cost are classified as Level 2.
- (2) For investments in government securities and corporate bonds, fair value is based first upon quoted market prices for those securities that can be classified as Level 1. For securities where an active market is not available, fair value is determined with reference to similar securities using market prices and broker quotes for similar instruments and are classified as Level 2.
- (3) Common stocks are largely valued based on the last sales price for identical securities traded on a primary exchange. These investments are classified as Level 1. Securities that trade infrequently, or that have comparable traded assets – that trade in either active or inactive markets, are priced using available quotes and other market data that are observable as of the reporting date, and are classified as Level 2. Investments in comingled funds with underlying securities in common stock are classified as Level 2 because there is a readily determinable unit price and the units held can be redeemed in less than one month.
- (4) Alternative investments include Howard's limited partnership interests, hedge funds, private equity and real estate and commodity funds. Trading in this class of funds is infrequent and, as a result, market values are not readily determinable. The investments in privately held funds are valued based on valuation techniques that take into account each fund's underlying assets and include valuation methods such as market, cost and income approaches. In accordance with an accounting standard update governing the classification of certain investments which provide the option of Net Asset Value redemption value as Level 2, Howard has classified qualifying investments in Hedge Funds and Commodity Funds as Level 2. These investments can be redeemed on a quarterly basis with a 30 to 90 days redemption notice period. Hedge Funds and Commodity Funds with liquidation terms in excess of 90 days are classified as Level 3. Limited partnerships including private equity and real estate funds and other non-redeemable funds are categorized as Level 3.

These investments cannot be redeemed or withdrawn prior to termination of the partnership. Instead, the distributions are received through liquidation of the underlying assets of the fund. No active market exists for these funds and their valuation is based on unobservable and/or significantly adjusted inputs using the best available information provided by the partnership, including management assumptions. Due diligence procedures performed by management indicate that the values reported are reasonable. These investments are classified as Level 3.

- (5) Interest rate swaps are valued using observable and unobservable inputs, such as quotations received from counterparty dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of the observed inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, pre-payment rates, assumptions for non-performance risk, and correlations of such inputs. Certain parts of the interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore, classified as Level 2 within the fair value hierarchy.
- (6) Unexpended bond proceeds include investments in government debt security funds. These funds are not quoted daily and are valued at amortized cost. These investments are classified as Level 2.
- (7) Deposits held with trustees, including workers' compensation, professional and general liability, health insurance and bond debt service deposits, are comprised primarily of money market instruments, US treasury securities, mortgage-backed securities and corporate bonds. Money market investments are classified as either Level 1 or Level 2 based on whether their prices are quoted daily. Investments in US treasury securities are classified as Level 1 and other fixed income securities are classified as Level 2.
- (8) Other assets represent the University's beneficial interest in certain trust assets held by third parties. The fair value of this interest has been measured using the income approach as there is no active principal market trading in this interest. This interest was valued using the quoted market value for the underlying marketable securities of the Trust discounted for expected future cash flows to the University. These interests are classified as Level 3 assets as the reported fair values are based on a combination of observable and unobservable inputs.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while

Howard believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

The following tables present the changes in amounts included in the consolidated statements of financial position for financial instruments classified within Level 3 of the valuation hierarchy defined above.

Changes in Level 3 securities for the fiscal year ended June 30, 2014 is as follows:

Changes in Level 3 for the period ended June 30, 2014	Private Equity and Venture Capital	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2013	\$ 95,906	\$ 5,931	\$ 8,965	\$ 4,378	\$ 115,180
Gain and Loss (Realized and Unrealized)	16,859	1,457	2,142	590	21,048
Acquisitions	8,113	-	7,012	-	15,125
Sales	(27,904)	-	(814)	-	(28,718)
Balance June 30, 2014	\$ 92,974	\$ 7,388	\$ 17,305	\$ 4,968	\$ 122,635
Change in unrealized investments held	\$ 3,212	\$ 457	\$ 2,252	\$ 589	\$ 6,510

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2014.

Changes in Level 3 securities for the period ended June 30, 2013 is as follows:

Changes in Level 3 for the year ended June 30, 2013	Private Equity and Venture Capital	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2012	\$ 95,545	\$ 5,521	\$ 9,250	\$ -	\$ 110,316
Gain and Loss (Realized and unrealized)	13,180	703	808	(44)	14,647
Acquisitions	9,047	-	-	4,422	13,469
Sales	(21,866)	(293)	(1,093)	-	(23,252)
Balance June 30, 2013	\$ 95,906	\$ 5,931	\$ 8,965	\$ 4,378	\$ 115,180
Change in unrealized investments held	\$ 5,783	\$ 703	\$ 906	\$ (44)	\$ 7,348

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2013.

Changes in Level 3 securities for the fiscal year ended June 30, 2012 is as follows:

Changes in Level 3 for the year ended June 30, 2012	Private Equity and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2011	\$ 88,420	\$ 5,195	\$ 8,890	\$ 102,505
Gain and Loss (Realized and unrealized)	4,424	33	610	5,067
Purchases	14,260	-	136	14,396
Transfers	-	293	-	293
Sales	(11,559)	-	(386)	(11,945)
Balance June 30, 2012	\$ 95,545	\$ 5,521	\$ 9,250	\$ 110,316
Change in unrealized investments held	\$ 424	\$ 33	\$ 573	\$ 1,030

There were \$293 of transfers into Level 3 during fiscal year ended June 30, 2012.

Net investment income (loss) is summarized as follows for fiscal years ended June 30, 2014, 2013 and 2012:

Net Investment Income (Loss)	June 30, 2014	June 30, 2013	June 30, 2012
Interest and dividends	\$ 13,810	\$ 12,553	\$ 7,870
Net realized gains (losses)	39,553	28,165	3,838
Net unrealized gains (losses)	37,855	26,329	(15,862)
Other investment income (expenses)	320	(270)	1,617
Investment expenses	(4,539))	(1,505)
Net investment income (loss)	86,999	62,763	(4,042)
Current year unrestricted operating return	7,053	4,639	211
Current year non-operating investment return:			
Unrestricted	38,834	25,256	(825)
Restricted	41,131	32,868	(3,428)
Total current year investment return	87,018	62,763	(4,042)
Prior year return designated for current operations:			
Unrestricted	(6,080)	(5,866)	(5,985)
Restricted	(7,016)	(6,647)	(6,794)
Total designated for current operation	(13,096)	(12,513)	(12,779)
Net non-operating investment return:			
Unrestricted	\$ 33,387	\$ 19,391	\$ (6,810)
Restricted	33,481	26,221	(10,222)

Investment Commitments - Howard's investment commitments as of June 30, 2014, 2013 and 2012, are summarized below. These investments do not have readily ascertainable market values and may be subject to withdrawal restrictions.

Investment Commitments	June 30, 2014	June 30, 2013	June 30, 2012
Private Equity and Venture Capital Funds	\$ 151,703	\$ 141,703	\$ 136,703
Real Estate Funds	15,000	15,000	15,000
Total financial commitment	\$ 166,703	\$ 156,703	\$ 151,703
Amounts funded	148,726	133,601	124,554
Underfunded commitment	\$ 17,977	\$ 23,102	\$ 27,149

Note 13 Net Assets

Temporarily restricted net assets consist of the following at June 30:

Temporarily Restricted Net Assets	June 30, 2014	June 30, 2013	June 30, 2012
Scholarships	\$ 54,511	\$ 47,271	\$ 41,362
Professorships	34,753	29,758	24,815
Student loans	1,173	947	690
Federal term	128,648	114,677	104,718
General operations and other	37,698	30,197	28,878
Total	\$ 256,783	\$ 222,850	\$ 200,463

The Federal term endowment restriction is for 20 years for each contribution beginning in 1985. Howard transfers the amount of the original contribution plus accumulated investment returns to unrestricted net assets at the end of each 20 year period. For fiscal years ended June 30, 2014, 2013 and 2012, the transfer amounts were \$10,612, \$8,300 and \$5,933, respectively.

Permanently restricted net assets are held in perpetuity and the income there from is only expendable for the noted purposes at June 30.

Permanently Restricted Net Assets	June 30, 2014	June 30, 2013	June 30, 2012
Scholarships	\$ 54,633	\$ 52,863	\$ 51,694
Professorshi	24,151	23,530	17,041
ps Student	36,321	35,925	35,346
loans	10,838	10,892	10,464
Total	\$ 125,943	\$ 123,210	\$ 114,545

Net assets were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors as noted for fiscal years ended June 30, 2014, 2013 and 2012.

Net Assets Released from Restrictions	June 30, 2014	June 30, 2013	June 30, 2012
Federal term	\$ 10,612	\$ 8,300	\$ 5,933
Restrictions released based on purpose:			
Scholarships and fellowships	3,671	4,130	5,562
Professorships	626	743	720
Student loans	127	114	160
General operations and other	2,024	2,130	2,231
Total	\$ 17,060	\$ 15,417	\$ 14,606

Note 14 Endowment Fund

Howard's endowment includes approximately 800 individual accounts established to fund scholarships, professorships, student loans, general operations and other purposes. Effective July 1, 2008, Howard adopted Financial Accounting Standards Board Staff Position – Endowments of Not-for-profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds. Howard is subject to the District of Columbia Uniform Prudent Management of Institutional Funds Act of 2008 (DC UPMIFA).

Interpretation of Relevant Law

Net Asset Classification - The Board of Trustees of Howard has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift dates of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Howard classifies as permanently restricted net assets:

1. The original value of gifts with permanent donor-directed use restrictions.
2. The value of accumulations in accordance with the applicable donor gift instrument at the time the accumulation occurs.

Any portion of the donor-restricted gift that is not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending - In accordance with UPMIFA, Howard considers the following factors in making a determination to spend or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Howard and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of Howard
7. The investment policies of Howard

Management and Investment - In accordance with UPMIFA, Howard considers the following factors in making investment, as well as other management decisions regarding donor-restricted endowment funds:

1. General economic conditions
2. The possible effect of inflation and deflation
3. The expected tax consequences, if any
4. The role of an investment/action in context of the entire portfolio
5. The expected total income and appreciation
6. Other University resources
7. The needs to preserve capital and make distributions
8. An asset's special relationship or value to the University's charitable purpose.

As of June 30, 2014, 2013 and 2012 total endowment funds classified as permanently restricted and temporarily restricted net assets were:

Restricted Endowment	June 30, 2014	June 30, 2013	June 30, 2012
Permanently Restricted Net Assets			
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA:	\$ 80,975	\$ 78,771	\$ 75,326
Temporarily Restricted Net Assets			
Time restricted funds	145,272	129,425	118,338
The portion of perpetual endowment funds subject to a time restriction under DC UPMIFA:			
Without purpose restrictions	4,707	3,921	3,077
With purpose restrictions	64,463	54,471	45,627
Total endowment funds classified as temporarily restricted net assets	\$ 214,442	\$ 187,817	\$ 167,042

The change in value and the composition of amounts classified as endowment as of June 30, 2014 is as follows:

Endowment Change in Value For period ended June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 250,937	\$ 187,817	\$ 78,771	\$ 517,525
Investment return:				
Investment income	5,934	7,046	163	13,143
Net appreciation (realized and unrealized)	35,959	35,617	525	72,101
Total investment return	\$ 41,893	\$ 42,663	\$ 688	\$ 85,244
Contributions	330	3,475	1,199	5,004
Appropriation of endowment assets for operations	(3,131)	(9,797)	(168)	(13,096)
Other changes:				
Match release	9,820	(9,820)	-	-
Transfer and other changes	41	104	485	630
Endowment net assets, end of year	\$ 299,890	\$ 214,442	\$ 80,975	\$ 595,307
Donor-restricted endowment funds	(2,666)	214,442	80,975	292,751
Board-designated endowment funds	302,556	-	-	302,556
Endowment net assets, end of year	\$ 299,890	\$ 214,442	\$ 80,975	\$ 595,307

The change in value and the composition of amounts classified as endowment as of June 30, 2013 is as follows:

Endowment Change in Value For period ended June 30, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 221,937	\$ 167,042	\$ 75,326	\$ 464,305
Investment return:				
Investment income	5,158	6,047	207	11,412
Net appreciation (realized and unrealized)	22,478	24,522	169	47,169
Total investment return	\$ 27,636	\$ 30,569	\$ 376	\$ 58,581
Contributions	376	3,513	1,068	4,957
Appropriation of endowment assets for operations	(7,350)	(5,073)	(89)	(12,512)
Other changes:				
Match release	8,300	(8,300)	-	-
Transfer and other changes	38	66	2,090	2,194
Endowment net assets, end of year	\$ 250,937	\$ 187,817	\$ 78,771	\$ 517,525
Donor-restricted endowment funds	(5,182)	187,817	78,771	261,406
Board-designated endowment funds	256,119	-	-	256,119
Endowment net assets, end of year	\$ 250,937	\$ 187,817	\$ 78,771	\$ 517,525

The change in value and the composition of amounts classified as endowment as of June 30, 2012 is as follows:

Endowment Change in Value For period ended June 30, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 223,310	\$ 178,855	\$ 74,530	\$ 476,695
Investment return:				
Investment income	4,067	3,508	167	7,742
Net appreciation (realized and unrealized)	(4,691)	(7,477)	(721)	(12,889)
Total investment return	\$ (624)	\$ (3,969)	\$ (554)	\$ (5,147)
Contributions	350	3,628	1,316	5,294
Appropriation of endowment assets for operations	(7,072)	(5,599)	(108)	(12,779)
Other changes:				
Match release	5,933	(5,933))	-
Transfer and other changes	40	60		242
Endowment net assets, end of year	\$ 221,937	\$ 167,042	\$ 75,326	\$ 464,305
Donor-restricted endowment funds	(3,915)	167,042	75,326	238,453
Board-designated endowment funds	225,852	-	-	225,852
Endowment net assets, end of year	\$ 221,937	\$ 167,042	\$ 75,326	\$ 464,305

Howard's endowment net assets include receivables related to the federal term endowment, which have not been received and therefore not included as part of endowment investments. For fiscal years ended June 30, 2014, 2013 and 2012 receivables of \$3,405, \$3,452 and \$3,623, respectively were recorded, and represent the difference between endowment investments reflected on consolidated statements of financial position and endowment net assets reported above.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or the Trustees require Howard to retain as a fund of perpetual duration. Deficiencies of this nature, so called "underwater accounts", are reported in unrestricted net assets and totaled \$2,666, \$5,182 and \$3,915 as of June 30, 2014, 2013 and 2012, respectively. Howard has adopted a policy allowing spending in certain situations from underwater, donor-restricted endowment funds, absent overriding provisions in donor agreements. Howard's investment and spending policy is intended to conform with the UPMIFA which allows spending in underwater endowments, in support of an endowment's purpose.

Return Objectives and Risk Parameters - Howard has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to minimize the risk associated with obtaining such income streams. Endowment assets include those that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated endowment funds. Under these

policies the endowment assets are invested through a well-diversified investment program designed to exceed the risk-adjusted performance of the market benchmark representative of each asset class over rolling five to seven year periods. Howard's objective, over time, is to obtain an average total real rate of return (inflation adjusted) that exceeds its targeted distribution amount over rolling five to seven year periods. Howard's investment strategy aims for a low to moderate level of investment risk. Actual returns in any given year may significantly vary from this objective.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, Howard relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and yield (interest and dividends). Howard targets a diversified asset allocation which places greater emphasis on global public equity-based investments complimented by private markets, real estate and fixed income strategies to achieve its long-term return objectives within prudent risk constraints. The endowment's long-term target asset allocation is approved by the Investment Committee of the Board of Trustees.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Howard's spending policy allows for distribution each year of up to 5 percent of its endowment fund's market value, excluding Federal term and Islamic Funds, based upon a three-year moving average with the most recent year removed. In establishing this policy, Howard considered the long-term expected return on its endowment consistent with its general goal of facilitating the ability of endowments (specifically permanent and time specific endowments) to best fulfill the purposes for which they were designed.

Note 15	Estimated Third-Party Settlements
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Certain services rendered by the Hospital are reimbursed by third-party payors at cost, based upon cost reports filed after year-end. Contractual allowances are recorded based upon preliminary estimates of reimbursable costs.

Net patient service revenue recorded under cost reimbursement agreements for the current and prior years is subject to audit and retroactive adjustments by significant third-party payors for the following years:

Medicare 2009-2014
Medicaid 2012-2014

Final settlements and changes in estimates related to Medicare and Medicaid third-party cost reports for prior years resulted in an (decrease) increase in net patient service revenues of approximately \$(8,879), \$2,756 and \$5,179 for fiscal years ended June 30, 2014, 2013 and 2012, respectively.

Third-party settlement revenue	June 30, 2014	June 30, 2013	June 30, 2012
Medicare appeals Medicare	\$ (9,472)	\$ 2,114	\$ (1,007)
pass-through Disproportionate	10,907	11,895	10,493
Share Hospital Graduate	37,406	34,656	29,513
Medical Education Other	5,338	5,719	4,272
	5,773	175	44
Total third-party settlement revenue	\$ 49,952	\$ 54,559	\$ 43,315

Note 16 **Property, Plant and Equipment**

Property, Plant and Equipment	June 30, 2014	June 30, 2013	June 30, 2012
Land and land improvements	\$ 27,911	\$ 27,911	\$ 27,911
Buildings and building improvements	862,238	834,969	816,208
Property held for expansion	56,929	57,013	57,013
Furniture and equipment	292,751	285,777	275,348
Library books	91,036	90,758	90,093
Equipment under capital leases	81,475	74,557	62,898
Software	112,941	107,464	97,429
Software in progress	5,833	3,228	3,635
Construction in progress	50,849	31,973	27,399
Property, plant and equipment, gross	1,581,963	1,513,650	1,457,934
Accumulated depreciation and amortization	(956,361)	(900,569)	(849,493)
Property, plant and equipment, net	\$ 625,602	\$ 613,081	\$ 608,441

For fiscal year ended June 30, 2014, there were \$70,211 in additions and non gain or loss increase (decrease) and \$1,898 in sales, disposals and retirements.

Depreciation expenses for the fiscal years ended June 30, 2014, 2013 and 2012 were \$55,900, \$52,625 and \$50,453, respectively. For fiscal years ended June 30, 2014, 2013 and 2012, respectively, net interest costs of \$592, \$905 and \$1,069, were incurred during construction and capitalized as part of the cost of capital projects.

Note 17 Leases

Lease Obligations

Howard is obligated under capital leases for office and medical equipment that extend through 2017 and the chiller plant that extends through 2031 (see below) in the amounts of \$44,125, \$47,355 and \$43,431, respectively at June 30, 2014, 2013 and 2012. The assets are amortized over their estimated useful lives. Accumulated amortization related to the leased assets is \$46,764, \$36,845 and \$27,641, respectively.

At June 30, 2014, Howard has remaining capacity to draw an additional \$18,815 under an existing lease financing arrangement primarily to finance medical and information technology equipment. The lease periods commence in future months and continue for a period of five years after the start date.

Howard has several non-cancelable operating leases for office space and equipment that expire by 2019. Rental payments are recognized on a straight-line basis and reflected in the statements of activities within professional and administrative services expense. Rent expense related to building space and equipment for fiscal years ended June 30, 2014, 2013 and 2012 was \$5,590, \$5,832 and \$7,702, respectively.

At June 20, 2014, the minimum lease payments under capital leases and non-cancelable operating leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follow:

Lease Obligations	Capital Leases	Operating Leases
2015	\$ 13,483	\$ 1,626
2016	10,106	742
2017	6,500	472
2018	4,099	432
2019	2,902	328
2020 and thereafter	26,858	-
Obligation, gross	63,948	3,600
Amounts representing interest rates from 2% to 10%	(19,823)	-
Total Lease Obligations, net	\$ 44,125	\$ 3,600

Lease Income

Howard leases property to several area businesses, non-profit organizations and individuals under non-cancelable operating leases. Howard receives monthly income under these lease agreements, which have termination dates through 2019 and thereafter. Total lease income received for fiscal years ended June 30, 2014, 2013 and 2012 was \$1,505, \$1,384 and \$1,175, respectively.

The future minimum lease income for years ending at June 30 is as follows:

Future minimum lease income	June 30
2015	\$ 797
2016	689
2017	625
2018	535
2019	417
2020 and thereafter	1,492
Total minimum lease income receipts	\$ 4,555

Note 18 Bonds and Notes Payable

(a) Bonds Payable

Howard is obligated with respect to the following bond issues at June 30:

Bonds Payable	June 30, 2014	June 30, 2013	June 30, 2012
<i>District of Columbia issues:</i>			
2010 Revenue bonds, 5.05% Serial due 2010 through 2025	\$ 8,650	\$ 9,159	\$ 9,674
2011A Revenue bonds 5.00% to 6.50% Serial due 2020 through 2041	225,250	225,250	225,250
2011B Revenue bonds 4.31% to 7.63% Serial due 2015 through 2035	65,065	65,065	65,065
Total bonds payable, gross	\$ 298,965	\$ 299,474	\$ 299,989
Unamortized bond premium (discount)	(5,771)	(5,978)	(6,204)
Total bonds payable, net	\$ 293,194	\$ 293,496	\$ 293,785

(1) 2010 Revenue Bonds

In August 2010, Howard issued \$10,400 of Series 2010 bonds. The bonds bear interest at 5.05% repayable from 2010 to 2025. The proceeds were used to retire an expiring equipment note and to fund energy related projects.

(2) 2011 Revenue Bonds

In April 2011, Howard issued \$225,250 of tax exempt revenue bonds (Series 2011A) and \$65,065 of taxable revenue bonds (Series 2011B) to refund the Series 1998 and Series 2006 bonds and to finance new capital improvements. The interest rate on the tax exempt bonds range from 5.25% to 6.50% and the bonds are repayable from 2020 to 2041. The taxable bonds bear interest between 4.31% and 7.63% and are repayable from 2015 to 2035. The average coupon is 6.57%. The 2011 bonds

require Howard to maintain a debt service fund of \$12,634. At fiscal year ended June 30, 2014 the fund balance was \$12,880.

The Series 2011A Bonds maturing on or after October 1, 2021 are subject to optional redemption by the District of Columbia, at the written direction of Howard, in its sole discretion, on or after April 1, 2021 in whole or in part at any time, at a redemption price equal to the principal amount of the Series 2011A Bonds being redeemed, plus accrued interest, if any, to the redemption date.

The Series 2011B Bonds are subject to optional redemption prior to maturity in whole or in part on any Business Day at the Make-Whole Redemption Price at the direction of Howard. 2011 Bond proceeds of \$19,782 have been used to create a deposit for capitalized interest. The remaining balance of this fund is \$0 at June 30, 2014.

Moody's Investors Service downgraded Howard's Series 2011A and 2011B bonds to Baa1 from A3, concluding the review initiated July 8, 2013. Standard & Poor's Ratings Services downgraded Howard's Series 2011A and 2011B bonds to BBB+ from A- with a stable outlook, concluding the review on March 5, 2014. The downgrade is largely driven by pressure on all of the University's major revenue sources. Howard has put into motion a strategy to boost operational efficiency and make long-term structural changes to Howard and the Hospital.

(3) Fair Value of Bonds

The estimated fair value of Howard's bonds is determined based on quoted market prices. At June 30, 2014, 2013 and 2012, the estimated fair value was approximately \$330,896, \$330,776 and \$344,872, respectively. Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of judgment. Howard is not required to settle its debt obligations at fair value and settlement is not possible in most cases because of the terms under which the debt was issued and legal limitations on refunding tax-exempt debt.

(b) Notes Payable

Howard is obligated with respect to the following notes payable at June 30:

Notes Payable	June 30, 2014	June 30, 2013	June 30, 2012
Bank of America Commercial Loan			
Due monthly, July 2007 through June 30, 2013 fixed interest rate of LIBOR plus 0.75%	\$ -	\$ -	\$ 780
Bank of America Property Loan			
Due monthly, through June 1, 2017 variable interest rate of LIBOR plus 3.50%	5,447	6,499	7,647
Multi-bank Agreement			
Due June 24, 2015, variable interest rate at daily LIBOR plus 2.5%	65,000	40,000	30,142
Total Notes Payable	\$ 70,447	\$ 46,499	\$ 38,569

In June 2014, Howard replaced its \$135,000 Multi-bank Credit Agreement with a \$100,000 Multi-bank Credit Agreement that extends through June, 2015. Outstanding borrowings under these agreements at June 30, 2014, 2013 and 2012 were \$65,000, \$40,000 and \$30,142, respectively.

In February 2014, Howard amended its financing agreement for the Bank of America Property Loan for the unpaid principal balance of \$5,447, extending the final maturity date from May 31, 2014 to June 1, 2017.

On July 21, 2011, Howard entered into an interest rate cap with SunTrust Bank to protect against one-month Libor rising above 2% over the next three years on a notional value of \$20,000.

(c) Compliance with Contractual Covenants

In May 2011, Howard's debt covenants were amended in conjunction with the 2011 Bond issuance and Multi-bank Credit Agreement execution. In June 2014, the debt covenants were amended for the Multi-bank Credit Agreement.

The 2011 Bond and Credit Agreement contain restrictive financial covenants as summarized in the table below as of June 30, 2014.

Covenant	Instrument	Measurement Dates	Criteria
Debt Service Coverage Ratio	2011 Revenue Bonds	June 30 each year	1.10:1.00
Debt Service Coverage Ratio	Multi-bank Credit Agreement	June 30 each year	1.25:1.00
Liquidity Ratio	Multi-bank Credit Agreement	June 30 and December 31	0.25:1.00

At June 30, 2014 Howard was in compliance with the Liquidity Ratio for the 2011 Revenue Bonds and the Multi-bank Credit Agreement, but was not in compliance with Debt Service Coverage Ratio for the Multi-bank Credit Agreement. The University, as required by the terms of the Multi-bank Credit Agreement, has granted lenders a security interest in collateral in the form of cash and securities and delivered to their collateral agent. The carrying value of the pledged securities is \$128,952 and is reported in endowment investments. The University will pledge additional collateral when the collateral value is less than the minimum collateral amount. The collateral agent is not allowed to re-pledge or sell the collateral securities.

At June 30, 2013 and 2012 Howard was in compliance with the Liquidity Ratio and the Debt Service Coverage Ratio for the 2011 Revenue Bonds and the Multi-bank Credit Agreement.

(d) *Scheduled Bond and Note Repayments*

The scheduled principal repayments of bonds and notes payable, including sinking fund requirements, are as follows:

Aggregate Annual Maturities	June 30, 2014	June 30, 2013	June 30, 2012
2013	NA	NA	\$ 2,444
2014	NA	\$ 47,041	37,182
2015	\$ 67,319	569	569
2016	3,813	1,998	1,998
2017	4,426	2,544	2,544
2018	2,771	2,771	2,771
2019	3,480	3,480	3,480
2020 and thereafter	287,603	287,570	287,570
Subtotal	369,412	345,973	338,558
Bond premiums/(discounts)	(5,771)	(5,978)	(6,204)
Total	\$ 363,641	\$ 339,995	\$ 332,354

(e) *Interest Rate Swaps*

In April 1998, Howard entered into an interest rate swap agreement, a derivative instrument, with Bank of America, N.A., whereby Howard agreed to pay Bank of America a 6.7% fixed rate of interest on \$17,233 in exchange for the receipt of a floating interest payment based on the 30-day London Interbank Offered Rate (LIBOR) plus 75 basis points. (LIBOR at June 30, 2013 was 0.19%). This agreement ended June 30, 2013.

The gains and losses recognized under the interest rate swap agreements for fiscal years ended June 30, 2014, 2013 and 2012 were as follows:

Interest Rate Swaps	June 30, 2014	June 30, 2013	June 30, 2012
Cumulative (loss) at beginning of year	\$ -	\$ (21)	\$ (104)
Gain during the year	-	21	83
Cumulative (loss) at end of year	\$ -	\$ -	\$ (21)

Note 19 Retirement Plans

Pension Plan - Howard has a noncontributory defined benefit pension plan (the Plan) available to substantially all full-time employees. In accordance with government funding regulations, Howard's policy is to make annual contributions to the Plan at least equal to the minimum contribution. Based upon years of service and other factors, the Plan's benefit formula provides that eligible retirees receive a percentage of their final annual pay, based upon years of service and other factors. Plan assets consist primarily of common equity securities, U.S. Treasury securities, corporate bonds, and private investment funds. Effective July 1, 2010, the Plan no longer accrues benefits.

Post-retirement Plan - Howard provides post-retirement medical benefits and life insurance to employees who, at the time they retire, meet specified eligibility and service requirements. Howard pays a portion of the cost of such benefits depending on various factors, including employment start date, age, years of service and either the date of actual retirement or the retirement eligibility date of the participant. The post-retirement benefit plan is unfunded and has no plan assets.

Effective April 1, 2013 Howard eliminated the subsidy for post-65 medical and dental coverage for Class II and Class IV participants. This plan change is considered a significant event, and triggered a plan amendment as of the re-measurement date. The action resulted in (1) revised expense for the final quarter of the fiscal year ended June 30, 2013, which included amortization of the new prior service credit generated from the negative plan amendment and (2) reduction to the Accumulated Pension Benefit Obligation of \$113,000.

Supplemental Retirement Plan - Howard also has a supplemental retirement plan available to certain retired executives. The plan is noncontributory, unfunded and has a June 30 measurement date. The projected benefit obligation is \$1,710, \$1,737 and \$1,814 at June 30, 2014, 2013 and 2012, respectively. The amounts not yet reflected in operating expenses, but included in unrestricted net assets pertain to accumulated losses of \$943, \$882 and \$862 at June 30, 2014, 2013 and 2012, respectively. The actuarial cost method and the assumption on discount rate used to determine the benefit obligation and net periodic cost in the actuarial valuation for the year ended June 30, 2014 are consistent with the method and assumptions used for the defined benefit pension plan.

Savings Plan – Howard supplements its pension plan by offering employees a defined contribution plan under Section 403(b) of the Internal Revenue Code. Eligible employees received a contribution of 6% of base salary and are also permitted to contribute up to 15% of their base pay to the plan. The administration of the plan is provided by three financial administrators: Teachers Insurance and Annuity Association/College Retirement Equities Fund, American International Group – Variable Annuity Life Insurance Company, and Lincoln Financial. Effective July 1, 2011 Lincoln Financial has been replaced as a financial administrator by Voya Financial (formally ING Financial Advisors). These administered plans provide additional retirement benefits including the purchase of annuity contracts for eligible employees. Total costs recognized in the consolidated statements of activities were \$22,989, \$16,180 and \$23,528 for fiscal years ended June 30, 2014, 2013 and 2012, respectively. The fair value of plan assets for the savings plan for fiscal years ended June 30, 2014, 2013 and 2012 were \$921,876, \$859,653 and \$810,202, respectively. These investments are held by Howard on behalf of its employees and excluded from the consolidated statements of financial position.

Effective July 1, 2010, the Savings Plan was modified such that Howard will automatically, upon hire, contribute 6% of any eligible employee's base pay, regardless of tenure or election into the Savings Plan. Howard will contribute a matching contribution of up to 2% of employee elected self contributions.

Effective March 1, 2013 employer base (6%) and matching (2%) contributions were suspended. Employees were still able to contribute to the Savings Plan. This suspension was ended effective July 1, 2013.

The Howard University
Notes to the Consolidated Financial Statements
For Fiscal Years Ended June 30, 2014, 2013 and 2012 (amounts in thousands)

Howard recognizes a plan's overfunded or underfunded status as an asset or liability, with an offsetting adjustment to unrestricted net assets. The reconciliation of the Plan's funded status to amounts recognized in the consolidated financial statements at June 30, 2014, 2013 and 2012 are as follows:

Re tirement Benefits	Pe nsion			M edical and Life Insurance			Savings Plan and Supplemental		
	FY2014	FY2013	FY2012	FY2014	FY2013	FY2012	FY2014	FY2013	FY2012
Change in be nefit obligation									
Projected benefit obligation at beginning of year	\$ 616,455	\$ 629,163	\$ 537,993	\$ 67,852	\$ 189,430	\$ 185,017	\$ 1,737	\$ 1,814	\$ 2,235
Service Cost	-	-	-	459	658	473	-	-	-
Interest Cost	28,760	26,180	29,980	3,198	6,631	10,163	78	72	117
Actuarial (gain)/loss	43,938	(7,185)	88,935	4,678	(8,894)	3,408	139	95	(231)
Benefits paid	(32,619)	(31,703)	(27,745)	(10,270)	(13,656)	(14,978)	(244)	(244)	(307)
Special termination benefits	-	-	-	-	-	-	-	-	-
Medicare Part D subsidy	-	-	-	828	813	420	-	-	-
Employee contributions	-	-	-	4,557	5,825	4,927	-	-	-
Prior service amendment	-	-	-	-	-	-	-	-	-
Plan amendments	2,700	-	-	-	(112,955)	-	-	-	-
Projecte d be nefit obligation at end of period	\$ 659,234	\$ 616,455	\$ 629,163	\$ 71,302	\$ 67,852	\$ 189,430	\$ 1,710	\$ 1,737	\$ 1,814
Change in plan assets:									
Fair value of plan assets at beginning of year	489,000	460,955	463,433	-	-	-	-	-	-
Actual return on plan assets	85,230	42,383	(2,733)	-	-	-	-	-	-
Employer contributions	10,994	17,365	28,000	4,885	7,018	9,631	22,722	16,424	23,834
Employee contributions	-	-	-	4,557	5,825	4,927	-	-	-
Medicare Part D subsidy	-	-	-	828	813	420	-	-	-
Benefits paid	(32,619)	(31,703)	(27,745)	(10,270)	(13,656)	(14,978)	(244)	(244)	(307)
Fair value of plan assets at end of pe riod	\$ 552,605	\$ 489,000	\$ 460,955	\$ -	\$ -	\$ -	NA	NA	NA
Total	\$ (106,629)	\$ (127,455)	\$ (168,208)	\$ (71,302)	\$ (67,852)	\$ (189,430)	NA	NA	NA

NA = Not Applicable

Components of net periodic benefit cost and other amounts recognized in unrestricted net assets at June 30, 2014, 2013 and 2012:

Retirement Benefits	Pension			Medical and Life Insurance			Savings Plan and Supplemental		
	FY2014	FY2013	FY2012	FY2014	FY2013	FY2012	FY2014	FY2013	FY2012
Recognized in Statement of Activities									
Amortization of transition obligation	\$ -	\$ -	\$ -	\$ -	\$ 2,841	\$ 3,774	\$ -	\$ -	\$ -
Amortization of prior service cost	-	-	-	-	(1,634)	2,137	-	-	-
Amortization of net actuarial loss	7,972	8,058	3,892	621	498	228	79	75	100
Total amortization	\$ 7,972	\$ 8,058	\$ 3,892	\$ 621	\$ 1,705	\$ 6,139	\$ 79	\$ 75	\$ 100
Service Cost	-	-	-	459	658	473	22,478	16,180	23,528
Interest Cost	28,760	26,180	29,980	3,198	6,631	10,163	78	73	117
Curtailment recognition of prior service credit	-	-	-	(12,785)	-	-	-	-	-
Expected return on plan assets	(27,287)	(29,937)	(31,479)	-	-	-	-	-	-
Recognized in operating expenses	\$ 9,445	\$ 4,301	\$ 2,393	\$ (8,507)	\$ 8,994	\$ 16,775	\$ 22,635	\$ 16,328	\$ 23,745
Amortization of transition obligation	-	-	-	-	(2,841)	(3,774)	-	-	-
Amortization of prior service cost	-	-	-	-	1,634	(2,137)	-	-	-
Amortization of net actuarial loss	(7,972)	(8,058)	(3,892)	(621)	(498)	(228)	(79)	(75)	(100)
Total amortization	\$ (7,972)	\$ (8,058)	\$ (3,892)	\$ (621)	\$ (1,705)	\$ (6,139)	\$ (79)	\$ (75)	\$ (100)
Net actuarial (gain) loss during the year	(14,011)	(19,631)	123,166	2,839	(6,441)	3,408	139	95	(231)
New prior service cost arising during period	2,700	-	-	12,785	(112,955)	-	-	-	-
Total recognized in other changes in unrestricted net assets	\$ (19,283)	\$ (27,689)	\$ 119,274	\$ 15,003	\$ (121,101)	\$ (2,731)	\$ 60	\$ 20	\$ (331)
Total recognized in Statements of Activities	\$ (9,838)	\$ (23,388)	\$ 121,667	\$ 6,496	\$ (112,107)	\$ 14,044	\$ 22,695	\$ 16,348	\$ 23,414

Amounts included in unrestricted net assets at June 30, 2014, 2013 and 2012:

Retirement Benefits	Pension			Medical and Life Insurance		
	FY2014	FY2013	FY2012	FY2014	FY2013	FY2012
Net actuarial loss	\$ (233,088)	\$ (249,900)	\$ (277,589)	\$ (13,675)	\$ (12,818)	\$ (19,757)
Prior service cost	(2,700)	-	-	57,927	70,712	(39,663)
Transition obligation	-	-	-	-	-	(3,787)
Total	\$ (235,788)	\$ (249,900)	\$ (277,589)	\$ 44,252	\$ 57,894	\$ (63,207)

The estimated net actuarial gain, prior service cost, and transition obligation for the pension and post-retirement plans that were accounted for as a part of net periodic benefit cost over the current fiscal year are \$9,302, \$(12,785) and \$0, respectively. Contributions of \$10,994, \$17,365 and \$28,000 were made in fiscal years 2014, 2013 and 2012, respectively.

The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for fiscal years ended June 30, 2014, 2013 and 2012 were as follows:

Actuarial Assumptions	Pension Benefits			Post-retirement Benefits		
	FY2014	FY2013	FY2012	FY2014	FY2013	FY2012
Discount rate	4.25%	4.82%	4.29%	4.29%	4.89%	4.25%
Expected return on plan assets	7.00%	7.00%	7.50%	0.00%	0.00%	0.00%
Rate of compensation increase	-	-	-	3.50%	3.50%	3.50%

The weighted average assumptions used to determine net periodic cost in the actuarial valuations for fiscal years ended June 30, 2014, 2013 and 2012 were as follows:

Actuarial Assumptions	Pension Benefits			Post-retirement Benefits		
	FY2014	FY2013	FY2012	FY2014	FY2013	FY2012
Discount rate	4.82%	4.29%	5.76%	4.89%	4.25%	5.69%
Expected return on plan assets	7.00%	7.00%	7.50%	0.00%	0.00%	0.00%
Rate of compensation increase						
To age 35	-	-	-	3.50%	3.50%	3.50%
Thereafter	-	-	-	3.50%	3.50%	3.50%

The overall long-term rate of return for the pension plan assets was developed by estimating the expected long-term real return for each asset class within the portfolio. An average weighted real rate of return was computed for the portfolio which reflects the Plan's targeted asset allocation. Consideration was given to the correlation between asset classes and the anticipated real rate of return and was added to the anticipated long-term rate of inflation.

Pension plan investments as of June 30, 2014 were as follows:

Pension Plan Investments as of June 30, 2014	Level 1	Level 2	Level 3	Total
Pension Plan Investments				
Assets:				
Money Market Instrument (1)	\$ -	\$ 27,336	\$ -	\$ 27,336
Commingled Funds				
Emerging market equity (3)	-	5,382	-	5,382
International Equity Developed (3)	-	85,821	-	85,821
US Common Stock (3)	-	21,407	-	21,407
Commodity Inflation Hedging (8)	-	17,545	-	17,545
Common Stock (3)	40,216	-	-	40,216
Fixed Income (2)				
Asset backed	-	6,961	-	6,961
Corporate Bonds	-	2,276	-	2,276
Government Bond	65,391	-	-	65,391
Hedge Funds (4)				
Distressed Debt	-	3,002	-	3,002
Equity Long/short	-	5,271	-	5,271
Event driven	-	2,958	3,043	6,001
Multi Global opportunities	-	4,079	-	4,079
Multi strategy	-	7,342	2,578	9,920
Mutual Funds Investment				
Domestic common stock (3)	46,018	-	-	46,018
Emerging market equity (3)	7,198	-	-	7,198
Domestic Fixed Income (2)	102,539	-	-	102,539
Private Equity and Venture Capital (4)	-	-	90,901	90,901
Real Estate (4)	-	-	13,171	13,171
Total assets	\$ 261,362	\$ 189,380	\$ 109,693	\$ 560,435
Liabilities:				
Financial Derivatives – Option Contracts	-	(7)	-	(7)
Total liabilities	\$ -	\$ (7)	\$ -	\$ (7)
Total pension plan investments	\$ 261,362	\$ 189,373	\$ 109,693	\$ 560,428
Assets not subject to fair value reporting	4,557	-	-	4,557
Liabilities not subject to fair value	(12,380)	-	-	(12,380)
Total plan assets	\$ 253,539	\$ 189,373	\$ 109,693	\$ 552,605

Refer to Note 12 – Fair Value Measurements for explanation of financial instrument classifications.

Pension plan investments as of June 30, 2013 were as follows:

Pension Plan Investments as of June 30, 2013	Level 1	Level 2	Level 3	Total
Pension Plan Investments				
Assets:				
Money Market Instrument (1)	\$ -	\$ 5,486	\$ -	\$ 5,486
Commingled Funds				
Emerging market equity (3) US	-	48,256	-	48,256
Common Stock (3) Commodity	-	26,683	-	26,683
Inflation Hedging (8)	-	16,015	-	16,015
Common Stock (3)	46,606	-	-	46,606
Fixed Income (2)				
Asset backed	-	6,281	-	6,281
Corporate Bonds	-	2,131	-	2,131
Government Bond	46,547	-	-	46,547
Hedge Funds (4)				
Distressed Debt	-	2,793	-	2,793
Equity Long/short	-	4,866	-	4,866
Event driven	-	2,561	2,849	5,410
Multi Global opportunities	-	3,752	-	3,752
Mutual Funds Investment				
Domestic common stock (3)	34,388	-	-	34,388
Emerging market equity (3)	22,242	-	-	22,242
International equity (3)	27,856	-	-	27,856
Domestic Fixed Income (2)	60,998	-	-	60,998
Real Estate (4)	-	-	8,743	8,743
Total assets	\$ 238,637	\$ 143,884	\$ 107,411	\$ 489,932
Liabilities:				
Financial Derivatives – Option Contracts	-	(239)	-	(239)
Total liabilities	\$ -	\$ (239)	\$ -	\$ (239)
Total pension plan investments	\$ 238,637	\$ 143,645	\$ 107,411	\$ 489,693
Assets not subject to fair value reporting	3,197	-	-	3,197
Liabilities not subject to fair value	(3,890)	-	-	(3,890)
Total plan assets	\$ 237,944	\$ 143,645	\$ 107,411	\$ 489,000

Pension plan investments as of June 30, 2012 were as follows:

Pension Plan Investments as of June 30, 2012	Level 1	Level 2	Level 3	Total
Pension Plan Investments				
Money Market Instrument (1)	\$ 821	\$ 13,151	\$ -	\$ 13,972
Commingled Funds				
Emerging market equity (3) US	-	37,839	-	37,839
Common Stock (3) Commodity	-	22,785	-	22,785
Inflation Hedging (8)	103,138	-	-	103,138
Common Stock (3)				
Fixed Income (2)	-	3,783	-	3,783
Corporate Bonds	17	1,370	-	1,387
Government Bond	45,128	-	-	45,128
Hedge Funds (4)				
Distressed Debt	-	2,298	-	2,298
Equity Long/short	-	4,488	-	4,488
Event driven	-	1,861	2,629	4,490
Inflation hedge	-	13,741	-	13,741
Multi-Global opportunities	-	3,389	-	3,389
Multi-strategy	-	23,030	1,988	25,018
Mutual Funds Investment				
Domestic common stock (3)	13,508	-	-	13,508
Emerging market equity (3)	10,198	-	-	10,198
Domestic Fixed Income (2)	53,307	-	-	53,307
Private Equity and Venture Capital (4)	-	-	93,070	93,070
Real Estate (4)	-	-	9,000	9,000
Total pension plan investments	\$ 226,117	\$ 127,735	\$ 106,687	\$ 460,539
Assets not subject to fair value reporting	1,593	-	-	1,593
Liabilities not subject to fair value	(1,176)	-	-	(1,176)
Total plan assets	\$ 226,534	\$ 127,735	\$ 106,687	\$ 460,956

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy previously defined, at June 30, 2014.

Changes in Level 3 for the period ended June 30, 2014	Private and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2013	\$ 93,450	\$ 5,218	\$ 8,743	\$ 107,411
Gain and Loss (Realized and Unrealized)	17,422	403	1,736	19,561
Purchases	7,926	-	3,506	11,432
Transfer out and sales	(27,897)	-	(814)	(28,711)
Balance at June 30, 2014	\$ 90,901	\$ 5,621	\$ 13,171	\$ 109,693
Change in unrealized investments held	\$ 4,073	\$ 402	\$ 1,854	\$ 6,329

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy previously defined, at June 30, 2013.

Changes in Level 3 for the period ended June 30, 2013	Equity – Private and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2012	\$ 93,070	\$ 4,617	\$ 9,000	\$ 106,687
Gain and Loss (Realized and Unrealized)	13,753	601	836	15,190
Purchases	8,858	-	-	8,858
Transfer out and sales	(22,231)	-	(1,093)	(23,324)
Balance at June 30, 2013	\$ 93,450	\$ 5,218	\$ 8,743	\$ 107,411
Change in unrealized investments held	\$ 5,003	\$ 601	\$ 934	\$ 6,538

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy previously defined, at June 30, 2012.

Changes in Level 3 for the period ended June 30, 2012	Equity – Private and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2011	\$ 85,327	\$ 4,541	\$ 8,640	\$ 98,508
Gain and Loss (Realized and Unrealized)	5,183	76	701	5,960
Purchases	14,046	-	136	14,182
Transfer out and sales	(11,486)	-	(477)	(11,963)
Balance at June 30, 2012	\$ 93,070	\$ 4,617	\$ 9,000	\$ 106,687
Change in unrealized investments held	\$ 424	\$ 76	\$ 573	\$ 1,073

Pension Plan Investment Commitments – Howard’s investment commitments as of June 30, 2014, 2013 and 2012 are summarized below. Additionally, some of these investments do not have readily ascertainable market values and may be subject to withdrawal restrictions and are less liquid than Howard’s other investments.

Pension Plan Investment Commitments	June 30, 2014	June 30, 2013	June 30, 2012
Private Equity Funds	\$ 144,203	\$ 139,203	\$ 136,703
Real Estate Funds	15,000	15,000	15,000
Total financial commitment	159,203	154,203	151,703
Amounts funded	144,844	133,412	124,554
Unfunded commitment	\$ 14,359	\$ 20,791	\$ 27,149

The asset allocation of the Plan is analyzed annually to determine the need for rebalancing to maintain an allocation that is within the allowable ranges. The investment strategy is to invest in asset classes that are negatively correlated to minimize overall risk in the portfolio. Interim targets outside of the allowable

ranges were set to allow for flexibility in reaching the long-term targets in the private equity and real estate categories.

The actual allocation of the plan for June 30, and the allowable range is as follows:

Pension Plan Asset Allocation	June 30, 2014	June 30, 2013	June 30, 2012	Allowable Range
Mid-Large Cap U.S. Equity	11.50%	13.60%	18.00%	10-20%
Small Cap U.S. Equity	3.90%	4.80%	4.50%	0-10%
International Equity -	15.80%	15.50%	13.10%	10-20%
Developed Private Equity/Venture	15.70%	19.10%	20.00%	5-15%
Capital Hedge Funds	5.20%	9.00%	8.70%	5-10%
Inflation Hedging	9.70%	8.60%	7.90%	10-15%
Emerging Markets Equity	2.30%	4.50%	2.20%	0-10%
U.S. Long Bonds	31.70%	23.70%	22.60%	25-35%
Cash and Cash Equivalents	4.20%	1.20%	3.00%	0-5%
Total	100%	100%	100%	

The trend rate for growth in health care costs, excluding dental, used in the calculation for fiscal year 2014 is 7.58%. This growth rate was assumed to decrease gradually to 4.5% in 2030 and to remain at this level thereafter. The growth rate in the trend rate dental care costs used in the calculations for fiscal year 2014 is 5.7%. The growth rate was assumed to decrease gradually to 4.5% by 2030 and to remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the obligations reported for the health care plans.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid over the next ten years as follows:

Expected Future Benefit Payments	Pension Benefits	Post-retirement Benefits		
		Excluding Subsidy	Subsidy Payments	Net of Subsidy
Year ending June 30:				
2015	\$ 40,859	\$ 4,981	\$ (97)	\$ 4,884
2016	42,023	4,917	(98)	4,819
2017	43,129	4,878	(98)	4,780
2018	43,918	4,800	(97)	4,703
2019	42,386	4,722	(97)	4,625
Years 2020-2024	212,292	17,652	(359)	17,293
Total	\$ 424,607	\$ 41,950	\$ (846)	\$ 41,104

Note 20 Commitments and Contingencies

(a) ***Federal Awards***

Howard receives substantial revenues from government grants, contracts, and Federal student financial assistance programs authorized by Title IV and Title VII of the Higher Education Act of 1965. Previous compliance audits have reported certain deficiencies in the administration of both the University's Title IV and Title VII programs and its federal grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government or its designees.

(b) ***Litigation and Other Claims***

During the ordinary course of business, Howard is a party to various litigation and other claims in the ordinary course of business including claims of malpractice by the Hospital and faculty physicians. It is also subject to potential future claims based on findings or accusations arising from past practices under governmental programs and regulations and tort law. In fiscal years ended June 30, 2014, 2013 and 2012 Howard reserved \$3,664, \$6,690 and \$7,119, respectively, for legal contingencies. In the opinion of management and Howard's general counsel, an appropriate monetary provision has been made to account for probable losses upon ultimate resolution of these matters.

(c) ***Collective Bargaining Agreements***

Howard has several collective bargaining agreements currently in effect with unions representing approximately 1,800 employees. Certain of these agreements are in negotiations and have been extended beyond the stated expiration date.

Note 21 Related Party Transactions

(a) ***Howard University Charter Middle School***

Howard University Board of Trustees founded Howard University Charter Middle School of Mathematics and Science, which operates from premises owned by Howard. The Middle School is a separate legal entity and not a component of Howard. For fiscal years ended June 30, 2014, 2013 and 2012, Howard has contributed to the Middle School as follows:

Related Party Transactions	June 30, 2014	June 30, 2013	June 30, 2012
Cash operating support	\$ 900	\$ 764	\$ 500
Donated computer equipment	-	236	204
Facility leased (market value)	1,009	1,009	1,009
Total	\$ 1,909	\$ 2,009	\$ 1,713

(b) *The Howard Dialysis Center*

Howard and American Renal Associates, LLC (ARA) have a joint venture agreement for the operation of the Howard University Dialysis Center LLC (LLC). The entity was formed on March 1, 2012. Howard and the LLC are parties to a non-compete agreement, and Howard and ARA jointly guarantee the LLC's debt agreements.

On March 1, 2012, the LLC commenced a lease with Howard for the current space, employees and Medical Director associated with its Hospital outpatient dialysis services which will result in monthly rental income for Howard in addition to its proportionate share of earnings (losses) of the LLC.

As of June 30, 2014, 2013 and 2012 the consolidated statements of financial position for the LLC is as follows:

Howard Dialysis Center, LLC			
Statement of Financial Position as of the fiscal			
years ended	June 30, 2014	June 30, 2013	June 30, 2012
Total Assets	\$ 12,069	\$ 11,919	\$ 11,119
Total Liabilities	1,177	2,123	2,066
Equity			
Partner	8,986	8,986	9,000
Retained earning	1,906	810	53
Total Equity	\$ 10,892	\$ 9,796	\$ 9,053
ARA interest	\$ 5,555	\$ 4,996	\$ 4,617
Howard interest	\$ 5,337	\$ 4,800	\$ 4,436

(c) *Provident Group – Howard Properties, LLC*

The University entered into a 40-year ground lease with Provident Group – Howard Properties, LLC and Provident Resources Group, Inc. ("Owner") in which the Owner will design, construct and furnish two Student Dormitory Facilities ("dorms") for the benefit of the University. The Owner issued \$107,965 in revenue bonds through the District of Columbia to finance the construction of the dorms. The University and Owner entered into a management agreement such that the University will be responsible for managing, operating and maintaining the dorms in conjunction with general business. In general, revenues and expenses associated with the dorms are the responsible of the Owner, and the bonds are to be repaid from revenues from the dorms. Ownership of the dorms will revert to Howard upon termination of the Ground Lease and full repayment of the debt. The dorms were completed and placed in service in August 2014.

(d) ***Barnes & Noble College Booksellers, LLC***

Howard engaged Barnes & Noble College Booksellers, LLC to manage and operate its bookstore. The relationship is for the period of April 1, 2014 through March 31, 2019 with an option to renew for an additional five two-year periods, subject to mutual agreement.

Note 22 Subsequent Events

Howard performed an evaluation of subsequent events through December 23, 2014, which is the date the consolidated financial statements were issued, noting no additional events other than those as described below which materially affect the consolidated financial statements as of June 30, 2014.

(a) ***Howard University Hospital***

Howard University signed a Management Service Agreement (MSA) with Paladin Healthcare. Effective October 6, 2014, Paladin Healthcare assumed responsibility for day-to-day operations of the Hospital under the oversight of a joint Howard and Paladin Healthcare Management Committee. Under the MSA, Howard will continue to be the licensed operator of the Hospital.

(b) ***Compliance with Contractual Covenants***

At June 30, 2014, Howard was not in compliance with Debt Service Coverage Ratio for the Multi-Bank Credit Agreement. The non-compliance was cured October 31, 2014. See Note 18 for additional information.

(c) ***2011 Revenue Bonds***

On July 3, 2014, Moody's Investors Service downgraded Howard's Series 2011A and 2011B bonds to Baa3 with a negative outlook from Baa1. The downgrade to Baa3 reflects the precipitous deterioration of the Hospital's operations.

(d) ***Campus Apartments***

In August 2014, Howard entered into a subcontractor agreement with Campus Apartments to perform all management responsibilities relating to the newly constructed Student Dormitory Facilities that were completed and placed into service in August 2014.

**SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS**

The Howard University

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<u>ANNUAL APPROPRIATION</u>			
DEPARTMENT OF EDUCATION			
Annual Appropriation		84.915A	\$ 213,216,250
TOTAL ANNUAL APPROPRIATION			<u>213,216,250</u>
<u>FEDERAL ENDOWMENTS</u>			
DEPARTMENT OF JUSTICE			
Constitutional Law Chair Endowment		16.000	5,362,991
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			<u>5,362,991</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Excellence in Health Professional Education Endowment		93.375	4,960,378
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,960,378</u>
DEPARTMENT OF EDUCATION			
Matching Endowment		84.000	134,158,964
Law School Clinical Endowment		84.998D	10,520,681
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			<u>144,679,645</u>
TOTAL FEDERAL ENDOWMENTS			<u>155,003,014</u>
<u>STUDENT FINANCIAL AID CLUSTER</u>			
DEPARTMENT OF EDUCATION			
Federal Supplemental Educational Opportunity Grants		84.007	897,622
Federal Work Study		84.033	980,613
Federal Perkins Loan (FPL) Federal Capital Contribution		84.038	319,750
Federal Pell Grant Program		84.063	15,025,339
Federal Direct Loans		84.268	176,155,418
Teacher Education Assistance for College and Higher Education Grants (TEACH)		84.379	52,512
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			<u>193,431,254</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Primary Care Loans for Disadvantaged Students		93.342	992,750
Nursing Student Loans		93.364	8,500
Scholarship for Disadvantaged Students		93.925	2,450,784
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3,452,034</u>
TOTAL FOR THE STUDENT FINANCIAL AID CLUSTER			<u>196,883,288</u>
<u>TRIO CLUSTER</u>			
DEPARTMENT OF EDUCATION			
TRIO - Student Support Service		84.042	309,948
Office of Postsecondary Education			
Upward Bound Program		84.047A	403,456
Upward Bound Program		84.047M	100,743
Graduate Assistance in Areas Of National Need		84.200A	188,448
Subtotal for the Office of Postsecondary Education			<u>692,647</u>
TOTAL FOR THE TRIO CLUSTER			<u>1,002,595</u>

The Howard University

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER			
<i>Direct Research and Development Awards</i>			
DEPARTMENT OF COMMERCE			
Polymer Hydrogel Structure of Nanorod Encapsulation Using Small Angeneutron		11.609	\$ 28,344
			28,344
National Oceanic and Atmospheric Administration			
NOAA Center for Atmospheric Sciences at Howard University		11.481	1,003,141
NOAA Center for Atmospheric Sciences at Howard University		11.481	1,173,592
Subtotal for the National Oceanic and Atmospheric Administration			2,176,733
SUBTOTAL FOR THE DEPARTMENT OF COMMERCE			2,205,077
DEPARTMENT OF DEFENSE			
Experimental and Computation Determination of the Ion Density in a Flame		12.000	37,427
Infrared Analysis in Counterfeit Parts Detection and Supply Chain Validation		12.000	479,383
Feasibility Study to Evaluate Candidate Materials of Nano Filled Block Co-Polymers for use in			
Ultra High Density Pulsed Power Capacitors		12.800	123,358
The Summer Program in Research and Learning		12.901	11,430
US Army Medical Command			
A Partnership Training Program: Studying Targeted Drug Delivery Using Nanoparticles in Breast			
Cancer Diagnosis and Therapy		12.420	291,895
Breast Cancer Protein Markers in African Americans		12.420	11,540
Global Epigenetic Changes May Underlie Ethnic Differences and Susceptibility to Prostate			
Cancer		12.420	318,702
Diverting the Pathway to Substance Misuse by Improving Sleep		12.420	82,099
Analysis of Serine Protease Inhibitor Kazal Type 1 (SPINK1) in Prostate Cancer in African			
American Men		12.420	8,642
Subtotal for the US Army Medical Command			712,878
US Army Materiel Command			
Extracting Social Meaning From Linguistic Structures in African Languages		12.431	640,265
Microstructure-Sensitive Fatigue Design of Notched Components		12.431	90,300
Probing of Fast Chemical Dynamics at High Pressures and Temperature Using Pulsed Laser			
Techniques		12.431	4,267
Bayesian Imaging and Advanced Signal Processing for Landmine and IED Detection		12.431	592,432
Dynamic Failure of Aluminum-Based and Polymer Matrix Composites at High Strain Rates		12.431	77,508
Ultrafine Nanostructured Composites for Energy Applications		12.431	4,946
Fast Chemical Dynamics of Energetic Materials at High Pressures and Temperatures Studied by Ultrafast Laser Techniques		12.431	47,937
Acquisition of Spinning Disk Confocal Microscope to Enhance research and Teaching			
Capabilities in the STEM Fields at Howard University		12.630	450,443
Acquisition of Biaxial (Torsion -Tension) Testing System to Advance Research , Education and			
Training at Howard University		12.800	445,466
Subtotal for the US Army Materiel Command			2,353,564
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			3,718,040
DEPARTMENT OF THE INTERIOR			
African Burial Ground		15.904	21,425
Ethnographic Overview and Assessment of the Quaker/Colored Union Benevolent Cemetery Site			
at Rock Creek and Potomac Parkway for Rock Creek Park		15.904	12,884
SUBTOTAL FOR THE DEPARTMENT OF THE INTERIOR			34,309
DEPARTMENT OF TRANSPORTATION			
Identity Management for Interoperable PTC Systems in Bandwidth-Limited Environments		20.321	187,736
SUBTOTAL FOR THE DEPARTMENT OF TRANSPORTATION			187,736
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Howard University Beltsville Center for Climate System Observation		43.AAA	419,287
One Stop Shopping Initiative - NASA Fellowship		43.008	26,000
Lidar Support, Analysis and Collaboration Studies Using Raman Lidar		43.001	11,100
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			456,387

The Howard University

Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
NATIONAL ENDOWMENT FOR THE HUMANITIES			
NEH Challenge Grants		45.130	\$ 26,660
The J. Clay Smith, Jr., Papers Project		45.149	33,919
From Classical Civilization to Ancient Mediterranean Studies		45.162	13,803
SUBTOTAL FOR THE NATIONAL ENDOWMENT FOR THE HUMANITIES			74,382
NATIONAL SCIENCE FOUNDATION			
URM: Howard University Environment Biology Scholars		47.074	175,676
Collaborative Proposal: ARTS: Revisionary Systematics of Fossil and Living Caribbean Favid and Mussid reef corals (Cindaria, Anthozoa, Scleractina)		47.074	1,327
SEP Alignment of Small Molecules for collision Dynamics Studies seeding a new Collaboration between Howard University (US) and Heriot Watt University (UK).		47.079	12,020
Engineering Grants			
Efficient Operation and Control of Power System Networks with Increased DG Penetration		47.041	955
Workshop: Sustainable Energy		47.041	12,571
CAREER: Passive Seismic Protective Systems for Nonstructural System and Components in Multistory Building		47.041	6,460
Collaborative Research: PSERC: Collaborative Proposal for Phase III Industry University Cooperative Research Center Program		47.041	21,333
A Pre-College for Engineering Systems (PCES) Outreach Program		47.041	91,166
Subtotal for the Engineering Grants			132,485
Mathematical and Physical Sciences			
Ramsey Theory: Central Sets and Related Combinatorial Rich Sets		47.049	53,780
REU Site in Physics at Howard University		47.049	64,257
CBMS Conference: Mathematical Foundations of Transpiration Optics		47.049	15,515
Partnership for Reduced Dimensional Materials		47.049	521,280
Collaborative Research Carbon Nano horns: Adsorption Kinetic and Equilibrium Experiments and Simulations		47.049	39,791
Subtotal for the Mathematical and Physical Sciences			694,623
Geosciences			
Understanding Northern Hemisphere (NH) Summer Season Tropospheric Ozone Variability Across the Northern Tropical Atlantic Through Focused Upstream/Downstream Campaigns		47.050	69,576
EAGER: Evolutionary History and Paleoecology of the Last Old World Hyperion Super lineage		47.050	4,581
Subtotal for the Geosciences			74,157
Computer and Information Science and Engineering			
Career: A Complete System for Protein Identification With Computational Approaches		47.070	11,311
CS 10K: The Partnership for Early Engagement in Computer Sciences High School Program		47.070	199,695
SBES Alliance Collaborative Research: Atlantic Coast		47.075	68,916
Subtotal for the Computer and Information Science and Engineering			279,922

The Howard University

Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
Education and Human Resources			
Crest Nanoscale Analytical Sciences Research and Education Center		47.076	\$ 935,006
LSAMP - Washington Baltimore Hampton Roads Alliance		47.076	871,147
Targeted Infusion Project: An Innovative Approach to Improving Undergraduate Student Performance in Computer Science at Howard University.		47.076	11,359
Experimental Centric Based Engineering Curriculum for HBCUs.		47.076	8,573
Increasing the Participation and Advancement of Women in Academic Science and Engineering Careers		47.076	225,733
Global Education Awareness and Research Undergraduate Program		47.076	44,343
Education Research Grant - Understanding the Persistence of African American Male Engineering Students at HBCUs		47.076	61,949
Collaborative Proposal: Pathways of Blacks and Hispanics in Engineering Education		47.076	270,657
Collaborative Research: Developing Course Modules to Teach Service- Oriented programming Through Exemplification and Visualization		47.076	632
Plant Science as STEM Education at HBCU		47.076	44,806
Graduating Engineers in the US: Genius Scholarship Program		47.076	135,000
Graduate Research Fellowship		47.076	2,000
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	13,832
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	12,692
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	10,000
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	7,383
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	12,593
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	12,436
PAC- Involved : Engaging students in PAC (Physics, Astronomy, Cosmology) Learning through Repurposing of Popular Media		47.076	66,699
Enhancing Participation Research Project: Minority Status and Stereotypes: : The Benefits and Consequences as they related to STEM Participation and Success at an HBCU		47.076	3,473
Research Initiation Award- Basic Mechanism of DNA Assembly into Nano- Shells		47.076	2,218
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	9,625
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	14,749
Planning Grant for the Howard University Institute of Psychological Science Excellence in STEM Workforce Development and Education of Women and Girls		47.076	55,941
Enhancement of the Undergraduate Physics Program in the Department of Physics and Astronomy at Howard University		47.076	44,277
Broadening STEM Participation of African American Males		47.076	118,525
Building Connections and Learning Communities among Educators and Researchers at HBCUs		47.076	403,790
Mentoring by Example		47.076	2,890
ACE Implementation Grant: STEM Global Undergraduate Research Initiative		47.076	306,977
Subtotal for the Education and Human Resources			3,709,305
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			5,079,515
NUCLEAR REGULATORY COMMISSION			
HU Critical Mass Project: Increasing the Number of African Americans Receiving Doctoral Degrees In Nuclear Physics		77.007	58,750
SUBTOTAL FOR THE NUCLEAR REGULATORY COMMISSION			58,750
DEPARTMENT OF ENERGY			
Utilization of Renewable Energy to Meet New National Challenges in Energy and Climate Change		81.087	55,841
Novel Low-Cost Environmentally Friendly Synthetic Approaches Toward Core-Shell Structured Micro-Particles for Fossil Energy Applications		81.089	36,407
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			92,248
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
High Strength Bioresorbable Polyactide/Calcium Phosphate Composites		93.121	84,106
Howard University Substance Abuse and HIV Prevention Outreach Program		93.243	50,561
Ward 1 Drug Free Coalition		93.276	837
Ward 1 Drug Free Coalition		93.276	25,887
National Institutes of Health			
Mental Health Research Grants			
Using Olfactory Epithelial Tissue to Define Molecular Mediators of Lithium Action		93.242	541,139
Behavioral and Psychological Determinants of Behavior		93.242	49,513
Sleep and Processing Traumatic Memory		93.242	149,475
Subtotal for the Mental Health Research Grants			740,127

The Howard University

Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<i>Alcohol Research Programs</i>			
Efficacy of Novel Triple Uptake Inhibitors in Treating Alcoholism and Depression		93.273	\$ 14,452
Mechanism of Alcohol Induced Cardiomyopathy		93.273	159,660
Excessive Alcohol Drinking Associated with GABA Alpha 2-Regulated TLR4 Expression		93.273	51,866
Excessive Alcohol Drinking Associated with GABA Alpha 2-Regulated TLR4 Expression		93.273	42,831
Subtotal for the Alcohol Research Programs			268,809
<i>Drug Abuse and Addiction Research Programs</i>			
The Role of Orexin in the Co-Occurrence of Binge Eating and Drug Addiction		93.279	154,600
Violence, Drug Use & AIDS in South African Youth: A U.S./South Africa Research Collaboration		93.279	187,804
Subtotal for the Drug Abuse and Addiction Research Programs			342,404
<i>National Institute on Minority Health and Health Disparities</i>			
Washington DC-Baltimore Research Center on Child Health Disparities		93.307	1,746,119
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.307	487,309
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.307	382,651
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.307	59,929
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.307	4,468
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.307	88,231
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.307	489,147
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.307	216,089
Violence Exposure, Immune Function and HIV AIDS Risks in African American Young Adults		93.307	147,716
Sleep Adaption to Stress		93.307	103,642
Scientific Conference R13		93.307	1,929
Subtotal for the National Institute on Minority Health and Health Disparities			3,727,230
<i>Trans-NIH Research Support</i>			
Research Training in the Prevention of Drug Abuse and AIDS in Communities of Color		93.279	146,106
Subtotal for the Trans-NIH Research Support			146,106
<i>National Center for Research Resources</i>			
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.389	1,234
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.389	17,737
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.389	44,744
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.389	5,557
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.389	7,400
Subtotal for the National Center for Research Resources			76,672
<i>National Cancer Institute</i>			
Use of Allogenicity to Stimulate Effector Responses Against Multiple Myeloma		93.398	28,702
Subtotal for the National Cancer Institute			28,702
<i>Trans-NIH Recovery Act Research Support</i>			
ARRA - Effects of Standardized Aerobic Exercise - Training on Neurocognitive and Neurodege		93.701	332,389
Subtotal for the Trans-NIH Recovery Act Research Support			332,389
<i>National Heart, Lung, and Blood Institute</i>			
NHLBI Research Center at Howard University		93.837	75,355
Center for Hemoglobin Research in Minorities (CHaRM)		93.837	354,849
Inhibition of HIV-1 in Sickle Cell Disease		93.839	1,217
Subtotal for the National Heart, Lung, and Blood Institute			431,421
<i>Biomedical Research and Research Training</i>			
Molecular Analyses of RECQ1 Functions in Genome Maintenance		93.859	341,812
NsrR regulation of the small noncoding RNA RybB in Escherichia coli		93.859	115,482
HU MARC USTAR Program		93.859	125,008
Regulation of HIV-1 Transcription by CDK2		93.859	19,605
HU MARC USTAR Program		93.859	8,161
Molecular Analyses of RECQ1 Functions in Genome Maintenance		93.859	68,661
Subtotal for the Biomedical Research and Research Training			678,729
Subtotal for National Institutes of Health			6,772,589
<i>Health Resources and Services Administration</i>			
<i>Special Projects of National Significance</i>			
Special Projects of National Significance		93.928	57,867
Subtotal for the Special Projects of National Significance			57,867
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			6,991,847

The Howard University

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY			
The Graduating Engineers in the U.S. (GENIUS) Research Program: Infusing DHS Research into Undergraduate Education at Howard University		97.062	\$ 103,442
SUBTOTAL FOR THE DEPARTMENT OF HOMELAND SECURITY			103,442
<i>Subtotal for the Direct Research and Development Awards</i>			19,001,733
<i>Pass-Through Research and Development Awards</i>			
DEPARTMENT OF AGRICULTURE			
Labor and Macroeconomic Research	AFL169606	10.001	34,443
Community Voices for Health Expansion Project	PO389155	10.574	6,165
SUBTOTAL FOR THE DEPARTMENT OF AGRICULTURE			40,608
DEPARTMENT OF COMMERCE			
Implementation of the GCOS Reference Upper Air Network (University of Maryland at College Park)	Z763705	11.440	60,211
SUBTOTAL FOR THE DEPARTMENT OF COMMERCE			60,211
DEPARTMENT OF DEFENSE			
An Investigation of the Structure-Property Relationship (Massachusetts Institute of Technology)	W911NF-07-D-004-0009	12.000	6,804
Investigation of the Structure-Property Relationship of Functionalized Multi Walled Carbon Nanotube/Epoxy Nano composite (Massachusetts Institute of Technology)	5710003423	12.000	41,692
Emerging Technologies Intelligence Community Center for Academic Excellence (ICCAE)- Virginia Polytechnic Institute and State University	450181-19782	12.598	88,597
Intelligence Community Center of Academic Excellence Initiative - Virginia Tech	450237-19782	12.598	114,022
Tunable Nano scale Thermal And Electrical Transport Via Surface Polaritons	13-S7404-02-C1	12.000	55,661
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			306,776
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Microphysical Observation in Support of the Genesis and Rapid Intensification Processes (University Corporation for Atmospheric Research)	NNX09AW04G	43.000	7,442
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			7,442
NATIONAL SCIENCE FOUNDATION			
Center for Integrated Quantum Materials - Harvard University	123826- 5056261	47.049	46,712
Alliance for Building Faculty Diversity in the Mathematical Sciences	2009-2719-06	47.049	44,610
Center for Integrated Quantum Materials - Harvard University	123826- 5056261	47.049	20,710
Center for Integrated Quantum Materials - Harvard University	123826- 5056261	47.049	311
Center for Integrated Quantum Materials - Harvard University	123826- 5056261	47.049	23,238
The Summer Program in Research and Learning	MAA27500	47.049	8,000
Center for Integrated Quantum Materials - Harvard University	123826- 5056261	47.049	13,556
Materials Research Science and Engineering Center on Polymer (University of Massachusetts)	09-005233D00	47.049	51,405
Collaborative Research Continued Research on the Jurassic Vertebrate Fauna from the Beardmore Glacier Region of Antarctica	50119-1-FDP	47.078	1,380
Women's International Research Collaborations (WIRS) for Minority Serving Institutions (MSIs)	NSF1048519	47.079	4,707
Engineering Grants			
NNIN National Nanotechnology Infrastructure Network (Cornell University)	44771-7480	47.041	683,106
NEESR-CR - Innovative Seismic Retrofits for Resilient Reinforced Concrete Buildings (Georgia Institute of Technology)	CMM1-1041607 R8134G1	47.041	46,228
NEESR-CR: Full-Scale Structural and Nonstructural Building System Performance (University of California San Diego)	10302047	47.041	13,045
NSF Engineering Research Center for Smart Lighting (Rensselaer Polytechnic Institute)	EEC-0812056	47.041	34,319
Mini Wave Flume - Operation and Maintenance at Howard University (Purdue University)	CMM1-0927178	47.041	16,389
Subtotal for the Engineering Grants			793,087

The Howard University

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
Computer and Information Science and Engineering			
Emerging Frontiers of the Science of Information (Purdue University)	0939370-CCF	47.070	\$ 110,709
Subtotal for the Computer and Information Science and Engineering			110,709
Biological Sciences			
Center for the Environmental Implications of Nanotechnology (Duke University)	09-NSF-1051	47.074	136,473
Center for the Environmental Implications of Nanotechnology (Duke University)	14-NSF-1050	47.074	35,806
Center for the Environmental Implications of Nanotechnology (Duke University)	EF-0830093	47.074	47,559
Subtotal for the Biological Sciences			219,838
Social, Behavioral, and Economic Sciences			
Collaborative Research: Stereotype Validation and Intellectual Performance	BCS-1225804	47.075	5,692
Subtotal for the Social, Behavioral, and Economic Sciences			5,692
Education and Human Resources			
IGERT: Educating and the Interface: Nanomaterial Environmental Impacts and Policy (Carnegie Mellon University)	DGE-0966227	47.076	41,326
IGERT: Water, Climate and Health (Johns Hopkins University - Bloomberg School of Public Health)	2001460227	47.076	48,703
Preparing Students for Writing in Civil Engineering Practice Research - based Materials Development and Assessment (Portland State University)	203CON405	47.076	6,950
A National Model for Engineering Mathematics Education	P0029309	47.076	32,326
Dynamics of Behavior Shifts in Human Evolution (George Washington University)	DGE-0801634	47.076	137,290
Subtotal for the Education and Human Resources			266,595
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			1,610,550
DEPARTMENT OF ENERGY			
Consortium Risk Evaluation with Stakeholder Participation III (Vanderbilt University)	19067-S1	81.000	37,723
In-Situ Neutrib Scattering Determination of #D Phase-Morphology Correlations in Fullerene-Block Copolymer Systems (University of Akron)	DE-SC0005364	81.049	26,885
ARRA - A Nation-Wide Consortium of Universities to Revitalize Electric Power Engineering Education by State-of-the-Art Laboratories (University of Minnesota)	DE-OE0000427	81.122	999
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			65,607
DEPARTMENT OF EDUCATION			
Mathematics and Science Partnership	22366B	84.366	117,001
Mathematics and Science Partnership	32366B	84.366B	44,919
DC Area Writing Project- Leadership Development	95-DC01-SEED2012	84.367D	13,671
Pinehurst Elementary School	PO #018401	84.395	5,145
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			180,736
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TLC-Plus: A Study to Evaluate the Feasibility of an Enhanced Test; Link to Care Plus Treatment for HIV Prevention in the United States (Family Health International)	FCO-0080.0119/948	93.000	178,797
National Center for MCH Workforce Development (University of North Carolina)	5-37982	93.110	5,000
Risk Evaluation and Education for Alzheimer's Disease (REVEAL IV) (Boston University)	2R01HG002213-10	93.172	57,801
Adaptation of Effective Depression Screening Tools for HIV Positive and Low-Income African American Urban DC Residents	12XS438	93.242	33,044
New Approaches for Empowering Studies of Asthma in Population of African Descent (Johns Hopkins University)	2001443920	93.838	66,770
New Approaches for Empowering Studies of Asthma in Populations of African Descent (Johns Hopkins University)	2001443920	93.838	59,434
African American Rheumatoid Arthritis Network (AARAN) (University of Alabama at Birmingham)	UAB-HU-2011	93.846	4,201
School Base Health Center - HUH Colts Wellness Center at Coolidge HS (District of Columbia Department of Health)	TCTH3/3109	93.847	476,780
Treatment of Preserved Cardiac Heart Failure With an Aldosterone Antagonist (TOPCAT) (New England Research Institutes)	1783	93.853	17,782

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Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
National Institutes of Health			
<i>Alcohol Research Programs</i>			
Reducing Alcohol-Related HIV Risks in African American Females (Emory University)	5R01AA018095-02	93.273	\$ 42,341
<i>Subtotal for the Alcohol Research Programs</i>			42,341
<i>National Center for Advancing Translational Sciences</i>			
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-075-HU-CER	93.350	65,092
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-082-HU-KL2	93.350	3,393
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-081-HU-EVAL	93.350	7,890
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-076-HU-PCIR	93.350	173,102
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-074-HU-REKS	93.350	21,386
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-073-HU-DBPS	93.350	21,647
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-071-HU-GOV	93.350	66,994
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-0072-HU-BI	93.350	315
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-0078-HU-TTR	93.350	8,492
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-0077-HU-RETC	93.350	15,286
Center for Clinical and Translational Sciences - (Georgetown University)	ADVANCE-BI	93.350	116,665
Center for Clinical and Translational Sciences - (Georgetown University)	ADVANCE-EVAL	93.350	51,510
Center for Clinical and Translational Sciences - (Georgetown University)	ADVANCE-RETC	93.350	55,096
Center for Clinical and Translational Sciences - (Georgetown University)	ADVANCE-REKS	93.350	61,807
Center for Clinical and Translational Sciences - (Georgetown University)	IULIRR031975-01	93.350	1,853
Center for Clinical and Translational Sciences - (Georgetown University)	ADVANCE-DBPS	93.350	56,002
Center for Clinical and Translational Sciences - (Georgetown University)	ADVANCE-KL2	93.350	20,307
Center for Clinical and Translational Sciences - (Georgetown University)	RX4002-051-HU-GOV	93.350	161,779
Center for Clinical and Translational Sciences - (Georgetown University)	IULIRR031975-01	93.350	116,029
Center for Clinical and Translational Sciences - (Georgetown University)	ADVANCE-TTR	93.350	8,435
Center for Clinical and Translational Sciences - (Georgetown University)	ADVANCE-PCIR	93.350	889,604
Center for Clinical and Translational Sciences - (Georgetown University)	RX-4004-042-HU	93.350	14,900
Center for Clinical and Translational Sciences - (Georgetown University)	ADVANCE-CER	93.350	113,256
Center for Clinical and Translational Sciences - (Georgetown University)	IULIRR031975-01	93.350	1,857
Center for Clinical and Translational Sciences - (Georgetown University)	RX-4004-043-HU	93.350	14,850
<i>Subtotal for the National Center for Advancing Translational Sciences</i>			2,067,547
<i>Allergy, Immunology and Transplantation Research</i>			
The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	13-M22R	93.855	126,630
The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	13-M23R	93.855	74,375
Preparation and Characterization of 2nd Generation HIV-1 Maturation Inhibitor Drugs	DFHPSA02	93.855	70
The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	12-M65R	93.855	30,842
The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	14-M11 R	93.855	55,006
The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	11-M56R	93.855	226,777
The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	10-M27	93.855	6,525
Therapeutics Targeting Filoivral Interferon - Anatonagonist and Republication Function.	0255-6771-4609	93.855	7,850
A City-Wide Cohort of HIV Infected Persons in Care in the District of Colombia (George Washington University)	14-M12R	93.855	15,509
<i>Subtotal for the Allergy, Immunology and Transplantation Research</i>			543,584
<i>National Institute of Drug Abuse</i>			
Drug Policy, Incarceration, Community Re-entry and Race Disparities in HIV/ AIDS	31114-01	93.273	11,925
Development of the Based Telencephalic Limic System (children's Research Institute	30000732-13-01	93.279	21,666
HIV, Buprenorphine, and the Criminal Justice System (Yale University)	A08167 (M11A11068)	93.279	175,422
<i>Subtotal for the National Institute of Drug Abuse</i>			209,013
<i>National Institute of Nursing Research</i>			
Longitudinal Pediatric Palliative Care: Quality of Life and Spiritual Struggle.	30000163-13-04	93.279	13,108
<i>Subtotal for the National Institute of Nursing Research</i>			13,108

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Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<i>National Cancer Institute</i>			
A follow-up study for Causes of Cancer in Black Women	4500001254	93.397	\$ 24,703
<i>Subtotal for the National Cancer Institute</i>			24,703
<i>Aging Research</i>			
Cumulative Stress and CVD Risk in Middle -Aged and Older Women	7R01AG038492-03	93.866	930,451
Phase II Study to Evaluate the Impact on Biomarkers of Resveratrol Treatment in Patients with mild to moderate Alzheimer's Disease (University of California, San Diego)	ADC-037	93.866	81,557
<i>Subtotal for the Aging Research</i>			1,012,008
<i>Blood Diseases and Resources Research</i>			
Respect , Trust, and Patient out comes in Sickle Cell Diseases (John Hopkins University)	2001603368	93.839	69,923
Respect , Trust, and Patient out comes in Sickle Cell Diseases (John Hopkins University)	2001603368	93.839	50,624
<i>Subtotal for the Blood Diseases and Resources Research</i>			120,547
<i>National Institute on Minority Health and Health Disparities</i>			
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX 4442-033-HU	93.307	14,922
The Hampton University Regional Transdisciplinary Collaborative Center (Hampton University)	HU-14005	93.307	97
RTRN Small Grants Program Pilot Project	13-14-MB-G007RN0A-HU- ZS	93.307	2,172
Health Disparities Research through International Exchange	1T37MD008639-01	93.307	194,381
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	4442-031-HU	93.307	16,558
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	4442-033-HU	93.307	1,840
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX 4442-030-HU	93.307	1,673
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX 4442-031-HU	93.307	15,146
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX-4442-029-HU	93.307	2,488
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	4442-033-HU	93.307	8,279
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	4442-030-HU	93.307	28,463
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX4442-032-HU	93.307	35,628
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX4442-033-HU	93.307	22,254
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX4442-029-HU	93.307	12,334
<i>Subtotal for the National Institute on Minority Health and Health Disparities</i>			356,235
<i>National Institute of Neurological Disorders & Strokes</i>			
Stroke Disparities Program - Protect DC (Georgetown)	RX426-081-HU-TROUTH	93.UNKNOWN	552
<i>Subtotal for the National Institute of Neurological Disorders & Strokes</i>			552
<i>Institute on Allergy and Infectious Disease</i>			
Synthesis of Novel Betulinic Acid Analogs as Entry and Maturation Inhibitors of HIV-1 (George Washington)	32344-1-IXXS90297N	93.UNKNOWN	2,607
Biodegradable Nanoparticles for the Co-delivery of siRNA and Anti HIV Drugs (George Washington)	M-0019R	93.UNKNOWN	1,619
<i>Subtotal for Institute on Allergy and Infectious Disease</i>			4,226
<i>Subtotal for the National Institutes of Health</i>			4,393,864
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			5,293,473
 DEPARTMENT OF HOMELAND SECURITY			
Center of Excellence for Command , Control and Interoperability	4766	97.061	39,144
SUBTOTAL FOR THE DEPARTMENT OF HOMELAND SECURITY			39,144
 <i>Subtotal for the Pass-Through Research and Development Awards</i>			7,604,547
TOTAL FOR THE RESEARCH AND DEVELOPMENT CLUSTER			26,606,280

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Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<u>AGING CLUSTER</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Ward 6 Senior Wellness Center (District of Columbia Office of Aging)	HOW16BW-14	93.044	\$ 182,882
DC Office On Aging Staff Development & Training For Aging Network 2013	HOW016-13	93.044	12,104
Ward 6 Senior Wellness Center	HOW16W-W6-13 HU-ISW-12	93.044	71,719
TOTAL FOR THE AGING CLUSTER			266,705
<u>CHILD CARE AND DEVELOPMENT FUND</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pre-Kindergarten and Child Care Subsidy program Enhancement and Expansion Services - District of Columbia	ECE-GD-11-0006-R3	93.575	303,945
Pre-Kindergarten and Child Care Subsidy Program Enhancement and Expansion Services	ECE-GD-11-0006-R2	93.575	281,047
TOTAL FOR THE CHILD CARE AND DEVELOPMENT FUND CLUSTER			584,992
<u>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</u>			
DEPARTMENT OF TRANSPORTATION			
Quick Response Research Project (District of Columbia Department of Transportation)	PO 406334 Task Order #11 D	20.205	21,724
Evaluation Strength and Permeability of Previous Concert (District of Columbia Department of Transportation)	PO 43832 Task Order # 12	20.205	23,550
National Summer Transportation Institute Program (District of Columbia Department of Transportation)	PO 450234 Task Order # 4	20.205	14,600
Nannie Helen Burroughs Green Highways Water Quality Monitoring Project (District of Columbia Department of Transportation)	404413	20.205	94,883
Predicting PCI from IRI in Washington , DC Project - FY 2013	PO463037	20.205	38,590
2013 Summer Transportation Institute Program	PO463376	20.205	11,238
2014 Internship Research Program	PO488522	20.205	44,910
Expanding the Role of Bike Network in Emergency Evaluation	PO488381	20.205	7,500
Hayward University Transportation Research Administrative Support	PO488507	20.205	92,941
2014 Internship Parking Studies in District of Columbia	PO492611	20.205	13,672
National Summer Transportation Institute Program	PO492388	20.205	4,265
Seat Belt Use Survey Design for Washington DC	PO493684	20.205	39,790
FY2014 National Summer Transportation Institute Program with Howard University	PO497388	20.205	11,279
Update of District Department of Transportation Standard Drawings	PO494323	20.205	66,600
Travel and Training (District of Columbia Department of Transportation)	PO461095	20.205	4,999
Operational Research on Transportation Infrastructure within the District of Columbia	PO469589	20.205	236,341
Quick Response Research (District of Columbia Department of Transportation)	PO461096	20.205	29,295
Transportation Research Support (District of Columbia Department of Transportation)	PO463289	20.205	149,072
Semester Research Intern Program(District of Columbia Department of Transportation)	PO450229	20.205	85,524
Transportation Research Support (District of Columbia Department of Transportation)	DCKA -2011-R-0143	20.205	65,124
2013 Summer Transportation Institute (District of Columbia Department of Transportation)	PO462324	20.205	18,968
Dwight David Eisenhower Transportation Fellowship	DTFH64-13-G-00092	20.UNKNOWN	10,000
TOTAL FOR THE HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			1,084,865

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Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<u>AIDS EDUCATION AWARDS</u>			
<i>Direct AIDS Education Awards</i>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
National AIDS Education and Training Centers		93.145	\$ 218,448
National AIDS Education and Training Centers		93.145	60,259
AETC National Multicultural Center		93.145	35,582
<i>Subtotal for the Direct AIDS Education Awards</i>			314,289
<i>Pass-Through AIDS Education Awards</i>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
AIDS Education and Training Centers (University of Pittsburgh)	0019469(123461-5)	93.145	277,046
AIDS Education and Training Centers (University of Pittsburgh)	9008957(123934-2)	93.145	4,445
Ryan White Title IV Women, Infants, Children, Youth and Affected Family Members AIDS			
Health Care - MedStar Health Research Institute	4162-01-02	93.153	7,857
<i>Subtotal for the Pass-Through AIDS Education Awards</i>			289,348
TOTAL FOR THE AIDS EDUCATION AWARDS			603,637
<u>HIV AND RYAN WHITE AWARDS</u>			
<i>Direct HIV and Ryan White Awards</i>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Health Resources and Services Administration			
Ryan White Part C Out Patient EIS Program		93.918	76,471
Ryan White Part C Outpatient EIS Program		93.918	265,287
Dental Reimbursement Program		93.924	177,010
<i>Subtotal for the Health Resources and Services Administration</i>			518,768
<i>Subtotal for the Direct HIV and Ryan White Awards</i>			518,768
<i>Pass-Through HIV and Ryan White Awards</i>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Laboratory Science Programs: Planning, Implementation and Assessment (American Society for Clinical Pathology)	ASCP-2012	93.918	1,398
<i>HIV Emergency Relief Project Grants</i>			
HIV Care Medical Services and /or HIV Support Services	14X016	93.914	318,473
HIV Care Medical Services and /or HIV Support Services	14X016-B	93.914	271,034
Ryan White Care and Modernization Act Part A: An HSE/UMC Collaborative HIV/AIDS Care and Treatment Program (District of Columbia Department of Health)	13W011A	93.914	239,062
<i>Subtotal for the HIV Care Formula Grants</i>			828,569
<i>HIV Care Formula Grants</i>			
HIV Care Medical Services and /or HIV Support Services - District of Columbia Department of Health	14X404	93.917	163,510
Ryan White Part A&B (District of Columbia Department of Health)	14X404-B	93.917	38,742
HIV Care Medical Service and /or HIV Support Services	13W409A	93.917	43,280
<i>Subtotal for the HIV Care Formula Grants</i>			245,532
<i>Subtotal for the Health Resources and Services Administration</i>			1,074,101
<i>Subtotal for the Pass-Through HIV & Ryan White Awards</i>			1,075,499
TOTAL FOR THE HIV AND RYAN WHITE AWARDS			1,594,267

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Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<u>OTHER FEDERAL AWARDS</u>			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Enriching Communities		14.520	\$ 167,568
SUBTOTAL FOR THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>167,568</u>
DEPARTMENT OF JUSTICE			
Men of Faith Preventing Violence Against Women		16.000	38,316
Howard University Campus Safety First Program		16.525	100,408
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			<u>138,724</u>
U.S. DEPARTMENT OF STATE			
<i>Charles B. Rangel International Affairs Program</i>			
Charles B. Rangel Foreign Affairs Fellowship and Summer Enrichment Program		19.020	19,353
Charles B. Rangel International Affairs Graduate Fellowship and Summer Enrichment Program		19.020	317,783
2012 Rangel Fellowship and Summer Enrichment Programs		19.020	904,324
2013 Charles B. Rangel Fellowship		19.020	1,219,191
Charles B. Rangel International Affairs Program		19.UNKNOWN	5,773
<i>Subtotal for the Charles B. Rangel International Affairs Program</i>			<u>2,466,424</u>
Fulbright Foreign Language Teaching Assistant Summer Orientation Session	S-ECAA-E-10-CA-036	19.400	48,065
Washington Fellowship for Young Africa Leaders	FY14-YALI-HOWARD-01	19.UNKNOWN	13,636
SUBTOTAL FOR THE U.S. DEPARTMENT OF STATE			<u>2,528,125</u>
DEPARTMENT OF TRANSPORTATION			
Design and Implementation of an ALS Protection and Power Quality Control Scheme with Improved Performance		20.108	32,362
Tier 1 Transit-Focused University Transportation Center (San Jose State University)	21-1100-4903-HU	20.701	32,184
SUBTOTAL FOR THE DEPARTMENT OF TRANSPORTATION			<u>64,546</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
NASA Earth and Space Science Fellowship 2013 (NESSF 2013)		43.001	20,656
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			<u>20,656</u>
SMALL BUSINESS ADMINISTRATION			
Small Business Development Center (District of Columbia)		59.037	163,748
OSBDC Program Announcement for Calendar Year 2013		59.037	288,497
Small Business Development Centers Small Business Jobs Act of 2010		59.037	72,602
SUBTOTAL FOR THE SMALL BUSINESS ADMINISTRATION			<u>524,847</u>
DEPARTMENT OF ENERGY			
Applied Research and Workforce Development for High Power Density Electronic Device Technology		81.123	261,541
DOE Chair of Excellence Professorship in Environmental Discipline		81.123	117,598
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			<u>379,139</u>
DEPARTMENT OF EDUCATION			
Howard University Summer Research Institute (Educational Testing Services)	ETS77760	84.000	10,875
US - Brazil Higher Education Consortia Program		84.116	50,381
District of Columbia Area Writing Project		84.928	1,580
Building Knowledge and Capacity in the Rehabilitation and Recovery of African Americans Suffering from Severe Mental Illness (Dartmouth College)	545	84.133A	103,955
Office of Innovation and Improvement			
Ready to Teach		84.350	31,623
Subtotal for the Office of Innovation and Improvement			<u>31,623</u>
Office of Special Education and Rehabilitative Services			
Combined Priority for Personnel Development		84.325	240,551
Subtotal for the Office of Special Education and Rehabilitative Services			<u>240,551</u>
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			<u>438,965</u>

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Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Centers of Excellence	1 D34HP16042-01-00	93.157	\$ 92,055
Centers of Excellence	5D34HP16042-05-00	93.157	490,446
ARRA - Training in Primary Care Medicine and Dentistry: Physician Assistant Training in Primary Care	D5BHP20440	93.403	193,142
Howard University Health Careers Opportunity Program	1 D18HP23023-01-00	93.822	840,810
Living Smartly with Diabetes: Using PWP and Mobile PWP for Self-Management	1G08LM011545-01	93.879	6,278
Baby Hug Follow-up Study II: Clinical Sites	HHSN268201200013C	93.936	129,231
Routine HIV Screening in Clinical Settings - District of Columbia Department of Health	14X202	93.943	34,960
Centers for Disease Control and Prevention			
<i>Global AIDS Program</i>			
Supporting the Scale Up of High Quality HIV Care and Treatment Programs in Malawi Through a Strengthened Laboratory Infrastructure Under the President's Emergency Plan for AIDS Relief	5U2GPS001938-02	93.067	1,030,306
Surveillance of HIV Positive Pre-arts persons by HU in partnership with SANAC	5U2GGH000391-02	93.067	31,947
Surveillance of HIV Positive Pre-ARTS Persons by HU in Partnership with SANAC	3U2GGH000391-03S1	93.067	332,080
Supporting the Scale-up of High Quality HIV Care and Treatment Programs	5U2GPS001938-05	93.067	1,222,317
Supporting the Scale Up of High Quality HIV Care and Treatment Programs	1U2GPS00193-01	93.067	420,755
<i>Subtotal for the Global AIDS Program</i>			3,037,405
Health Emergency Preparedness and Response Administration	RQ797688	93.UNKNOWN	24,223
Sustaining Comprehensive HIV/AIDS Response Through Partnership in Oyo and Ogun States	SPP-IP-067-000	93.UNKNOWN	7,839
Subtotal for the Centers for Disease Control and Prevention			3,069,467
Health Resources and Services Administration			
MCH Pipeline Training Program	2T16MC06954-06-00	93.110	155,551
Adult Transition Program for Children and Young Adults with Sickle Cell Disease(District of Columbia Department of Health)	PO462459	93.994	147,633
A Comprehensive Sickle Cell Disease Program- District of Columbia Department of Health	CHA-PSMB.HU-PED.052013	93.994	132,229
<i>Grants for Training in Primary Care Medicine and Dentistry</i>			
Post-Doctoral Training in Pediatrics	D88HP20130-01-00	93.884	947,550
MRC and Community Outreach Training - District of Columbia Department of Health	RQ842372	93.889	34,976
<i>Subtotal for the Maternal and Child Health Federal Consolidated Programs</i>			982,526
Subtotal for the Health Resources and Services Administration			1,417,939
Substance Abuse and Mental Health Services Administration			
<i>Substance Abuse and Mental Health Services Projects of Regional and National Significance</i>			
Howard University SBIRT Medical Residency Program	5U79T1020245-05	93.243	164,567
<i>Subtotal for the Substance Abuse and Mental Health Services Projects of Regional and National Significance</i>			164,567
<i>Drug-Free Communities Support Program Grants</i>			
University - Communities Drug Free Coalitions	5H79SP014723-05	93.276	54,091
<i>Subtotal for the Drug-Free Communities Support Program Grants</i>			54,091
Subtotal for Substance Abuse and Mental Health Services Administration			218,658
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			6,492,986

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Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2014

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
AGENCY FOR INTERNATIONAL DEVELOPMENT			
USAID Foreign Assistance for Programs Overseas			
Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) - Nigeria (Family Health International)	AID-620-A-11-00002	98.001	\$ 3,253,144
Road to a Healthy Future - Tanzania (Family Health International)	621-A-00-10-00001-00	98.001	5,990
Road to a Healthy Future - Zambia (Family Health International)	611-A-00090003-00	98.001	39,118
Foreign Service Diversity Fellowship Program		98.001	260,713
SUBTOTAL FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT			<u>3,558,965</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Jumpstart for Young Children at Howard University (AmeriCorps)	4510100	94.006	9,835
Jumpstart for Young Children - AMERICORPS	JUMSTA-FY14-63581	94.006	46,314
SUBTOTAL FOR THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>56,149</u>
TOTAL FOR ALL THE OTHER FEDERAL AWARDS			<u>14,370,670</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 611,216,563</u>

See accompanying notes to the schedule of expenditures of federal awards.

The Howard University

Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the expenditures of The Howard University ("Howard") under programs of the federal government for the year ended June 30, 2014. Because the Schedule presents only a portion of the operations of Howard, it is not intended to and does not present the financial position, changes in net assets, and cash flows of Howard.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between Howard and agencies and departments of the federal government and all subawards made to Howard by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. CFDA numbers and pass through numbers are provided when available.

Howard was the recipient of federal funds awarded through the American Recovery and Reinvestment Act (ARRA). These funds were expended by the federal government with the intent to stimulate the American economy, supplement existing federal programs and create new programs. There are additional compliance and reporting matters associated with these awards. These awards are presented in bold print in the Schedule and the title "ARRA" precedes each award title.

(2) Summary of Significant Accounting Policies for Federal Award Expenditures

(a) Basis of Presentation

The accompanying Schedule has been prepared using the accrual basis of accounting.

(b) Expenditures

Expenditures for federal student financial aid programs are recognized as incurred and include Pell program grants to students, the federal share of students' Federal Supplemental Educational Opportunity Grant ("FSEOG") program grants and Federal Work-Study ("FWS") program wages paid, certain other federal financial assistance grants for students, administrative cost allowances, and loan disbursements.

Expenditures for other federal awards are determined using the cost accounting principles and procedures set forth in OMB Circular A-21, *Cost Principles for Educational Institutions*. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Federally Funded Assets

Preservation of the Miner Normal School Building

In October 2009, Howard received a non-R&D cluster award #11-09-HC-18112, CFDA #15.932 totaling approximately \$800,000 from the National Park Service of the Department of the Interior for the purposes of rehabilitating and renovating the Miner Normal School building. For the year ended June 30, 2014, Howard did not incur any rehabilitation and renovation related costs. All costs incurred in prior years were capitalized in Howard's financial statements and therefore are not included on the Schedule of Expenditures of Federal Awards.

(4) Facilities and Administrative Costs (F&A Costs)

Expenditures for non-financial aid awards include indirect costs, relating primarily to facilities operation and maintenance, general, divisional, and departmental administrative services, which are allocated to direct cost objectives (including federal award programs) based on negotiated formulas commonly referred to as indirect cost rates, which were negotiated with the Department of Health and Human Services. A portion of indirect costs allocated to some awards for the year ended June 30, 2014 were based on individual grantor rates.

The Howard University

Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

Howard operates under predetermined F&A cost rates which are effective from July 1, 2012 to June 30, 2016 and provisional rates from July 1, 2016 until amended. The predetermined fixed rates are based on 2012 financial information. The base rates for off-campus research and on-campus research have been amended effective July 1, 2013 to June 30, 2014 to 26% and 50%, respectively and effective July 1, 2014 to June 30, 2016 to 26% and 51%, respectively based on 2012 data. Base rates for the other F&A cost recoveries ranged from 8% to 55% for the year ended June 30, 2014.

(5) Subrecipients

Of the federal expenditures presented in the Schedule, Howard provided federal awards to subrecipients as follows:

Agency	CFDA Numbers	Research & Development Cluster	Highway Planning and Construction	Other Federal Awards	Total
Agency For International Development	98.001	\$ -	\$ -	\$ 14,000	\$ 14,000
Department of Commerce	11.481	603,460	-	-	603,460
Department of Defense	12.420, 12.431	669,489	-	-	669,489
Department of Education	84.116	-	-	5,313	5,313
Department of Energy	81.123, 81.089	11,505	-	176,270	187,775
Department of Health and Human Services	93.067, 93.242, 93.273, 93.279, 93.307, 93.350, 93.822, 93.859, 93.157, 93.866	2,319,333	-	434,518	2,753,851
Department of Housing and Urban Development	14.520	-	-	86,867	86,867
Department of Transportation	12.000, 12.800, 20.205, 20.321	564,113	61,638	-	625,751
National Aeronautics and Space Administration	43.AAA	87,903	-	-	87,903
National Science Foundation	47.049, 47.076	689,665	-	-	689,665
Small Business Administration	59.037	-	-	112,182	112,182
U.S. Department of State	19.020	-	-	74,998	74,998
Grand Total		\$ 4,945,468	\$ 61,638	\$ 904,148	\$ 5,911,254

The Howard University

Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

(6) Federal Student Loan Programs

Howard receives awards to make loans to eligible students under the Federal Perkins and William D. Ford Federal Direct Student Loan Programs of the Department of Education, and Health Professions and Nursing Student Loan Programs of the Department of Health and Human Services. Campus-based loan programs which include the Federal Perkins Loan Program are administered directly by Howard. Balances and transactions relating to these programs are included in Howard's basic financial statements. These administrative allowances related to these loan programs for the year ended June 30, 2014 was zero. Additional information regarding these programs for the year ended June 30, 2014 is summarized below:

Campus-Based Loan Programs	FY 2014 Loans Issued	FY 2014 Loans Collected/ Cancelled	Outstanding June 30, 2014
Federal Perkins Loans	\$ 319,750	\$ 220,835	\$ 3,357,976
Health Professional and Disadvantaged Students	992,750	219,570	3,111,810
Nursing Student Loans	8,500	39,477	228,866
Total Campus-Based Loan Programs	\$ 1,321,000	\$ 479,882	\$ 6,698,652

Howard is responsible for the performance of certain administrative duties with respect to federal direct loans disbursed by the Department of Education on behalf of Howard's students under the direct loan programs (Federal Stafford, Federal Parents Loans for Undergraduate and Graduate Students, and Unsubsidized Federal Stafford Loans). These loan programs collectively are CFDA # 84.268 and disclosed on the Schedule in amount of \$176,155,418. It is not practical to determine the balance of loans outstanding to students and former students of the University under these federally guaranteed loan programs at June 30, 2014.



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Independent Auditor's 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
The Howard University
Washington, DC

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The Howard University (the "University"), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) to determinate the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2014-001 through 2014-006 to be material weaknesses.



Finding Number	Description
2014-001	Consolidated Financial Reporting and Close Process
2014-002	Existence of Accounts Payable
2014-003	Faculty Practice Plan Accounting
2014-004	Expenses Cut-off
2014-005	Hospital Financial Statements Reporting and Close Process
2014-006	User Access and Administration

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2014-007 through 2014-014 to be significant deficiencies.

Finding Number	Description
2014-007	Employee On-boarding
2014-008	International Activities
2014-009	Circumvention of Policies
2014-010	Fixed Assets Monitoring
2014-011	Segregation of Duties
2014-012	Procurement Process
2014-013	Disaster Recovery and Backup Processes
2014-014	Change Management

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-012.

The University's Response to Findings

The University's response to the findings identified in our audit are 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 the consolidated financial statements and, accordingly, we express no opinion on it.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

December 23, 2014



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Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Trustees
The Howard University
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited The Howard University's (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2014. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.



We did not audit the University's compliance with the billing, collection, and due diligence student loan repayment compliance requirements specified by the Federal Perkins Loan Program ("Perkins Loan") and described in the *OMB Circular A-133 Compliance Supplement*. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us, and our opinion expressed therein, insofar as it relates to the University's compliance with those requirements, is based solely on the report of the other auditors.

Basis for Qualified Opinion on USAID Foreign Assistance for Programs Overseas, Global AIDS Programs, and Research and Development Cluster

As described in item 2014-017 in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding the following:

Finding Number	CFDA Number	Program (or Cluster) Name	Compliance Requirement
2014-017	98.001	USAID Foreign Assistance for Programs Overseas	Allowable Costs/Cost Principles
2014-017	93.067	Global AIDS Programs	Allowable Costs/Cost Principles
2014-017	Various	Research and Development Cluster	Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to those programs.

Qualified Opinion on USAID Foreign Assistance for Programs Overseas, Global AIDS Programs, and Research and Development Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, based upon our audit and the report of other auditors for the Perkins Loan Program, 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 USAID Foreign Assistance for Programs Overseas, Global AIDS Programs, and Research and Development Cluster for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based upon our audit and the report of other auditors for the Perkins Loan Program, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.



Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as follows:

Finding Number	CFDA Number	Program (or Cluster) Name	Compliance Requirement
2014-016	Various	All Major Programs, except Matching Endowment and Student Financial Aid Cluster	Allowable Costs/Cost Principles (Effort Certification)
2014-017	19.020 93.375	Charles B. Rangel International Affairs Program Excellence in Health Professional Education Endowment	Allowable Costs/Cost Principles
2014-018	Various	Student Financial Aid Cluster	Reporting
2014-019	Various	Student Financial Aid Cluster	Special Tests and Provisions (Return of Title IV Funds)
2014-020	Various	Student Financial Aid Cluster	Special Tests and Provisions (Enrollment Reporting)
2014-021	Various	Student Financial Aid Cluster	Special Tests and Provisions (Verification)
2014-022	93.375	Excellence in Health Professional Education Endowment	Allowable Costs/Cost Principles
2014-023	98.001	USAID Foreign Assistance for Programs Overseas	Matching, Level of Effort, Earmarking
2014-024	93.067	Global AIDS Programs	Special Tests and Provisions (Fly America Act)
2014-025	Various	Research and Development Cluster	Equipment and Real Property Management
2014-026	Various	Research and Development Cluster	Procurement and Suspension and Debarment
2014-027	Various	Research and Development Cluster	Special Tests and Provisions (Publications)
2014-028	19.020	Charles B. Rangel International Affairs Program	Matching, Level of Effort, Earmarking
2014-029	19.020	Charles B. Rangel International Affairs Program	Reporting
2014-030	19.020 Various	Charles B. Rangel International Affairs Program Research and Development Cluster	Allowable Costs/Cost Principles

Our opinion on each major federal program is not modified with respect to these matters.



The University's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The University's response was not subjected to our 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 OMB Circular A-133, 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.

We did not audit the University's compliance with the billing, collection, and due diligence student loan repayment compliance requirements specified by the Federal Perkins Loan Program ("Perkins Loan") and described in the *OMB Circular A-133 Compliance Supplement*. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us, and our opinion expressed therein, insofar as it relates to the University's compliance with those requirements, is based solely on the report of the other auditors.

Our consideration of internal control over compliance was for the limited purpose described above 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-017 to be a material weakness.



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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-015, 2014-016, 2014-026, and 2014-030 to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

March 31, 2015

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? X yes no
- Significant deficiencies identified? X yes none reported

Type of auditor’s report issued on compliance for major programs:

Qualified for the following major programs:

USAID Foreign Assistance Programs Overseas

Global AIDS Programs

Research and Development Cluster

Unmodified for the following major programs:

Excellence in Health Professional Education Endowment

Matching Endowment

Student Financial Aid Cluster

Charles B. Rangel International Affairs Program

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes no

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of the Federal Program or Cluster</u>
93.375	Excellence in Health Professional Education Endowment
84.000	Matching Endowment
Various	Student Financial Aid Cluster
19.020	Charles B. Rangel International Affairs Program
Various	Research and Development Cluster
93.067	Global AIDS Programs
98.001	USAID Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? _____yes X no

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Section II – Financial Statement Findings

Finding 2014-001: Consolidated Financial Reporting and Close Process

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

During our current year audit procedures, we noted several issues related to the accuracy of the underlying information that supported the consolidated financial statements. Such matters included:

- Obtaining requested support for certain balances recorded on the general ledger in a timely manner;
- Multiple reports that were initially generated and used to record general ledger balances and/or provided as audit support were incomplete or inaccurate;
- Reconciliations for certain material general ledger accounts were not fully reconciled to the underlying subledger details, and the adjustments to reconcile such information were not recorded until after the year-end close process (and the delivery of preliminary financial statements to outside stakeholders);
- Inadequate consideration of material operating matters including the review of recently executed or negotiated contracts, memorandums of understanding agreements, etc. in order to evaluate whether they create any additional accounting issues or disclosure requirements; and,
- Lack of resources who were sufficiently knowledgeable about how certain applications are used and the information contained within the reports.

As a result of the above noted matters, the financial statements reporting and close process is not operating in an efficient and/or effective manner.

Recommendation:

We recommend that the University consider the following:

- Establishing processes or revising existing processes such that differences between different accounting and reporting systems, subledgers and reports are timely reconciled to the PeopleSoft general ledger, and reconciling items are fully identified, researched and resolved; and,
- Establishing processes ensuring two-way communication between the Office of the Controller and those within the University responsible for providing financial or other information that could have a financial statement impact to the Office of the Controller on a timely basis.

View of Responsible Officials and Planned Corrective Actions:

a&b) Accuracy of Data Provided for the Audit and Reporting Capabilities

- The Controller will work with the Chief Information Officer to determine a resource who can create/provide standard reports in PeopleSoft to avoid query reports, which are not as reliable. (June 30, 2015)

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

c) Reconciliations

- Controller will formalize a close checklist by using key control templates and the financial statements to form a list of questions that process owners must answer to verify completion and accuracy of reconciliations. This would build off of the tools that were created last year. (April 30, 2015)

d) Material Matters

- One of the Assistant Controllers will be the custodian of contracts, memorandums of understanding, and other agreements that may create accounting issues or disclosure requirements. She plans to create a shared drive folder with limited access to collect this documentation. (March 31, 2015)
- The CFO will work with General Counsel to implement a cover sheet for all contractual obligations that must be reviewed and approved by at least General Counsel and the CFO before it is executed and the University is obligated. (June 30, 2015)

e) Resources

- The CFO and Controller plan to restructure the Finance Lead roles, for more centralized reporting across campus, and create a Budget Office to focus attention on the accuracy of financial data, facilitate the collection of financial information, strengthen accounting, and reinforce financial roles and accountabilities. (June 30, 2015)

Finding 2014-002: Existence of Accounts Payable

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

In the prior year, we noted that the University's Accounts Payable balance included a number of significantly aged items that appeared to have been carried forward over multiple prior periods, and we recommended that management investigate such amounts in order to determine their continued accuracy. Current Howard management began researching such amounts during the 2014 fiscal year end, and while management has continued their investigation subsequently, the finalization of the amount of potential overstatement (if any) has not yet occurred.

In addition to the above, during our current fiscal year audit procedures, we identified certain Accounts Payable balances that had inadvertently been paid twice by the University. Subsequently, upon further investigation by Howard management and Internal Audit of payments limited to those individually in excess of \$10k (excluding significant expense amounts from being subject to research), it was identified that approximately \$600k in payments have occurred twice to vendors over the three year fiscal year period of 2012 - 2014. Of the \$600k of multiple payments, approximately \$300k occurred during the fiscal year ended June 30, 2014. While the underlying cause is unclear, it appears that multiple payments may be occurring as a result of query procedures being focused on the invoice number and invoice date instead of the invoice number and invoice amount prior to payment.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Additionally, a separate matter to the above was identified with respect to duplicative payments to vendors. Based on our testing, we noted an invoice that was paid twice due to having already been part of a queue for an imminent check run when a separate Payment Request Form was subsequently approved for the same invoice. Items paid via Payment Request Forms (the "PRF") are not credited to Accounts Payable and as a result, they bypass any related systems controls to identify duplicate invoices. Instead, they are directly debited to the relevant expense account indicated on the PRF, and paid via ACH or wire transfer. As the underlying invoices for the PRFs are not entered into Accounts Payable, and due to wire transfers being entered into PeopleSoft as a lump sum amount, management is unable to perform a PeopleSoft query that would determine which invoices were paid by specific wires. As a result, management has been unable to determine whether the item identified is an isolated instance or potentially a more widespread occurrence, given the prevalent use of Payment Request Forms for vendor payments during FY2014.

Recommendation:

In order to remediate the issues noted with the Accounts Payable process, we recommend that management:

- Continue to take the necessary steps to determine whether the invoices that make up the stale Accounts Payable balances (estimated at \$3.8m currently) represents true obligations of the University to third parties (including confirming vendor balances as necessary);
- Strengthen and refine the controls within PeopleSoft that should detect and flag potential duplicate invoices. The control should operate in such a way that invoices that are flagged as potential duplicates cannot be paid until the warning (or other identifying mechanism) is cleared. In addition, enforcing budgetary controls at the department or unit level and the vouchering of invoices to a related requisition or purchase order within PeopleSoft will increase the detection of potential duplicate payments; and,
- Alter the current procedures for processing Payment Request Forms, such that the related invoices are entered into the PeopleSoft Accounts Payable module instead of being a direct debit to expense.

View of Responsible Officials and Planned Corrective Actions:

a) AP Aging

- There are 600 vendors with outstanding disbursements that are being reviewed. Vendors for 2008 - 2012 have been contacted via telephone (estimated response rate is 40%). An estimated 250 are student refunds that were already disbursed. These items will be removed by March close. AP will send written communications requesting aging to non-responsive vendors. AP will conclude all follow-up activities by the end of the fiscal year. (June 30, 2015)

b) Duplicate Payments

- AP will work with ETS to update the accounting system to flag payments with duplicate invoice numbers, invoice amounts, and vendor IDs. Vendors often update the invoice date when they resend invoices, so matching on invoice amounts and number is a stronger control than matching on invoice date. (April 30, 2015)
- AP will update the procedures in the AP manual for invoice naming conventions to ensure that identical or very similar invoices are not created. Example: If an invoice number does not exist AP will use the service date as the invoice number verses the invoice date. The service date never changes. (June 30, 2015)
- The university will evaluate software solutions to detect duplicate payments in a more timely manner. (June 30, 2015)

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

c) Wire Transfer Protocol

- AP will enhance the workflow to incorporate a process that allows PeopleSoft to hold wire payments until someone manually matches the wire to a specific invoice and amount then releases the wire. AP will capture payment information, including invoice number and amount in the system to help prevent duplicate payments and improve payment accuracy. (April 30, 2015)

Finding 2014-003: Faculty Practice Plan Accounting

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

In January 2014, the University became responsible for the billing management function related to the Faculty Practice Plan (FPP) which resulted in the implementation of new systems and reporting. During our fiscal year 2014 testing, we noted that subsequent to Howard becoming responsible for the billing management function a cash to accrual basis reconciliation was not being performed to ensure that appropriate cut-off of both revenue and accounts receivables was occurring. As a result, we identified approximately \$4.8m of revenue that was recorded subsequent to June 30, 2014 that related to the fiscal year under audit. In addition, we noted that the dates that the revenue transactions were being recorded lagged significantly behind the dates that the services were actually performed (in some instances by as much as 7 months). Per our inquiries, this lag is caused by physicians performing services but not completing paperwork in a timely manner, thereby creating a delay in providing fee ticket information to the FPP accounting staff.

Recommendation:

As a result, Howard should institute overall processes (with adequate surrounding internal controls) that will allow for the appropriate year-end revenue and accounts receivable cut-off (including the performance of cash to accrual basis reconciliations over FPP accounts). In addition, policies should be implemented and appropriately monitored such that physicians are completing paperwork necessary to ensure proper revenue recognition in a timely manner.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

View of Responsible Officials and Planned Corrective Actions:

Billing

- Beginning in FY2016, charge lag will be a mandatory benchmark for all providers to help improve billing timeliness. For approximately 150 of the providers, this is a benchmark currently that will affect their salary. (June 30, 2015)
- FPP's current clean claim rate is 60%, best practice is 96%. In FY2015, the charge lag has improved to approximately 20 days on average with the implementation of the EHR. In order to improve this:
 - FPP Administration is working with CHMB and FPP IT to correct the interface data coming from the hospital, which includes registration data and the correct Dx codes. This interface was updated on February 24, 2015. The improvement of the change have already been shown.
 - The Director of Professional Billing (new employee will start on March 30, 2015) will closely monitor the percent of claims that hit the Edit list daily, and scrutinize the productivity of the charge entry staff
 - The current billing staff are being evaluated to ensure they have the correct people in place to accomplish the goals (June 30, 2015)

Accrual process

- The cash to accrual reconciliation completion is driven by federal payments (i.e., Medicare, Medicaid), 60% to 70% of FPP payments, which in general take 90 days to process. This requirement will be communicated to BDO with a request to understand any specific steps the university can take to improve the timing, while maintaining the accuracy of the reconciliation. (April 30, 2015)
- Realigning/refocusing the relationships responsible for FPP accounting between Finance and the FPP or implementing a shared services model to better coordinate accounting and reporting matters. (December 31, 2015)
- The FPP Revenue Estimate spreadsheet that is used to determine contractual adjustments and net patient service revenue, will be updated to include a calculation to determine gross patient revenue reserves (charges that have not been posted yet). The calculation will be updated monthly, and will be based on the average of the past 6 months using the monthly charge lag data for gross patient revenue. (March 31, 2015)

Finding 2014-004: Expenses Cut-off

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

As a result of our expenses testing, we identified several invoices representing a significant balance of items (extrapolated error of \$8.6m) that should have been expensed during previous fiscal years that were not expensed until the 2014 fiscal year. The majority of the identified invoices had invoice dates throughout fiscal year 2013, and were expensed at various dates throughout fiscal year 2014, so there was no specifically identified cut-off determination.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Recommendation:

We recommend that management consider alternative methods to the collection of invoices from the various departments on campus (including central depositories), as it appears that the core issue was due to invoices being held within various departments for significant periods of time and not being provided to the Office of Controller in a timely manner.

View of Responsible Officials and Planned Corrective Actions:

- The monthly accrual checklist will be emailed directly to the Controller's accounting team to analyze and verify that University and school/college activity is captured timely and accurately. (April 30, 2015)
- BDO will provide the university with their testing results and the University will track the areas with the largest number and time lag for invoices to work more proactively with departments to address these areas. (June 30, 2015)
- The Controller will implement a process that would involve working with the Assistant Controllers and staff in newly developed Budget Office to create a monthly certification document that would be approved by school/college deans and/or appointed financial liaisons to confirm that monthly activity, including invoices, has been processed and accounted for timely and accurately. (June 30, 2015)
- The University will implement a vendor portal to help ensure that a larger volume of invoices are directly received by AP and to reduce the risk of invoices not being timely submitted. (December 31, 2015)

Finding 2014-005: Hospital Financial Statements Reporting and Close Process

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

During the course of our audit of the Howard University Hospital's standalone financial statements, we noted weaknesses in the monthly and year end financial reporting process. There were significant delays experienced during the audit due to the weaknesses of internal controls related to the financial statement close process. The following items represent the significant matters noted:

- Timely and accurate preparation of monthly reconciliations: In general, account reconciliations are being performed by the Hospital on a monthly basis. However, we noted for some account reconciliations that research and resolution of certain reconciling items is not being performed timely. Some areas where additional review and material post closing adjustments resulted included accounts payable, inventory, property plant and equipment (and related depreciation) and capital leases.
- Segregation of duties: During our review of various account reconciliations, we noted that there was no evidence to support that the reconciliations were being properly prepared, reviewed and approved by different personnel. We also noted instances in which individuals can both create and post manual journal entries to the general ledger, and that there are no formal review/approval processes in place.

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For the Fiscal Year Ended June 30, 2014

- Timing and volume of post-closing adjustments: The Hospital was in the process of closing their year-end accounting records as we were performing our audit procedures. The process of Hospital management identifying and processing adjustments to the trial balance continued several months after year end and up to the date of issuance of the audited financial statements. Several of these adjustments had a significant impact to the results of the financial statements. In some instances, these post-closing adjustments caused a change in the scope and timing of our audit procedures performed.
- Identification and resolution of nonrecurring and complex transactions: During the fiscal year ended 2014, the Hospital entered into several transactions that required complex accounting research and documentation; including, DC Nursing Assistance (DCNA) labor union contract negotiations and settlement and accounting treatment for leased medical equipment. However, such matters were not appropriately addressed prior to the audit of the financial statements.

Recommendation:

We believe that the monthly and year end financial reporting process could be more efficient and effective by developing a logical order of closing procedures with the appropriate assignment of responsibility and review. The closing procedures should be documented in a checklist that indicates who will perform the procedure, review and ultimately, the timeline for completion. All significant financial statement accounts should be reconciled on a monthly basis. All reconciliations should be reviewed by a designated individual to ensure accuracy, completeness and verification that reconciled items have been properly handled. In addition, implement appropriation segregation of duties so that the same individual is not responsible for the creation, approval, and/or monitoring of manual journal entries, and require a secondary level of review or sign-off within the system before the journal entries can be posted to the general ledger. Lastly, as part of the financial statement close process, there should be timely prepared documentation (with review and approval) of appropriate accounting and reporting matters for any nonrecurring or complex transactions entered into during the month.

View of Responsible Officials and Planned Corrective Actions:

a) Timely and accurate preparation of monthly reconciliations

- The Controller has implemented a cover sheet for each reconciliation that will contain evidence (i.e., a signature) that the reconciliations were properly reviewed and approved during the December close and those going forward. (February 28, 2015)

b) Segregation of duties

- Roles and responsibilities will be established for processing journal entries such that there is appropriate segregation of duties between preparing and approving journal entries. Users will not have system rights to perform both functions. (February 28, 2015)
- Hire an experienced accountant within to strengthen segregation of duty issues and assist with other accounting matters. (April 30, 2015)

c) Timing and volume of post closing adjustments

- The HUH Controller and HUH CFO will create a year end process to avoid significant and untimely post-closing adjustments and determine appropriate accounting and reporting for one-time or complex transactions. (May 31, 2015)

d) Identification and Resolution of nonrecurring and complex transactions

- The HUH CFO and the University CFO will collaborate to improve intercompany communication to avoid untimely adjustments on consolidated financial statement items such as pension. (June 30, 2015)

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Finding 2014-006: User Access and Administration

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

In the prior year we noted multiple issues related to access rights and user administration within certain applications that are related to the financial statement close process. Based on our current year procedures, we noted similar matters including:

- While some policies and procedures were documented for approval and modification of user access, the results of our procedures show that such documentation was lacking or the policies as designed were not adequate for the Banner, Millennium, InVision, 3M, Sorian Clinicals and Kronos applications;
- With respect to implementing detection controls to review access logs, review of user access logs for PeopleSoft were started but not completed at June 30, 2014. While management asserts that user access reviews for the Banner application were performed, there was no documentation substantiating management's assertion and the results of our procedures suggest that user access controls were not effective during the year (see below);
- There were no indications that management performed periodic reviews of Active Directory (AD) or network users in order to verify that only authorized users have network access. Further, there is no formal process documentation for granting new users network/AD access and/or revoking terminated users network/AD access;
- The control for terminating access to the Practice Management application does not operate consistently, which is amplified because user access reviews over this application are not performed (as discussed below); and
- Controls around user administration are either lacking or inaccurately designed in the following applications:
 - In the Banner application, some department groups and contractors use generic user accounts for access, which does not allow for an audit trail in order to determine if user actions were appropriate and to ensure that duties within the system are appropriately segregated;
 - In the Sorian Clinicals application, there are 83 end users that have administrative access, with 22 being idle during the fiscal year ended June 30, 2014 and the remaining 61 being assigned to contractors. The 61 user accounts assigned to the contractors do not have an audit trail, so there is no way for management to retrospectively review their actions in the system ensuring that they were ultimately appropriate;
 - In the Practice Management application, certain users also have administrative access to create additional users, change access and delete users. Administrative access enables an application user to circumvent controls established by management and enforced through appropriately defined user permissions.

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Recommendation:

We recommend IT management, with guidance from an IT steering committee made up of business owners, establish priorities for establishing processes and controls adequate to appropriately address the risks identified. Also, management should perform its own risk assessment to more thoroughly identify potential risks that may not have been identified within the scope of the audit.

In addition, formal procedures should be established and documented for all applications that have an impact on the University's financial information, and that any necessary tools/mechanisms for logging access requests should be established so that users' access requests can be tracked for management's review and audit purposes. Policies and procedures should be implemented that provide for timely, periodic reviews of user access rights to all applications that have an impact on the University's financial information in order to detect potential segregation of duties issues with respect to access, as well as terminated users, users with excessive access rights given their job function, any unauthorized or unapproved users, etc.

View of Responsible Officials and Planned Corrective Actions:

a) Documentation

- The University CIO will work with the HUH CIO to develop process documentation (i.e., SOPs) for HUH applications (e.g., Millennium, 3M, Sorian Clinicals, Kronos). (June 30, 2015)
- The University CIO will follow-up with BDO for clarification on issues related to current SOPs and practices and make the needed updates (e.g., Banner, InVision). (June 30, 2015)
- Identify training and resources to deliver training to ETS employees on the current SOPs and perform training. (June 30, 2015)

b) Access log for PeopleSoft

- ETS currently has a resource focusing on reviewing user access logs in conjunction with application business owners. (May 31, 2015)

c) Access log for Banner

- Developing controls around user administration to limit the administrative authority users have (e.g., ability to create additional users, change access, and delete users). (May 31, 2015)
- Test controls to verify they are operating consistently. (June 30, 2015)

d) User access review for Network/AD Access

- Conduct User Access review for AD/HU domain and AD/HUH domain. (June 30,2015) • Provide documentation and sign-off. (June 30,2015)

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Finding 2014-007: Employee On-boarding

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

While BDO noted that management revised the on-boarding policies and procedures effective April 1, 2014, Howard continues to depend upon the use of a payroll suspense account (which takes substantial time to reconcile) due to inaccurate or missing information within the payroll system. As a component of this, there appears to be issues with the on-boarding of newly created positions.

With respect to the payroll suspense account, we noted that grant research employees continued to accumulate in the suspense account each pay period through the end of the fiscal year due to an unrelated IT issue identified in fiscal year 2014. Management discovered that when an employee's association with a particular grant ended, attempts to disassociate that employee with that specific grant instead resulted in accidental termination of the employee's position in PeopleSoft. As a result, the balance in the grant-related suspense account was approximately \$2 million at June 30, 2014. We noted that management is currently working with Enterprise Technology Services to appropriately resolve this issue.

Recommendation:

We note that management currently has several process changes in place, including completing documentation of standardized operating procedures for hiring and onboarding, finalizing lists of direct reports, and making further process changes related to procedures for implementing pay rate, position, and funding allocation changes. However, these process changes should include both the hiring and on-boarding protocols for both existing and new positions that do not result in undue time delays that incentivize circumventing the on-boarding control structure.

View of Responsible Officials and Planned Corrective Actions:

Employee Onboarding

- The VP of HR will evaluate onboarding documentation, identify process gaps and concerns, and implement position control to manage the onboarding process. (December 31, 2015)

Suspense Account

- Implement the 30-60-90 Day Notification process to alert PIs, Finance Leads, Administrators, etc. that grants and contracts are expiring and personnel should be reallocated. (June 30, 2015)
- Implement an escalation process to encourage accountability for non-compliant PIs and Administrators. (June 30, 2015)
- Implement the Advance/Pre-Award Account Setup and revise current policies and procedures. (June 30, 2015)
- The Director of Financial Grants and Sponsored Research Programs will work with HR and ETS to establish a termination process when grants and contracts expire. (June 30, 2015)
- Hire a Grants and Contracts Accountant to complete various ePARs to eliminate posting payroll charges to the University's suspense accounts. (June 30, 2015)

Long-term

- Evaluate system updates to use system applications/tools to eliminate manual processes and rely on system controls.

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Schedule of Findings and Questioned Costs

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Finding 2014-008: International Activities

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

The University has existing activities in Malawi, Nigeria and South Africa, and may consider further international operations in the future. However, for the current international activities in existence, there is no evidence of monitoring for compliance with local statutory requirements. In addition, during the fiscal year there were no processes in place to ensure that actions to create foreign entities were appropriately vetted and pre-approved.

Recommendation:

We recommend that management determine the appropriate mechanism (through the Global Business Steering Committee or another body) to approve such activities before they are undertaken, perform effective monitoring, and ensure the performance of necessary material statutory compliance requirements in foreign countries in which Howard conducts activities. Such monitoring activities will require the allocation of adequate resources and a reporting structure that supports obtaining the necessary information from professors and others. In addition, management should determine how such information is timely shared as needed, including for financial statement reporting purposes.

View of Responsible Officials and Planned Corrective Actions:

- BDO will provide the university a compliance/financial checklist for each country Howard is currently operating in to help bring operations into compliance. (June 30, 2015)
- The Global Business Steering Committee will use the checklist to verify compliance and/or implement necessary steps to bring existing activities into compliance in each of the countries it operates. (December 31, 2015)
- Based on the above mentioned checklist, the Global Business Steering Committee will oversee the creation of a general checklist to adapt accordingly and complete proactively as Howard considers operating in additional countries. (June 30, 2015)

Long-term

Ongoing monitoring of compliance - after checklist is obtained and the initial compliance check is completed, a quarterly assessment will be implemented to review and verify compliance, evaluate areas of most exposure, and measure risk tolerance.

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For the Fiscal Year Ended June 30, 2014

Finding 2014-009: Circumvention of Policies

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

During our audit procedures (including inquiries from throughout the University), we noted that several employees across the University stated that despite recent communications of changes in policies and procedures and the expected enforcement from Administration that, at times, they had been instructed by other professionals within the University to circumvent the new policies and procedures. In some cases, they indicated that this was systematic, while in other cases, it was stated as a one time "request".

Recommendation:

Due to the importance of compliance with policies and procedures as part of the overall internal control structure and environment, we recommend that it is made clear that circumventing such policies established by the current Administration will result in appropriate disciplinary action and that any known such deviations should be reported.

View of Responsible Officials and Planned Corrective Actions:

The University has established financial controls that will severely limit spending related to travel, PCard, and the Payment Request Form (PRF) to prevent circumvention of financial policies and procedures. (April 30, 2015)

Finding 2014-010: Fixed Assets Monitoring

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

During our year end audit procedures and as noted in the prior year, we noted that there were numerous post-closing adjustments required in order to place approximately \$25m of Construction in Progress assets into service. The nature of the adjustments suggests that there was a lack of a control during fiscal year 2014 to ensure that all Construction in Progress assets are placed into service timely.

Recommendation:

We suggest that management appoint a designated liaison within the Office of the Controller to whom project managers should provide periodic updates on the status of Construction in Progress assets, and final reporting when such assets are placed in service. This will allow for better recording of such assets throughout the University's fiscal year, including the related depreciation expense necessary for quarterly reporting purposes.

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

View of Responsible Officials and Planned Corrective Actions:

A senior accountant is the Controller's designated liaison and will re-establish the fixed asset monitoring process, including a checklist based on key controls, to avoid significant post-closing adjustments. On a quarterly basis, the senior accountant will distribute the Construction in Progress report to the project managers to confirm if the project has been completed. If the project has been completed, the senior accountant will place the asset(s) in service and depreciate accordingly. (May 31, 2015)

Finding 2014-011: Segregation of Duties

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

We noted certain segregation of duties issues as a result of our 2014 testing including:

- Departmental approvers appear to often give out their password so that other users can ultimately approve purchase requisitions in the system. Examples of employees that received these passwords included administrative staff that also have the ability to create purchase requisitions;
- Segregation of duties issue related to Omega Travel's management of the "ghost" travel card. During the fiscal year 2014, a representative from Omega Travel (a third-party vendor) had direct access to the University's ghost travel card, and could directly charge the card for travel expenses. Furthermore, we noted widespread use of the ghost travel card at the University instead of the appropriate individual travel cards, which circumvents a mitigating control that allows supervisors to review travel charges for their direct reports. This lack of supervisory review is particularly relevant as it was unclear during the audit as to who was reviewing and approving the ghost card transactions at the University during the fiscal year; and,
- Due to turnover and personnel changes, from January 2014 through June 2014 there was one person in the Accounts Payable department that had the ability to order gift cards, process check runs, void checks, reissue checks and order travel credit cards.

Recommendation:

As a result, we recommend that appropriate mechanisms to monitor that specific segregation of duties controls are not circumvented should be implemented. Included in such considerations, would be the identification of control gaps when there is employee turnover so that temporary measures can be taken to ensure that appropriate segregation of duties are functioning.

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

View of Responsible Officials and Planned Corrective Actions:

- A control was implemented to include travel authorizations (which must be approved by department heads and AP) for all travel made through Omega Travel's management on the "ghost" travel card. Omega Travel should not book and charge any travel requests without travel authorizations. (March 31, 2015)
- The individual BDO refers to in the comment no longer works for the institution. It should be noted that HU senior management must relinquish control of ghost card from Omega and HU Travel and Expense would fully manage the ghost card activities by pre-approvals from AP management. No exceptions. AP department roles were re-evaluated and re-assigned. AP functions have been reassigned to different staff, so no single AP employee performs these incompatible duties. (March 31, 2015)
- All travel authorizations on "ghost" card will be reviewed and approved by the Controller. (June 30, 2015)
- Monthly reconciliations will be completed by Travel staff and reviewed and approved by the AP Director. (June 30, 2015)

Finding 2014-012: Procurement Process

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

In the prior year our audit procedures noted certain issues during the fiscal year with respect to the University's procurement policies and procedures. These issues included inconsistent receiving processes for material assets, delays in asset tagging, inappropriate uses of Purchase Request Forms, and a lack of detailed detective controls for purchase cards. While improved, these issues appeared to be present during a significant portion of fiscal year 2014.

While we noted that management has taken steps towards remediation, including changes in policies and procedures with respect to Purchase Request Forms and purchase cards, and improvements to the overall bid and procure process, additional steps appear necessary to fully remediate concerns. For instance, we noted that some purchases done through purchase cards continue to exceed the newly revised policy threshold and that the Purchase Card Administrator is not generally provided with any approved receipt documentation to support the business purpose for purchases. Furthermore, management still needs to tighten controls around the asset receiving process and asset tagging, particularly for assets purchased with federal funds.

Recommendation:

In addition to completing planned revisions to procurement policies and procedures, we recommend that management have the Purchase Card Administrator audit a sample of purchase card supporting documentation as a regular procedure in order to verify that the card use is in accordance with policies and procedures. Further, management should consider the lack a detection control surrounding assets received outside of Central Receiving and that are not tagged as Howard University property.

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For the Fiscal Year Ended June 30, 2014

View of Responsible Officials and Planned Corrective Actions:

Prior Year Issues

- Submit updated PCard policy, along with 23 other Procurement policies to Policy Working Group (PWG) for review and analysis, then approval to Policy Committee. (April 30, 2015)
- The Associate Director of Procurement has been identified and will start April 6th. (April 15, 2015)
- University General Counsel and HUH General Counsel will meet with the Executive Director of OPC to finalize the draft contracting policy to submit with the other policies for review and analysis, then approval to Policy Committee. (April 30, 2015)
- OPC plans to require purchase requisitions and purchase orders through PeopleSoft for goods and services, which will require extensive re-training for all requestors and approvers to emphasize appropriate business practices. This training has been developed, they now need to deliver the training. New procedures will include removing access for those who do not attend training. The Executive Director of OPC will also schedule meetings with Cabinet members to hold employees accountable. (March 31, 2015)
- The vendor credentialing process begins in March 2015 in collaboration with the vendor database upload to PeopleSoft. (June 30, 2015)

PCard Program

- OPC has a PCard procedure, which is performed by the PCard Administrator, which includes notification of non-compliant (e.g., lack of supporting documentation) PCard holders and suspending PCards after three instances of non-compliance. (March 31, 2015)

Asset Tagging

- OPC has centralized receiving and regularly tags large asset purchases (over \$3,000) and computer equipment. However, they need to work with Finance to clarify and update inventory policies and procedures to reflect roles and responsibilities (e.g., the responsibilities of Finance, ETS, Facilities Management, Procurement) around periodic inventorying and updating records to keep them current. (June 30, 2015)

Finding 2014-013: Disaster Recovery and Backup Processes

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

As noted in the prior year, the University lacks a formal disaster recovery plan (DRP) that categorizes potential levels of impact (e.g., usually based on outage duration/loss of operations), defines roles and responsibilities, and prescribes the respective response procedures for all University business units (including the Hospital).

In addition, in the prior year we noted certain issues with the design of the University's backup and recovery process, including the location of the University's back-up site and equipment and the lack of formal process documentation. While we noted that the University temporarily relocated its backup equipment so that it was no longer in the same location as the primary equipment, formal backup and recovery procedures were not in place during fiscal year 2014.

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Recommendation:

We recommend that management determine the appropriate mechanism (through the Global Business Steering Committee or another body) to approve such activities before they are undertaken, perform effective monitoring, and ensure the performance of necessary material statutory compliance requirements in foreign countries in which Howard conducts activities. Such monitoring activities will require the allocation of adequate resources and a reporting structure that supports obtaining the necessary information from professors and others. In addition, management should determine how such information is timely shared as needed, including for financial statement reporting purposes.

View of Responsible Officials and Planned Corrective Actions:

- A plan for a backup site outside of the geographic area will be on hold until a decision is made regarding IT Outsourcing. (June 30, 2015)
- CIO will update the disaster recovery plan and associated process and policy documentation. (June 30, 2015)
- Test the disaster recovery plan. (December 31, 2015)

Finding 2014-014: Change Management

Criteria:

The Committee of Sponsoring Organizations framework describes that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Condition/Effect/Cause:

As noted in the prior year, the PeopleSoft Financials/HCM application change management process appears to lack formally documented policies and procedures. Instead, the process is internalized amongst application owners and those responsible for the management and administration of the PeopleSoft Financials/HCM application. Not having this information formally approved and documented does not allow for evaluation of the design of the related controls, nor does it provide for the maintenance of adequate documentation in order to evaluate the operating effectiveness of the related controls. The University risks potential disruption in this process if the current application owners were to leave or be otherwise unavailable.

Furthermore, with respect to InVision, we noted a lack of segregation of duties for system administrators with access to develop changes and migrate into production. The appropriateness of program changes made to the InVision application are not reviewed directly from the system; thus increasing the risk of unauthorized changes.

Recommendation:

We recommend Howard develop a formal policy that prescribes the process and workflows supporting program changes administered for the PeopleSoft Financials/HCM application. Further, we recommend management establish policies and mechanisms (through reporting, logging or proper restrictions of access) to prevent or detect instances of inappropriate or unauthorized changes to data and applications.

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For the Fiscal Year Ended June 30, 2014

View of Responsible Officials and Planned Corrective Actions:

- The CIO will designate an individual to draft policies and procedures to address the PeopleSoft Financials/HCM application change management process. (June 30, 2015)
- Revise existing operational procedures to include approval of system changes by module (e.g., Finance module, HR module) owners. (June 30, 2015)
- Identify training and resources to deliver training to remaining ETS employees on current and newly developed SOPs. (June 30, 2015)
- Establish segregation of duties for system administrators related to InVision to limit the risk of unauthorized changes and potential fraudulent activity. (June 30, 2015)

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Section III – Federal Award Findings and Questioned Costs

Part A - BDO Findings

Finding 2014-015: Special Tests and Provisions – Schedule of Expenditures of Federal Awards

Federal Agency: Agency for International Development

Program: Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) – Nigeria (Family Health International,) Foreign Service Diversity Fellowship Program

CFDA #: 98.001

Award #: AID-620-A-11-00002, AID-OAA-A-12-00035

Award Year: 10/5/2011 - 5/31/2016, 9/13/2012 - 9/12/2015

Pass through: Family Health International

* * * * *

Federal Agency: Centers for Disease Control and Prevention

Program: Supporting the Scale Up of High Quality HIV Care and Treatment Programs in Malawi Through a Strengthened Laboratory Infrastructure Under the President's Emergency Plan for AIDS Relief, Surveillance of HIV Positive Pre-Arts Persons by HU in Partnership with SANAC

CFDA #: 93.067

Award #: 5U2GPS001938, 3U2GGH000391

Award Year: 9/30/2009 - 9/29/2014, 9/30/2013 - 9/29/2014

* * * * *

Federal Agency: Department of Education

Program: Student Financial Aid Cluster (SFA)

CFDA #: 93.342, 93.364

Award #: Various

Award year: Various

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Federal Agency: Department of Education

Program: Matching Endowment

CFDA # 84.000

Award #: Howard University Endowment Act P.L. 98-480

Award year: 10/17/1984 - Continuous

* * * * *

Federal Agency: Department of Health and Human Services

Program: Excellence in Health Professional Education Endowment

CFDA #: 93.375

Award #: 1S22-MD000241

Award Year: 10/8/2002 - Continuous

* * * * *

Federal Agency: U.S. Department of State

Program: Charles B. Rangel International Affairs Program

CFDA #: 19.020

Award #: S-LMAQM-13-CA-1028, S-LMAQM-13-CA-1046

Award Year: 4/17/2012 - 6/30/2015, 5/8/2013 - 12/31/2015

* * * * *

Federal Agency: Various

Program: Research and Development Cluster

CFDA #: Various

Award #: Various

Award Year: Various

Pass through: Various

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Criteria:

OMB Circular A-133 – Section____.310 (b) sets forth that the auditee shall prepare a Schedule of Expenditures of Federal Awards (the “Schedule” or “SEFA”) for the period covered by the auditee’s financial statements. At a minimum, the Schedule shall list individual Federal programs by federal agency. For federal programs included in a cluster of programs, the Schedule shall list individual Federal programs within a cluster. For SFA, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision with the Federal agency.

OMB Circular A-110 - Section____.21, which includes standards for financial management systems, notes recipients' financial management systems shall provide for the following:

- (1) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

OMB Circular A-133, Subpart B section____.205, states that the determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditure/expense transactions associated with grants, cost reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and, the period when insurance is in force.

Condition:

Howard prepares the Schedule on the accrual basis of accounting. The process used by Howard to prepare the Schedule uses data gathered from its General Ledger. We noted several items during our testing of the awards noted above related to inappropriate identification of CFDA numbers and inappropriate classification between federal expenditures and non-federal expenditures.

CFDA Numbers

During the review for appropriate classification of CFDA numbers, we noted that the CFDA number was incorrectly recorded in the preliminary Schedule for two project awards. The two project awards from the Department of Health and Human Services were inappropriately included under the Department of Education’s Federal Direct Loans in the preliminary Schedule. Management subsequently corrected the CFDA numbers and the respective amounts to ensure that they are appropriately disclosed in the Schedule.

Agency	Program	CFDA Per Draft SEFA	CFDA Per Final SEFA
Department of Health and Human Services	Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students	84.268	93.342
Department of Health and Human Services	Nursing Student Loans	84.268	93.364

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Classification of Expenditures

While testing the overall completeness of the Schedule through a review of a sampling of reconciling items between the Schedule and the general ledger, we noted that the preliminary Schedule included non-federal expenditures for several awards noted below. Management subsequently corrected the classification of the non-federal expenditures to ensure that they are appropriately excluded from the Schedule.

Project #	Award #	Program	Agency	Overcharge	Ref #
-	P.L. 98-480	Matching Endowment	Department of Education	\$792,695	A
-	1S22-MD000241	Excellence in Health Professional Education Endowment	Department of Education	\$5,289	B
-	1S22-MD000241	Excellence in Health Professional Education Endowment	Department of Education	\$76	C
8146	5U2GPS001938	Supporting the Scale-up of High Quality HIV Care and Treatment Programs in Malawi Through a Strengthened Laboratory Infrastructure Under the President's Emergency Plan for AIDS Relief	Center for Disease Control and Prevention	\$173	C
8210	3U2GGH000391	Surveillance of HIV Positive Pre-Arts Persons by HU in Partnership with SANAC	Center for Disease Control and Prevention	\$63	C
6834	AID-620-A-11-00002	Strengthening Integrated Delivery of HIV Aids Services (SIDHAS) - Nigeria (Family Health International)	Agency for International Development	\$420	C
7715	AID-OAA-A-12-00035	Foreign Service Diversity Fellowship Program	Agency for International Development	\$28	C
6912	S-LMAQM-12-CA-1028	2012 Rangel Fellowship and Summer Enrichment Programs	U.S. Department of State	\$4,534	C
7962	S-LMAQM-13-CA-1046	2013 Charles B. Rangel Fellowship	U.S. Department of State	\$186	C
Various	Various	Research and Development Cluster	Various	\$5,009	C

Total Overcharge \$808,473

A – The preliminary Schedule did not agree with the supporting Matching Endowment reconciliation due to untimely preparation of the reconciliation.

B – These are encumbrances which are non-federal expenditures which should not be included in the Schedule.

C – Amounts pertaining to account numbers 5170 through 5180 which are payroll suspense accounts that are non-federal expenditures.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Questioned Costs:

None noted.

Context:

This condition was identified through the review of the Schedule of Expenditures of Federal Awards to ensure Howard's compliance with the provisions of OMB Circular A-133.

Effect:

The incorrect coding of CFDA numbers in Howard's accounting system may result in inaccurate information reported on the Data Collection Form. This may cause a delay in Howard's A-133 report delivery to the appropriate individuals at their respective agencies. Further, the incorrect and lack of coding of CFDA numbers could lead to inaccuracies in the Schedule and misclassification of programs for the purposes of determining programs to be audited in the OMB Circular A-133 audit. The inability to properly classify programs could also result in compliance requirements and special provisions not being accurately applied.

The lack of sufficient internal controls surrounding the timely and accurate processing of award-related expenditures also increases the risk that accounts are misstated, which leads to unallowable charges on the grants and misstatements in the Schedule. The absence of these controls has led to untimely reporting and an over/understatement of the Schedule.

Cause:

Internal control policies and procedures for the proper recognition of CFDA numbers within the General Ledger are not consistently followed. Howard has implemented controls and procedures over the new award set-up process in response to the prior year findings. This included the use of a new award checklist which included the verification of all key elements of the extended award, i.e. CFDA#, determination of Federal vs. Non-Federal, budget and cost sharing requirements. In preparation of the interim Schedule, including the preparation of a detailed reconciliation to General Ledger, Howard performed validation procedures as part of its monitoring over the accuracy of the award data recorded during the set-up process through selecting a sample of significant and new awards. Although these procedures were performed, the above items were identified from the sample selected during the audit process.

In addition, management does not have an effective process in place to ensure all expenditures are captured within the Schedule and resulting reports are accurately presented following standard year-end closing process techniques to ensure all expenditures for the period are included within the reports.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Recommendation:

The volume of awards and award transactions necessitates the development and implementation of comprehensive policies, procedures and processes over the recording of such transactions in the General Ledger and subsequent preparation of a Schedule that is complete and accurate and compliant with the requirements of OMB Circular A-133. Specifically, we recommend Howard consider:

- Establishing formal procedures for the quarterly reconciliation of the Schedule to the Financial Statements, including ensuring required adjusting entries to expenditures are made.
- Updating its policies and procedures related to the Award Acceptance and Set-Up process. The formal policies and procedures should include implementation of controls to ensure the CFDA numbers and classifications of grants are properly entered into Howard's accounting system by the Office of Sponsored Programs personnel. We also recommend that Research Administrative Services perform a periodic review of the grant information within Howard's accounting system to ensure that information is accurate and up to date.
- Strengthening and enforcing its existing policies and procedures to ensure federal and non-federal expenditures are properly classified in the Schedule and processed in a timely manner.

View of Responsible Officials and Planned Corrective Actions:

Corrected. Howard has established a quarterly review of the SEFA and will update and enhance the Award Acceptance and Set-Up process.

Finding 2014-016: Allowable Costs/Cost Principles (Effort Certification)

Federal Agency: Agency for International Development

Program: Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) –
Nigeria (Family Health International), Foreign Service Diversity Fellowship Program

CFDA #: 98.001

Award #: AID-620-A-11-00002, AID-OAA-A-12-00035

Award Year: 10/5/2011 - 5/31/2016, 9/13/2012 - 9/12/2015

Pass through: Family Health International

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The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Federal Agency: Centers for Disease Control and Prevention

Program: Supporting the Scale Up of High Quality HIV Care and Treatment Programs in Malawi Through a Strengthened Laboratory Infrastructure Under the President's Emergency Plan for AIDS Relief, Surveillance of HIV Positive Pre-Arts Persons by HU in Partnership with SANAC

CFDA #: 93.067

Award #: 5U2GPS001938, 5U2GGH000391, 3U2GGH000391

Award Year: 9/30/2009 - 9/29/2014, 9/30/2012 - 9/29/2013, 9/30/2013 - 9/29/2014

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Federal Agency: Department of Health and Human Services

Program: Excellence in Health Professional Education Endowment

CFDA #: 93.375

Award #: 1S22-MD000241

Award Year: 10/8/2002 - Continuous

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Federal Agency: U.S. Department of State

Program: Charles B. Rangel International Affairs Program

CFDA #: 19.020

Award #: S-LMAQM-12-CA-1028, S-LMAQM-13-CA-1046

Award Year: 4/17/2012 - 6/30/2015, 5/8/2013 - 12/31/2015

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Federal Agency: Various

Program: Research and Development Cluster

CFDA #: Various

Award #: Various

Award Year: Various

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Criteria:

OMB Circular A-21 outlines the guidelines governing effort certification and the verification of salary distributions. Specifically, OMB Circular A-21 Section J requires institutions of higher education to maintain activity reports that reflect the distribution of activity expended by each employee covered by the system. The reports reflect an after the-fact reporting of the percentage of activity for each employee. Each report will account for 100% of the activity for which the employee is compensated. The report will reasonably reflect the percentage of activity applicable to each sponsored agreement, each indirect cost category and each major function of the institution. OMB Circular A-21 J.10 states that reports should reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principal investigator or responsible official(s) using suitable means of verification that the work was performed. OMB Circular A-21 also requires that the after-the-fact reporting be prepared each academic year, but no less frequently than every six months.

Howard has policies and procedures on effort certification based on OMB Circular A-21 requirements under the after-the-fact method. Howard also requires that the effort certification be prepared on a quarterly basis.

Condition:

Out of the 47 payroll transactions selected for testing, we noted that for 38 payroll transactions the effort certification was only prepared annually which is not in compliance with the OMB Circular A-21 requirements and Howard's internal policy.

Federal Agency: **Agency for International Development**

Program: **Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) – Nigeria (Family Health International), Foreign Service Diversity Fellowship Program**

Project #	Award #	Program	Agency	Number of Exceptions
6834	AID-620-A-11-00002	Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) - Nigeria (Family Health International)	Agency for International Development	2
7715	AID-OAA-A-12-00035	Foreign Service Diversity Fellowship Program	Agency for International Development	1

Total number of transactions **3**

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Federal Agency: Centers for Disease Control and Prevention

Program: Supporting the Scale Up of High Quality HIV Care and Treatment Programs in Malawi Through a Strengthened Laboratory Infrastructure Under the President's Emergency Plan for AIDS Relief, Surveillance of HIV Positive Pre-Arts Persons by HU in Partnership with SANAC

Project #	Award #	Program	Agency	Number of Exceptions
6413 8146	5U2GPS001938	Supporting the Scale-up of High Quality HIV Care and Treatment Programs in Malawi Through a Strengthened Laboratory Infrastructure Under the President's Emergency Plan for AIDS Relief	Centers for Disease Control and Prevention	10
7755	5U2GGH000391	Surveillance of HIV Positive Pre-Arts Persons by HU in Partnership with SANAC	Centers for Disease Control and Prevention	1
8210	3U2GGH000391	Surveillance of HIV Positive Pre-Arts Persons by HU in Partnership with SANAC	Centers for Disease Control and Prevention	2
Total number of exceptions				13

Federal Agency: Department of Health and Human Services

Program: Excellence in Health Professional Education Endowment

Project #	Award #	Program	Agency	Number of Exceptions
-	1S22-MD00241	Excellence in Health Professional Education Endowment	Department of Health and Human Services	3
Total number of exceptions				3

Federal Agency: U.S. Department of State

Program: Charles B. Rangel International Affairs Program

Project #	Award #	Program	Agency	Number of Exceptions
6912	S-LMAQM-12-CA-1028	2012 Rangel Fellowship and Summer Enrichment Programs	U.S. Department of State	3
7962	S-LMAQM-13-CA-1046	2013 Charles B. Rangel Fellowship	U.S. Department of State	2
Total number of exceptions				5

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Federal Agency: Various

Program: Research and Development Cluster

Project #	Award #	Program	Agency	Number of Exceptions
5135	44771-7480	NNIN National Nanotechnology Infrastructure Network (Cornell University)	National Science Foundation	1
6318	5P20MD000198-10	Washington DC-Baltimore Research Center on Child Health Disparities	Department of Health and Human Services	2
6501	NNX10AQ11A	Howard University Beltsville Center for Climate System Observation	National Aeronautics and Space Administration	1
6542	FCO-0080.0119/948	TLC-Plus: A Study to Evaluate the Feasibility of an Enhanced Test; Link to Care Plus Treatment for HIV Prevention in the United States (Family Health International)	Department of Health and Human Services	1
6955	RX-4004-029-HU-PCSP	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health and Human Services	1
6995	DRL-1242892	Building Connections and Learning Communities among Educators and Researchers at HBCUs	National Science Foundation	1
7342	NA11SEC4810003	NOAA Center for Atmospheric Sciences at Howard University	Department of Commerce	1
7598	11-M56R	The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	Department of Health and Human Services	1
7684	1P50HL118006-01	Center for Hemoglobin Research in Minorities (CHaRM)	Department of Health and Human Services	1
7999	RX-4004-051-HU-GOV	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health and Human Services	2
8000	RX-4004-052-HU-BI	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health and Human Services	2

Total number of exceptions

14

Questioned Costs:

None noted.

Context:

This condition was identified during the review of grant expenditures to ensure Howard's compliance with the provisions of OMB Circular A-21 requirements on allowable costs.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Effect:

Howard is not in compliance with OMB Circular A-21 and its own internal policies regarding the timely preparation of effort certification.

Cause:

Due to staff turnover, Howard was not able to prepare effort certifications based on the prescribed frequency.

Recommendation:

We recommend that Howard ensure established policies and procedures are followed in order to comply with the requirements of OMB Circular A-21 and to meet the accountability requirements as established in federal regulations. This includes ensuring that all effort certifications are compiled on a quarterly basis and that payroll expenses recorded in the general ledger are reconciled to what is reported on the effort certificate to ensure completeness and accuracy of the effort calculated and used in evaluation by the responsible individuals.

View of Responsible Officials and Planned Corrective Actions:

Howard University will change the current effort certification policy to require bi-annual certifications rather than quarterly certifications in accordance with OMB Circular A-21. Bi-annual certifications will include the timeframe of July 1 - December 31, and January 1 – June 30th certifications. The policy will be updated to reflect the new process. We will ensure that payroll records are reconciled to the general ledger as well as ensure the effort certifications are complete and accurate.

Finding 2014-017: Allowable Costs/Cost Principles

Federal Agency: Agency for International Development

Program: Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) –
Nigeria (Family Health International), Foreign Service Diversity Fellowship Program

CFDA #: 98.001

Award #: AID-620-A-11-00002, AID-OAA-A-12-00035

Award Year: 10/5/2011 – 5/31/2016, 9/13/2012 - 9/12/2015

Pass through: Family Health International

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The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Federal Agency: Centers for Disease Control and Prevention

Program: Supporting the Scale Up of High Quality HIV Care and Treatment Programs in Malawi Through a Strengthened Laboratory Infrastructure Under the President's Emergency Plan for AIDS Relief, Surveillance of HIV Positive Pre-Arts Persons by HU in Partnership with SANAC

CFDA #: 93.067

Award #: 5U2GPS001938, 3U2GGH000391

Award Year: 9/30/2009 - 9/29/2014, 9/30/2013 - 9/29/2014

* * * * *

Federal Agency: Department of Health and Human Services

Program: Excellence in Health Professional Education Endowment

CFDA #: 93.375

Award #: 1S22-MD000241

Award Year: 10/8/2002 - Continuous

* * * * *

Federal Agency: U.S. Department of State

Program: Charles B. Rangel International Affairs Program

CFDA #: 19.020

Award #: S-LMAQM-12-CA-1028, S-LMAQM-13-CA-1046

Award Year: 4/17/2012 - 6/30/2015, 5/8/2013 - 12/31/2015

* * * * *

Federal Agency: Various

Program: Research and Development Cluster

CFDA #: Various

Award #: Various

Award Year: Various

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Criteria:

According to OMB Circular A-133 Subpart C, Section __.300, the auditee has the responsibility to "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

OMB Circular A-21 section (E)(2) states that a base period for distribution of Facilities and Administrative (F&A) costs is the period during which the costs are incurred. The base period normally should coincide with the fiscal year established by the institution.

OMB Circular A-21 section (J)(10)(F) states that fringe benefits are allowable provided such costs are distributed to all institutional activities in proportion to the relative amount of time or effort actually devoted by employees.

Condition:

During our testing for compliance with applicable F&A and fringe benefit cost rates based on the terms and conditions of the awards, we noted the F&A and fringe benefit costs for the following programs were not properly charged to the period during which the costs were incurred resulting in overcharges and undercharges of F&A and fringe benefit costs on the preliminary Schedule. Management subsequently corrected the overcharged (undercharged) amounts for all programs noted below to ensure that the amounts were properly excluded (included) from the Schedule.

Federal Agency: **Agency for International Development**

Program: **Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) –
Nigeria (Family Health International), Foreign Service Diversity Fellowship Program**

Project #	Award #	Program	Agency	Fringe Benefit Overcharge (Undercharge)	F&A Cost Overcharge (Undercharge)
6834	AID-620- A-11- 00002	Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) - Nigeria (Family Health International)	Agency for International Development	(\$129)	(\$334,101)
7715	AID-OAA- A-12- 00035	Foreign Service Diversity Fellowship Program	Agency for International Development	(\$47)	(\$9)
Total Overcharge (Undercharge)				(\$176)	(\$334,110)

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Federal Agency: Centers for Disease Control and Prevention

Program: Supporting the Scale Up of High Quality HIV Care and Treatment Programs in Malawi Through a Strengthened Laboratory Infrastructure Under the President's Emergency Plan for AIDS Relief, Surveillance of HIV Positive Pre-Arts Persons by HU in Partnership with SANAC

Project #	Award #	Program	Agency	Fringe Benefit Overcharge (Undercharge)	F&A Cost Overcharge (Undercharge)
6288	5U2GPSO 01938	Supporting the Scale-up of High Quality HIV Care and Treatment Programs in Malawi Through a Strengthened Laboratory Infrastructure Under the President's Emergency Plan for AIDS Relief	Centers for Disease Control and Prevention	(\$32,475)	(\$15,245)
6413	5U2GPSO 01938	Supporting the Scale-up of High Quality HIV Care and Treatment Programs in Malawi Through a Strengthened Laboratory Infrastructure Under the President's Emergency Plan for AIDS Relief	Centers for Disease Control and Prevention	\$(51,378)	(\$29,499)
8146	5U2GPSO 01938	Supporting the Scale-up of High Quality HIV Care and Treatment Programs in Malawi Through a Strengthened Laboratory Infrastructure Under the President's Emergency Plan for AIDS Relief	Centers for Disease Control and Prevention	\$395	\$148
8210	3U2GGHO 00391	Surveillance of HIV Positive Pre-Arts Persons by HU in Partnership with SANAC	Centers for Disease Control and Prevention	(\$125)	(\$30)
Total Overcharge (Undercharge)				<u>(\$83,583)</u>	<u>(\$44,626)</u>

Federal Agency: Department of Health and Human Services

Program: Excellence in Health Professional Education Endowment

Project #	Award #	Program	Agency	Fringe Benefit Overcharge (Undercharge)	F&A Cost Overcharge (Undercharge)
-	1S22-MD00241	Excellence in Health Professional Education Endowment	Centers for Disease Control and Prevention	\$-	(\$1,031)
Total Overcharge (Undercharge)				<u>\$-</u>	<u>(\$1,031)</u>

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Federal Agency: U.S. Department of State

Program: Charles B. Rangel International Affairs Program

Project #	Award #	Program	Agency	Fringe Benefit Overcharge (Undercharge)	F&A Cost Overcharge (Undercharge)
6912	S-LMAQM-12-CA-1028	2012 Rangel Fellowship and Summer Enrichment Programs	U.S. Department of State	(\$1,209)	\$266
7962	S-LMAQM-13-CA-1046	2013 Charles B. Rangel Fellowship	U.S. Department of State	(\$212)	(\$2)
Total Overcharge (Undercharge)				<u>(\$1,421)</u>	<u>\$264</u>

Federal Agency: Various

Program: Research and Development Cluster

Project #	Award #	Program	Agency	Fringe Benefit Overcharge (Undercharge)	F&A Cost Overcharge (Undercharge)
5135	44771-7480	NNIN National Nanotechnology Infrastructure Network (Cornell University)	National Science Foundation	(\$228)	\$5,130
6095	HRD-0833127	Crest Nanoscale Analytical Sciences Research and Education Center	National Science Foundation	\$5,892	\$3,257
6130	09-005233D00	Materials Research Science and Engineering Center on Polymer (University of Massachusetts)	National Science Foundation	\$38	\$40
6219	1R01AG031517	ARRA - Effects of Standardized Aerobic Exercise - Training on Neurocognitive and Neurodege	Department of Health And Human Services	(\$40)	\$29
6318	5P20MD000198-10	Washington DC-Baltimore Research Center on Child Health Disparities	Department of Health And Human Services	(\$216)	\$48
6403	DMR-1006010	Collaborative Research Carbon Nano horns: Adsorption Kinetic and Equilibrium Experiments and Simulations	National Science Foundation	\$-	(\$384)
6456	HRD-1000286	LSAMP - Washington Baltimore Hampton Roads Alliance	National Science Foundation	(\$704)	(\$2,881)
6591	5G12RR003048-23	Computational Biology, Bioinformatics, Imaging and Proteomics Research – RCMI	Department of Health And Human Services	\$-	(\$341)

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

6781	FA9550-12-1-0306	Feasibility Study to Evaluate Candidate Materials of Nano Filled Block Co-Polymers for use in Ultra High Density Pulsed Power Capacitors	Department of Defense	\$-	(\$1,269)
6798	DMR-1205608	Partnership for Reduced Dimensional Materials	National Science Foundation	\$-	(\$347)
6827	HRD-1208880	Increasing the Participation and Advancement of Women in Academic Science and Engineering Careers	National Science Foundation	(\$610)	\$11,250
6954	RX 4004-032-HU-KL2	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	\$-	(\$164)
6955	RX-4004-029-HU-PCSP	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	\$-	(\$204)
6995	DRL-1242892	Building Connections and Learning Communities among Educators and Researchers at HBCUs	National Science Foundation	(\$276)	(\$1,832)
7342	NA11SEC 4810003	NOAA Center for Atmospheric Sciences at Howard University	Department of Commerce	(\$53)	\$58
7396	W911NF-11-2-0039	Bayesian Imaging and Advanced Signal Processing for Landmine and IED Detection	Department of Defense	(\$228)	(\$80)
7474	1R01MH 091460-01A1	Using Olfactory Epithelial Tissue to Define Molecular Mediators of Lithium Action	Department of Health And Human Services	(\$145)	(\$4,506)
7598	11-M56R	The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	Department of Health And Human Services	\$-	\$102
7666	5G12RR0 03018-24	Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMi	Department of Health And Human Services	\$-	\$168,765
7667	5G12RR0 03018-24	Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMi	Department of Health And Human Services	\$-	\$147,965
7668	5G12RR0 03018-24	Computational Biology, Bioinformatics, Imaging and Proteomics Research – RCMi	Department of Health And Human Services	\$-	\$57,409
7684	1P50HL1 18006-01	Center for Hemoglobin Research in Minorities (CHaRM)	Department of Health And Human Services	(\$284)	\$3,542

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

7992	RX 4004- 055-HU- CER	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	\$-	\$652
7996	RX 4004- 056-HU- PCIR	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	\$-	\$2,392
8000	RX- 4004- 052-HU- BI	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	\$-	\$28
8052	HRD- 1208880	HU Advance IT: Women of Color Faculty in STEM as Change Agents	National Science Foundation	\$-	\$1,040
8060	5G12MD 007597- 25	Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI	Department of Health And Human Services	(\$165)	\$6,592
8061	5G12MD 007597- 25	Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI	Department of Health And Human Services	(\$169)	\$5,455
8062	5G12MD 007597- 25	Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI	Department of Health And Human Services	(\$96)	\$6,599
8063	5G12MD 007597- 25	Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI	Department of Health And Human Services	(\$67)	\$3,080
8131	NA11SEC 4810003	NOAA Center for Atmospheric Sciences at Howard University	Department of Commerce	(\$5,132)	\$5,399
8159	7R01AGO 38492- 03	Cumulative Stress and CVD Risk in Middle -Aged and Older Women	Department of Health And Human Services	(\$73)	(\$22)
8186	450237- 19782	Intelligence Community Center of Academic Excellence Initiative - Virginia Tech	Department Of Defense	(\$54)	\$254
8314	RX 4004- 075-HU- CER	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	(\$45)	(\$5)
8315	RX 4004- 082-HU- KL2	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	(\$7)	\$1,253
8317	RX 4004- 081-HU- EVAL	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	(\$7)	\$118
8318	RX 4004- 076-HU- PCIR	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	(\$430)	(\$14)

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

8319	RX 4004- 074-HU- REKS	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	(\$50)	(\$5)
8320	RX 4004- 073-HU- DBPS	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	(\$51)	(\$3)
8321	RX 4004- 071-HU- GOV	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	(\$133)	(\$22)
8322	RX 4004- 0072- HU-BI	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	(\$48)	\$3
8323	RX 4004- 0078- HU-TTR	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	(\$19)	\$-
8324	RX 4004- 057-HU- RETCD	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	(\$36)	(\$8)
Total Overcharge (Undercharge)				<u>(\$3,436)</u>	<u>\$418,373</u>

Questioned Costs:

None noted.

Context:

This condition was identified during the review of grant expenditures to ensure Howard's compliance with the provisions of OMB Circular A-21 requirements on allowable costs.

Effect:

Lack of appropriate management oversight on charging and recording of F&A and fringe benefit costs to the correct period could result in loss of funding and termination of a program.

Cause:

Howard's accounting system incorrectly charges F&A and fringe benefit costs in the period during which the costs are incurred. Also, there is lack of management oversight and review of F&A and fringe benefit costs charged to each program.

Recommendation:

We recommend that Howard strengthen its policies and procedures to ensure that F&A and fringe benefit costs are charged to the period during which the costs are incurred. In addition, Howard should fix its accounting system to ensure costs are charged to the program's appropriate period.

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Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

View of Responsible Officials and Planned Corrective Actions:

Corrected. Howard has established a quarterly review of the SEFA and will strengthen procedures to ensure F & A and fringe benefit costs are charged to the period the costs were incurred.

Finding 2014-018: Reporting

Federal Agency: Department of Education

Program: Student Financial Aid Cluster

CFDA #: 84.063

Award #: Various

Award Year: Various

Criteria:

34 CFR 690.83(a) – *Submission of Reports* states that (a)(1) an institution may receive either a payment from the Secretary for an award to a Federal Pell Grant recipient, or a corresponding reduction in the amount of Federal funds received in advance for which it is accountable, if (i) the institution submits to the Secretary the student's Payment Data for that award year in the manner and form prescribed in paragraph (a)(2) of this section by September 30 following the end of the award year in which the grant is made, or, if September 30 falls on a weekend, on the first weekday following September 30; and (ii) the Secretary accepts the student's Payment Data. (2) The Secretary accepts a student's Payment Data that is submitted in accordance with procedures established through publication in the FEDERAL REGISTER, and that contains information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution. (3). An institution that does not comply with the requirements of this paragraph may receive a payment or reduction in accountability only as provided in paragraph (d) of this section.

On February 28, 2013, the FEDERAL REGISTER published a notice that reduced from 30 days to 15 days the timeframe for when an institution must submit to the Common Origination and Disbursement (COD) system, Pell Grant disbursement information, including adjustments to previously reported disbursements. The reduced 15 day timeframe applies to any disbursement or adjustment made on or after April 1, 2013.

Condition:

Out of 70 students with 134 Pell Grant disbursements selected for testing, we noted 17 Pell Grant disbursements where the disbursement information was not submitted to the COD system within the 15 day timeframe.

Questioned Costs:

None noted.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Context:

This condition was identified through the review of the specific compliance requirements to ensure Howard's compliance with the provisions of OMB Circular A-133 and CFR requirements regarding financial reporting.

Effect:

Howard was not in compliance with federal regulations and untimely reporting may result in other institutions not having complete information in disbursing Pell Grant.

Cause:

Due to an Information Technology issue, the disbursement information was not submitted to the COD system within the prescribed 15 day timeframe.

Recommendation:

Howard should ensure that controls for implementing the established Pell Grant disbursement information reporting policies are diligently executed to ensure that all disbursement information is reported to the COD system within the prescribed 15 day timeframe.

View of Responsible Officials and Planned Corrective Actions:

The University agrees that these instances were not captured by Common Origination and Disbursement (COD) in a timely manner. The University timely disbursed and sent the files to COD (as audited by the external auditor) but they apparently were not captured on these particular dates. We have also reviewed the COD Technical Updates online and our software (e.g. Ellucian/Banner) is working properly. We will identify and implement procedures to ensure that disbursement information is reported to the COD system timely.

Finding 2014-019: Special Tests and Provisions (Return of Title IV Funds)

Federal Agency:	Department of Education
Program:	Student Financial Aid Cluster
CFDA #:	84.007, 84.063, 84.268
Award #:	Various
Award Year:	Various

Criteria:

34 CFR 668.22(j) - *Timeframe for Return of Title IV Funds* states (1) An Institution must return the amount of title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

34 CFR 668.22(g) – *Return of Unearned Aid Responsibility of the Institution* states (1) The Institution must return the lesser of: (i) the total amount of unearned title IV assistance to be returned or (ii) an amount equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of Title IV grant or loan assistance that has not been earned by the student.

Condition:

Out of 25 students selected for testing, we noted that 1 refund submission in the amount of \$7,999, was returned 88 days after the determination that the student withdrew. In addition, the amount that should have been returned by Howard was \$9,052 instead of \$7,999.

Questioned Costs:

Below reporting threshold.

Context:

This condition was identified through the review of the specific compliance requirements to ensure Howard's compliance with the provisions of OMB Circular A-133 and CFR requirements regarding return of Title IV funds.

Effect:

Due to the incorrect and late submission of Title IV refunds, SFA funds were not readily available for use elsewhere and Howard is not in compliance with the federal regulations.

Cause:

Due to a manual error, certain Title IV refunds were incorrectly calculated and were returned late.

Recommendation:

Howard should ensure that controls for implementing the established withdrawal and refund policies are more diligently executed to ensure that all refunds are calculated properly and returned to the lender in a timely manner.

View of Responsible Officials and Planned Corrective Actions:

The University agrees with this finding and notes that the return was related to a partial amount of a particular fund (while all other amounts were returned timely and in accordance with federal guidelines). However, the University has instituted an internal management review process for this requirement in the future.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Finding 2014-020: Special Tests and Provisions (Enrollment Reporting)

Federal Agency: Department of Education

Program: Student Financial Aid Cluster

CFDA #: 84.268

Award #: Various

Award Year: Various

Criteria:

34 CFR 685.309 (b) – *Enrollment Reporting Process* states that a school (1) upon receipt of an enrollment report from the Secretary, a school must update all information included in the report and return the report to the Secretary (i) in the manner and format prescribed by the Secretary; and (ii) within the timeframe prescribed by the Secretary; and (2) Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that (i) a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or (ii) a student who is enrolled at the school and who received a loan under Title IV of the Act has changed his or her permanent address.

Condition:

Our audit disclosed that although Howard has policies and procedures for transmitting information to the National Student Clearinghouse (NSC), Howard did not report timely a change in a student's enrollment status, which would have allowed for the NSC to report timely to the National Student Loan Data System (NSLDS), within the prescribed timeframe.

Out of 41 students selected for testing, we noted 1 student's change in enrollment status was reported 79 days after the effective change date, thus being in excess of 60 days.

Questioned Costs:

None noted.

Context:

This condition was identified through the review of the specific compliance requirements to ensure Howard's compliance with the provisions of OMB Circular A-133 and CFR requirements regarding enrollment reporting.

Effect:

Howard did not enforce timely follow up and communication internally and with NSC to ensure that the student enrollment changes were processed within the prescribed timeframe.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Cause:

Howard did not follow up on a timely basis to ensure that all student enrollment changes were reported and recorded within 60 days as required, even though an intermediary party, i.e. NSC, was used.

Recommendation:

Howard should ensure that controls for implementing the established reporting policies are more diligently executed to ensure that changes in a student's enrollment status are reported in a timely manner.

View of Responsible Officials and Planned Corrective Actions:

The University agrees with this finding and notes that the student's total withdrawal was accurately recorded by the University and reported to our third-party servicer (National Student Clearinghouse) but that the change was not uploaded by the third-party servicer until the next scheduled update. The University is now using its own reporting as recommended by ED.

Finding 2014-021: Special Tests and Provisions (Verification)

Federal Agency: Department of Education

Program: Student Financial Aid Cluster

CFDA #: 84.007, 84.033, 84.038, 84.063, 84.268

Award #: Various

Award Year: Various

Criteria:

34 CFR 668.54 (a) through (b) – Selection of an applicant's Free Application for Federal Student Aid (FAFSA) information for verification states that (a) General requirements (1) except as provided in paragraph (b) of this section, an institution must require an applicant whose FAFSA information is selected for verification by the Secretary, to verify the information specified by the Secretary pursuant to 34 CFR 668.56; (2) if an institution has reason to believe that an applicant's FAFSA information is inaccurate, it must verify the accuracy of that information; (3) An institution may require an applicant to verify any FAFSA information that it specifies; (4) if an applicant is selected to verify FAFSA information under paragraph (a)(1) of this section, the institution must require the applicant to verify the information as specified in 34 CFR 668.56 if the applicant is selected for a subsequent verification of FAFSA information, except that the applicant is not required to provide documentation for the FAFSA information previously verified for the applicable award year to the extent that the FAFSA information previously verified remains unchanged; (b) exclusions from verification (1) an institution need not verify an applicant's FAFSA information if (i) the applicant dies; (ii) the applicant does not receive assistance under the title IV, Higher Education Act (HEA) programs for reasons other than failure to verify FAFSA information; (iii) the applicant is eligible to receive only unsubsidized student financial assistance; or (iv) the applicant who transfer to the institution, had previously completed verification at the institution from which he or she transferred, and applies for assistance based on the same FAFSA information used at the previous institution, if the current institution obtains a letter from the previous institution: (A) stating that it has verified the applicant's information; and (B) providing the transaction number of the applicable valid Institutional Student Information Records (ISIR).

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Condition:

In fiscal year 2014, Howard became a participant in the Department of Education's Quality Assurance (QA) Program. Under the QA Program, Howard is required to design and implement a comprehensive program to verify student financial aid application data based on analysis of institution specific data. Although Howard established the selection criteria for verification, Howard did not verify all students who met Howard's criteria for verification.

During our review of a sample of 40 students who met Howard's criteria for verification, we noted that FAFSA information of 6 students was not verified.

Questioned Costs:

None noted.

Context:

This condition was identified through the review of the specific compliance requirements to ensure Howard's compliance with the provisions of OMB Circular A-133 and CFR requirements regarding verification.

Effect:

Howard was not in compliance with the federal regulations and the requirements under the Title IV Program Participation Agreement for Participation in the QA Program.

Cause:

Howard made an institutional decision to verify only a certain number of student applications rather than all of the students who met Howard's selection criteria for verification.

Recommendation:

Howard should establish written policies and procedures to ensure that verification of FAFSA information is performed to all who meet Howard's selection criteria for verification unless excluded by the federal regulations.

View of Responsible Officials and Planned Corrective Actions:

The University agrees with this finding and notes that the QAP guidance was not clear. This marked the University's first year as a QAP participant and as part of our testing, we selected a sample of students who met our established criteria. We have since modified our practice to align with QAP guidance as now re-defined and explained by ED.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Finding 2014-022: Allowable Costs/Cost Principles

Federal Agency: Department of Health and Human Services
Program: Excellence in Health Professional Education Endowment
CFDA #: 93.375
Award #: 1S22-MD000241
Award Year: 10/8/2002 - Continuous

Criteria:

OMB Circular A-21 section "J. General provisions for selected items of cost" under paragraph "22. Goods or services for personal use," states that costs of goods or services for personal use of the institution's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

Condition:

During a review of 10 sample transactions selected for testing, we noted that 3 transactions included a total amount of \$26 for purchases of goods for personal consumption.

Questioned Costs:

Below reporting threshold.

Context:

This condition was identified during the review of grant expenditures to ensure Howard's compliance with the provisions of OMB Circular A-21 requirements on allowable costs.

Effect:

Howard's failure to properly identify personal expenses resulted in unallowable expenditures charged to the Federal program.

Cause:

Howard personnel did not properly identify personal expenses that were included in the itemized receipts and incorrectly charged the expenditures to the Federal program. This was due to lack of review and approval for purchases using P-Cards.

Recommendation:

We recommend that Howard strengthen its policies and procedures to ensure that amounts charged to the Federal program do not include unallowable costs. In addition, Howard should enhance internal controls over review and approval of purchases using P-Cards.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

View of Responsible Officials and Planned Corrective Actions:

The unallowable purchases were made with a Purchase-Card (P-Card). Howard has hired a new P-Card administrator to monitor restricted purchases and reconciliations in accordance with OMB Circular A-21. Also, Howard has an additional feature that allows users to monitor purchases with declining balances as well as expiration dates.

Finding 2014-023: Matching, Level of Effort, Earmarking

Federal Agency: **Agency for International Development**

Program: **Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) –
Nigeria (Family Health International)**

CFDA #: **98.001**

Award #: **AID-620-A-11-00002**

Award Year: **10/5/2011-5/31/2016**

Pass through: **Family Health International**

Criteria:

Per subagreement between Family Health International and Howard University, Howard's cost share contribution will be 2% of the total obligated funding. Howard's cost share contribution for fiscal year 2014 shall be \$45,354.

Condition:

During our review of the matching requirements, we noted that Howard does not monitor on a regular basis whether or not matching requirements are met. In addition, documentation for how Howard complies with this matching requirement is not maintained and tracked through its accounting system. However, subsequently during our audit, Howard was able to recalculate and demonstrate it had met the matching requirement.

Questioned Costs:

None noted.

Context:

This condition was identified during the review of grant expenditures to ensure Howard's compliance with the provision of the grant agreement's matching requirements.

Effect:

Lack of oversight from management to meet matching requirements could result in loss of funding and termination of a program.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Cause:

Policies and procedures were not appropriately adhered to monitor the required matching compliance requirements.

Recommendation:

We recommend that Howard strengthen its policies and procedures over monitoring of matching requirements to ensure that the required cost share requirements are met. We also recommend that the matching requirements are tracked and monitored through the accounting system with the supporting documentation maintained and available for review.

View of Responsible Officials and Planned Corrective Actions:

Corrected. The matching requirement was met and Howard will strengthen its procedures of tracking and monitoring of cost share and matching requirements.

Finding 2014-024: Special Tests and Provisions (Fly America Act)

Federal Agency:	Centers for Disease Control and Prevention (CDC)
Program: with SANAC	Surveillance of HIV Positive Pre-ARTS Persons by HU in Partnership
CFDA #:	93.067
Award #:	3U2GGH000391
Award Year:	9/30/2011 - 9/29/2016

Criteria:

Per Award 3U2GGH000391 under CDC, recipients must comply with Department of Health and Human Services Grant Policy Statement with regards to travel costs which is consistent with the Fly America Act. Under the Policy Statement, recipients with foreign travel must comply with the requirement that U.S. flag air carriers be used by domestic recipients to the maximum extent possible when commercial air transportation is the means of travel between the United States and a foreign country or between foreign countries. This requirement must not be influenced by factors of cost, convenience, or personal travel preference. The cost of travel under a ticket issued by a U.S. flag air carrier that leases space on a foreign air carrier under a code-sharing agreement is allowable if the purchase is in accordance with GSA regulations on U.S. flag air carriers and code shares. A code-sharing agreement is an arrangement between a U.S. flag carrier and a foreign air carrier in which the U.S. flag carrier provides passenger service on the foreign air carrier's regularly scheduled commercial flights.

Condition:

Out of 5 foreign travel transactions selected for testing, we noted that a U.S. flag air carrier was not used to the maximum extent possible in 1 transaction from the U.S. to Johannesburg, South Africa with a ticket cost of \$1,002. In addition, there was no code-sharing agreement between the U.S. flag carrier and the foreign air carrier used for this travel.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Questioned Costs:

Below reporting threshold.

Context:

This condition was identified during our review of the specific compliance requirements to ensure Howard's compliance with the provision noted in the grant agreement regarding travel costs.

Effect:

Lack of appropriate management oversight on the special provisions outlined in the grant agreements could result in loss of funding and termination of a program.

Cause:

Policies and procedures were not in place in order to comply with the required special provisions of the grant agreements related to the Fly America Act.

Recommendation:

We recommend that Howard improve its policies and procedures to ensure that foreign travel is in accordance with the terms and conditions of the grant agreements.

View of Responsible Officials and Planned Corrective Actions:

We will enforce our travel policy and procedures stipulating that international travel should be arranged and purchased through Omega Travel Services ("ghost" travel card) or representative knowledgeable of the American Fly Act. Also, travel should be purchased in accordance with the Department of Health and Human Services Grant Policy Statement with regards to travel costs which is consistent with the Fly America Act.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Finding 2014-025: Equipment and Real Property Management

Federal Agency: Various

Program: Research and Development

CFDA #: Various

Award #: Various

Award Year: Various

Pass through: Various

Criteria:

OMB Circular A-110 Subpart C- Post Award Requirements Sec. 34 f (1) Equipment records shall be maintained accurately and shall include the following information (2) Equipment owned by the Federal Government shall be identified to indicate federal ownership (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment (4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the Federal Government, the recipient shall promptly notify the federal awarding agency (5) Adequate maintenance procedures shall be implemented to keep the equipment in good condition (6) Where the recipient is authorized or required to sell the equipment, proper sales procedures shall be established which provide for competition to the extent practicable and result in the highest possible return.

Condition:

During our review of equipment acquired under federal awards, we noted that 7 out of the 12 equipment items selected for physical inspection were not tagged or identified to indicate federal ownership.

Questioned Costs:

None noted.

Context:

This condition was identified during the review of equipment acquired under federal awards to ensure Howard's compliance with the provisions of OMB Circular A-110 on property management standards for equipment.

Effect:

Lack of appropriate management oversight to meet the property management standards for equipment could lead to misappropriation of assets and noncompliance with federal regulations, including return of funding to the grantor agency.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Cause:

Management failed to comply with its policies and procedures in place to ensure that all equipment management activities are in accordance with OMB Circular A-110.

Recommendation:

We recommend that Howard strengthen its policies and procedures in order to properly prepare and maintain official property management records, including properly tagging all equipment over \$5,000 purchased with federal funds.

View of Responsible Officials and Planned Corrective Actions:

Property management policies and procedures will be updated, enhanced and enforced in order to properly maintain official property records, including properly tagging all equipment over \$5,000 purchased with federal funds. The roles and responsibilities are being outsourced to an experienced agency to assure that compliance is adhered to in accordance with federal regulations. The outsourced agency will also provide training campus-wide to assure all federal tagging is complete and accurate.

Finding 2014-026: Procurement and Suspension and Debarment

Federal Agency:	Various
Program:	Research and Development
CFDA #:	Various
Award #:	Various
Award Year:	Various
Pass through:	Various

Criteria:

OMB Circulars A-133 and A-110 require that recipients of federal awards have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborate compliance with these requirements.

Condition:

Out of the 6 procurement files with a total purchase order amount of \$305,168 selected for testing, we noted the following:

- 3 procurement files with a total purchase order amount of \$131,799 had no evidence of cost or price analysis and/or written justification for utilizing the sole source method.
- In 1 of the 3 procurement files in the amount of \$25,000, there was no evidence verifying whether the vendor involved in a procurement transaction had been debarred or suspended from providing service where federal funds are utilized.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Questioned Costs:

Not determinable.

Context:

This condition was identified during the review of procurement files to ensure Howard's compliance with the provisions of OMB Circulars A-133 and A-110 regarding procurement and suspension and debarment.

Effect:

Lack of appropriate management oversight to meet the Procurement and Suspension and Debarment compliance requirements could result in unallowable costs charged to the grant and could further lead to loss of funding and termination of a program.

Cause:

Management failed to comply with its policies and procedures in place to ensure that all procurement activities are in accordance with OMB Circulars A-133 and A-110.

Recommendation:

We recommend that Howard develop detailed quality assurance policies and procedures that focus on ensuring that all procurement actions processed are documented and supported in accordance with federal laws and regulations. In addition, we recommend that Howard review its policies and procedures to ensure that complete documentation is maintained for all procurement transactions.

View of Responsible Officials and Planned Corrective Actions:

The Office of Procurement will update procedures to ensure that all purchases made with federal funds are documented in accordance with federal regulations. Updated policies will also include that complete documentation is maintained in accordance with federal regulations.

Finding 2014-027:Special Tests and Provisions (Publications)

Federal Agency:	Various
Program:	Research and Development Cluster
CFDA #:	Various
Award #:	Various
Award Year:	Various

Criteria:

Per grant agreements between Howard and several federal agencies under the Research and Development cluster, each publication that results from grant support by the grantors, Howard must include an acknowledgement of support and a disclaimer that the contents are the responsibility of the authors and not of the grantors.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Condition:

Out of the 69 publications selected for testing, we noted the following:

- 19 publications were not available for testing;
- 8 publications did not have acknowledgement of support; and
- 24 publications did not have the required disclaimer.

Project #	Award #	Program	Agency	A	B	C
5135	44771-7480	NNIN National Nanotechnology Infrastructure Network (Cornell University)	National Science Foundation	12	-	-
6798	DMR-1205608	Partnership for Reduced Dimensional Materials	National Science Foundation	7	-	-
7396	W911NF-11-2-0039	Bayesian Imaging and Advanced Signal Processing for Landmine and IED Detection	Department of Defense	-	-	2
7684	1P50HL1180 06-01	Center for Hemoglobin Research in Minorities (CHaRM)	Department of Health And Human Services	-	6	15
8029	RX 4004-043-HU	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	-	1	2
Various	Various	Center for Clinical and Translational Sciences – (Georgetown University)	Department of Health And Human Services	-	1	5
Total				19	8	24

A – Publications not available for testing.

B – Publications did not have the acknowledgement of support.

C – Publications did not have the required disclaimer.

Questioned Costs:

None noted.

Context:

This condition was identified during our review of the specific compliance requirements to ensure Howard's compliance with the provisions noted in the grant agreement regarding publications and acknowledgements.

Effect:

Lack of appropriate management oversight on the special provisions outlined in the grant agreements could result in loss of funding and termination of a program.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Cause:

Policies and procedures were not appropriately adhered to in order to monitor the required special provisions on the grant agreements.

Recommendation:

We recommend that Howard strengthen its policies and procedures over monitoring of special provisions in the grant agreements related to publications and acknowledgements to ensure that grant requirements are met.

View of Responsible Officials and Planned Corrective Actions:

Howard will establish and strengthen current policies and procedures over monitoring of special provisions in the grant awards related to publications, acknowledgements and disclaimers to ensure that grant requirements are in compliance.

The quarterly reviews of grants and contracts will ensure complete and accurate compliance for financial reporting.

Finding 2014-028: Matching, Level of Effort, Earmarking

Federal Agency: U.S. Department of State
Program: Charles B. Rangel International Affairs Program
CFDA #: 19.020
Award #: S-LMAQM-13-CA-1046
Award Year: 5/8/2013 - 12/31/2015

Criteria:

Per the grant agreement between U.S. Department of State and Howard University, Howard's cost share contribution for the entire project shall be \$171,754 which is 6.9% of the total federal award. Howard's cost share contribution for fiscal year 2014 shall be \$99,389.

Condition:

During our review of the matching requirements, we noted that Howard does not monitor on a regular basis whether or not matching requirements are met. In addition, documentation for how Howard complies with this matching requirement is not maintained and tracked through its accounting system. However, subsequently during our audit, Howard was able to recalculate and demonstrate it had met the matching requirement.

Questioned Costs:

None noted.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Context:

This condition was identified during the review of grant expenditures to ensure Howard's compliance with the provision of the grant agreement's matching requirements.

Effect:

Lack of oversight from management to meet matching requirements could result in loss of funding and termination of a program.

Cause:

Policies and procedures were not appropriately adhered to in order to monitor the required matching compliance requirements.

Recommendation:

We recommend that Howard strengthen its policies and procedures over monitoring of matching requirements to ensure that the required cost share requirements are met. We also recommend that the matching requirements are tracked and monitored through the accounting system with the supporting documentation maintained and available for review.

View of Responsible Officials and Planned Corrective Actions:

Corrected. The matching requirement was met and Howard will strengthen its procedures of tracking and monitoring of cost share and matching requirements.

Finding 2014-029: Reporting

Federal Agency: U.S. Department of State
Program: Charles B. Rangel International Affairs Program
CFDA #: 19.020
Award #: S-LMAQM-13-CA-1046
Award Year: 5/8/2013 - 12/31/2015

Criteria:

Per Award S-LMAQM-13-CA-1046 under U.S. Department of State, the recipient must report the amount of cost sharing contributed under the award in its financial status reports.

Condition:

During our testing performed over a total of 5 quarterly financial status reports from the Charles B. Rangel International Affairs Program, we noted that Howard did not include its contributed amount of cost sharing on 2 quarterly financial status reports as required by the grant agreement.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Questioned Costs:

None noted.

Context:

This condition was identified during the review of reporting requirements to ensure Howard's compliance with the provisions required by the grant agreement.

Effect:

Lack of appropriate management oversight to meet the reporting requirements could lead to inaccurate information submitted to the Federal agency.

Cause:

Howard failed to comply with its policies and procedures in place to ensure that all required information was properly included on the financial status reports.

Recommendation:

We recommend that Howard strengthen its policies and procedures over financial reporting to ensure that controls are in place to accurately and completely include all required information in the financial reports submitted to the Federal agency.

View of Responsible Officials and Planned Corrective Actions:

RAS (Post Award Administration) will establish quarterly reviews that include a checklist of financial terms and conditions compiled for the purpose of monitoring each grant. A composite listing of financial terms and conditions will be established and available on the Grants and Contracts shared folders to determine: the type of financial report needed, the frequency of reporting, whether cost share/matching is required, due dates, other compliances, etc.

The quarterly reviews of grants and contracts will ensure complete and accurate compliance for financial reporting.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Finding 2014-030: Allowable Costs/Cost Principles

Federal Agency: U.S. Department of State
Program: 2012 Rangel Fellowship and Summer Enrichment Programs
CFDA #: 19.020
Award #: S-LMAQM-12-CA-1028
Award Year: 4/17/2012 – 6/30/2015

* * * * *

Federal Agency: Various
Program: Research and Development Cluster
CFDA #: Various
Award #: Various
Award Year: Various
Pass through: Various

Criteria:

OMB Circular A-133 - Section __.310 (b) sets forth that the auditee shall prepare a Schedule of Expenditures of Federal Awards ("the Schedule") for the period covered by the auditee's financial statements.

OMB Circular A-110 – Section __.21, which includes standards for financial management systems, notes recipients' financial management systems shall provide for the following:

(2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

OMB Circular A-133, Subpart B Section __.205, states that the determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditure/ expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and, the period when insurance is in force.

The Howard University

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

Condition:

Howard prepares the Schedule on the accrual basis of accounting. The process used by Howard to prepare the Schedule uses data gathered from the general ledger. We noted several items during our testing of allowable costs for the awards noted above relating to out of period expenditures.

Out of Period Expenditures

During our review of 60 payroll and nonpayroll expenditures with a total amount of \$130,187 for the Charles Rangel International Affairs Program and our review of 60 payroll and nonpayroll expenditures with a total amount of \$565,832 for the Research and Development cluster, we noted allowable expenditures recorded in 2014 relating to activities that occurred in prior periods. This results in overstatement of 2014 expenditures on the Schedule. We noted 3 nonpayroll expenditures for the Charles Rangel International Affairs Program and 4 nonpayroll expenditures for the Research and Development cluster that are out of period. The following table references those identified as part of our testing.

Project #	Award #	Program	Agency	Type of Charge	Amount Tested	Out of Period
6912	S-LMAQM-12-CA-1028	2012 Rangel Fellowship and Summer Enrichment Programs	U.S. Department of State	Direct Costs	\$5,433	\$5,433
6656	W911NF-11-20042	Extracting Social Meaning From Linguistic Structures in African Languages	Department of Defense	Direct Costs	\$20,595	\$20,595
6954	RX 4004-032-HU-KL2	Center for Clinical and Translational Sciences - (Georgetown University)	Department of Health And Human Services	Direct Costs	\$18,528	\$18,528
6995	DRL-1242892	Building Connections and Learning Communities among Educators and Researchers at HBCUs	National Science Foundation	Direct Costs	\$1,274	\$1,274
6318	5P20MD00 0198-10	Loan Repayment for Health Disparities Research	Department of Health And Human Services	Direct Costs	\$283,825	\$283,825
Total Out of Period Expenditures						<u><u>\$329,655</u></u>

Questioned Costs:

None noted.

Context:

This condition was identified during a review of grant expenditures to ensure Howard's compliance with the provisions of OMB Circulars A-133 and A-110 requirements for allowable costs.

The Howard University

Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2014

Effect:

Late processing of expenditures would result in late reporting of expenditures and therefore the reimbursement from the grantor agency would be delayed or rejected. This could lead to Howard self-funding grants for a longer period than would otherwise be needed. Insufficient controls over this process could lead to unallowable charges on the grant. In addition, period of availability issues may arise. The reporting of expenditures in the incorrect period does not allow for timely comparison of expenditures to the budget and could result in budget overruns.

The lack of sufficient internal controls surrounding the timely and accurate processing of award-related expenditures also increases the risk that accounts are misstated, which leads to potential misstatements in the Schedule. The absence of these controls has led to untimely reporting and an over/understatement of the Schedule.

Cause:

There is a delay in the processing of invoices or identifying and processing cost transfers once they are received by Howard. There is inconsistent compliance with Howard's policies to ensure the timely processing of invoices. Management does not have an effective process in place to ensure all expenditures are captured within the Schedule. While this amount did not materially misstate the current year financial statements, enhancements to the process are necessary to ensure this risk is addressed going forward.

Recommendation:

The volume of awards and award transactions necessitates the development and implementation of comprehensive policies, procedures and processes over the timely identification and recoding of award transactions in the general ledger and subsequent preparation of a Schedule that is complete and accurate and compliant with the requirements of OMB Circular A-133. Specifically, we recommend Howard consider:

- Establishing and monitoring formal procedures for a quarterly reconciliation of the Schedule to the Financial Statements, including ensuring required adjusting entries to expenditures are made and identified within at least 90 days.
- Strengthening and enforcing its internal control policies and procedures surrounding timely processing and cut-off, and ensure consistent compliance to minimize the recognition of out of period expenses on the Schedule.
- Supporting documentation should be properly maintained and safeguarded and be available for review.

View of Responsible Officials and Planned Corrective Actions:

Howard University will develop procedures to monitor the timely identification and recoding of award transactions in the general ledger and subsequent preparation of a Schedule that is complete and accurate and compliant with the requirements of OMB Circular A-133. Also, we will establish quarterly reconciliations of the Schedule to the Financial Statements, including ensuring required adjusting entries to expenditures are made and identified within at least 90 days. In addition, we will strengthen internal control procedures regarding timely processing and cut-offs, and ensure consistent compliance to minimize the recognition of out of period expenses on the Schedule.

The Howard University

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section III – Federal Award Findings and Questioned Costs

Part B – Other Auditor Reports

Below is a summary of communications with federal agencies that sponsor grant programs at Howard, as provided by University management, and not audited by BDO.

Department of Health and Human Services (HHS)

In May 2013, Howard received a request for additional information related to findings from the FY 2012 A-133 audit. Howard replied to this request in July 2013 and HHS notified Howard that the matter was closed in August 2013.

An inquiry regarding the FY 2013 A-133 audit was received in May 2014, and Howard replied in June. A resolution letter was received from HHS in September and the matter is now closed.

A separate inquiry regarding the FY 2013 audit was also received in June via email from the National Institutes for Health (NIH). Howard replied to NIH in June 2014 and the matter was closed per the overall FY 2013 resolution letter received from HHS (see previous paragraph).

Department of Education (DoED)

In August 2012, DoED requested information and support for audit findings noted in Howard's FY 2007 – 2011 OMB A-133 reports, and Howard provided a response in January 2013. DoED resolved FY 2011 in September 2012, prior to receiving Howard's letter. DoED resolved FY 2011 in September 2012 based on Howard's response to the findings and the corrective action plan.

In September 2013, DoED requested additional information regarding questioned costs from the FY 2010 audit report. Howard replied to DoED in January 2014 and in July 2014 DoED provided a final determination letter which required repayment of \$8,034. Howard repaid DoED and the matter is resolved.

In May 2014, DoED requested support for questioned costs contained in the FY 2008 and FY 2009 A-133 audit reports. Later, in August 2014, DoED made an additional request for support of questioned costs in the FY 2007 A-133 audit report. In September 2014, Howard submitted two response letters regarding the questioned costs. The first letter addressed FY 2009 questioned costs, and the second letter addressed questioned costs from both FY 2007 and FY 2008. Howard is currently awaiting the final determination letter.

In March 2014, the Office of Post-Secondary Education (OPE) requested information pertaining to findings from the A-133 audit reports for FY 2008 and 2009. Howard supplied a response regarding FY 2008 in March 2014. Prior to submitting the response for FY 2009, however, OPE verbally informed Howard that they had sufficient information to resolve based on a recent site-visit. Howard was informed that the matter is resolved, but the final determination will be included in the overall determination for FY 2007 – FY 2009 discussed in the previous paragraph.

In June 2014, OPE requested a response to findings contained in the FY 2013 A-133 audit report. Howard submitted a reply in July 2014, and OPE confirmed that the matter was closed in an email to President Frederick.

The Howard University

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Department of Commerce (DOC)

An inquiry from the National Institute of Standards and Technology (NIST) was received in December 2013 regarding findings contained in Howard's FY 2012 A-133 audit. Howard submitted a response to the inquiry in January 2014. Howard did not receive a formal resolution letter from NIST, but the matter is considered closed based on verbal confirmation obtained from the NIST Grants Management Division.

Department of Transportation (DOT)

In November 2014, the Federal Railroad Administration required additional information from Howard regarding a finding contained in Howard's FY 2013 A-133 audit. Howard replied to the request in January 2015, and is waiting for confirmation that the matter is closed.

National Aeronautics and Space Administration (NASA)

Howard received an inquiry from NASA OIG in April 2013 regarding the citizenship of students participating in the University Research Center (URC) Program. This inquiry was part of a general review of all universities with URC programs (groups 4 and 5). Howard replied to the request in June 2013 and considers the matter closed.

In November 2013, Howard received an inquiry from NASA regarding the FY 2012 A-133 audit report. Howard replied in February 2014 and subsequently received three determination letters from NASA in March, May, and December 2014. Together, the three determination letters resolve all five findings pertaining to NASA awards cited in the FY 2012 audit report.

National Science Foundation (NSF)

In March 2013, Howard received an inquiry from the NSF OIG requesting support for certain expenditures on five NSF awards covering the period July 1, 2006 – February 28, 2013. Howard submitted all available information to NSF in May 2013. A meeting was held between Howard and the OIG to develop an action plan for moving the process forward. The OIG determination is currently pending.

In July 2013, Howard received an email request for information on findings contained in Howard's FY 2012 A-133 audit report. Howard replied to the request in December 2013, and the matter was resolved in March 2014.

In September 2013, an email exchange occurred between NSF and Howard regarding findings contained in Howard's FY 2013 A-133 audit report. NSF subsequently issued a resolution letter in October 2014.

The Howard University

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

Finding 2013-1: Governance Considerations

The auditor recommended that the University reevaluate the organizational structure and internal control environment to clearly define roles, responsibilities and accountability to prevent internal control breaches.

View of Responsible Officials and Planned Corrective Actions:

To address this finding, The Board of Trustees (BOT) approved a new organizational structure in November 2013. Additionally, an Enterprise Risk Management (ERM) Committee assesses overall exposure to risk and the effectiveness of University policies and procedures.

2014 Status Update on Corrective Action Plan:

Corrected.

Finding 2013-2: Employee On-boarding Process

The auditor recommended that the employee on-boarding process be centralized with HR, and that HR should maintain copies of all executed employment agreements.

View of Responsible Officials and Planned Corrective Actions:

Howard University launched an HR process improvement initiative to remediate process gaps and designed a comprehensive training and changed management plans to educate hiring managers on the appropriate procedures.

2014 Status Update on Corrective Action Plan:

Corrected.

Finding 2013-3: Procurement Policies

The auditor recommended Howard clarify and enforce the procurement process.

View of Responsible Officials and Planned Corrective Actions:

The procurement function is reorganized and procurement policies are being updated to include key contracting policies and address controls over P-Cards.

2014 Status Update on Corrective Action Plan:

The Office of Procurement continues to update policies and procedures governing university's purchases.

The Howard University

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

Finding 2013-4: Segregation of Duties

The auditor recommended that contracts follow a documented bidding process and new controls to be implemented to ensure segregation of duties for wire transfers.

View of Responsible Officials and Planned Corrective Actions:

Howard implemented a new policy in December 2013 requiring additional approvals for wire transfers to address the issues as recommended by the auditor.

2014 Status Update on Corrective Action Plan:

Corrected.

Finding 2013-5: Logical Access – User Administration (Banner, PeopleSoft and Invision)

To control user access rights, the auditor recommended that access logs be enabled in order to detect unauthorized access.

View of Responsible Officials and Planned Corrective Actions:

Howard's Enterprise Technology Services (ETS) worked with departmental leaders to increase the routine review frequency of user access rights and activated access logs during FY 2014.

2014 Status Update on Corrective Action Plan:

Corrected.

Finding 2013-6: Accrual Process

To improve the invoice accrual process, the auditors recommended that the University implement enforcement policies and train budget specialists to perform additional analytical reviews.

View of Responsible Officials and Planned Corrective Actions:

Howard's Finance Department continues community outreach from the various cost centers to engage and receive timely information to record accurate accruals.

2014 Status Update on Corrective Action Plan:

Howard continues to work towards implementing an electronic workflow system that requires vendors to upload invoices directly into a vendor portal to integrate with the current Procurement system and general ledger.

The Howard University

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

Finding 2013-7: Journal Entries – Hospital

The auditors recommended the University enhance user access restrictions and secondary reviews to strengthen controls over journal entries.

View of Responsible Officials and Planned Corrective Actions:

In FY14, Hospital management implemented the appropriate supervisory review of journal entries.

2014 Status Update on Corrective Action Plan:

The Controller continues to monitor the supervisory reviews and approval of journal entries. The Controller further plans to implement a cover sheet for journal entries to ensure all required actions are complete.

Finding 2013-8: Physical Security

To improve physical security of data and equipment in ETS, the auditor recommended that the University perform a comprehensive physical security audit of all facilities.

View of Responsible Officials and Planned Corrective Actions:

Howard's ETS repaired and replaced doors on the new Blackboard Transact access control system (via Wonder Plaza).

2014 Status Update on Corrective Action Plan:

Corrected.

Finding 2013-9: Back-up and Recovery

To improve system back-up and recovery, the auditor recommends that a backup site be established outside of the primary data center.

View of Responsible Officials and Planned Corrective Actions:

Howard's ETS moved backup equipment to the College of Medicine in October 2013. Additionally, ETS developed Standard Operating Procedures in accordance with the auditors' recommendation.

2014 Status Update on Corrective Action Plan:

Corrected and an additional off-site backup (outside of the geographic area) is being finalized.

The Howard University

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

Finding 2013-10: Retention of Documentation

To address records retention, the auditors recommended that the University pursue a project to complete its records by contacting 3rd parties with which the information may have been shared.

View of Responsible Officials and Planned Corrective Actions:

To remediate this finding, the Records Retention Policy was updated in FY 2014. Secure document storage was obtained for the interim period until a long term solution is identified.

2014 Status Update on Corrective Action Plan:

Howard created shared drive folders with limited access to collect documentation to meet record retention requirements for the purpose of future reviews.

Finding 2013-11: Cross-training of Professionals

To improve the overall knowledge and skill sets of Howard finance employees, the auditors recommended cross-training staff and leveraging system improvements to reduce day-to-day manual processes.

View of Responsible Officials and Planned Corrective Actions:

The Finance Department was reorganized to include documentation of roles and responsibilities and designated backup staff will be cross trained to perform multiple finance functions. The existing system is being assessed to find ways of eliminating manual processes.

2014 Status Update on Corrective Action Plan:

Howard is implementing a training program to ensure new employees will have appropriate training of required policies and procedures.

Finding 2013-12: Application Security (nVision)

To increase system security, the auditors recommended coordinating with the vendor to automatically enforce first-time password changes for nVision users, as well as requiring greater password complexity.

View of Responsible Officials and Planned Corrective Actions:

Howard's ETS developed a compensating control to ensure users change their passwords periodically in order to address this finding.

2014 Status Update on Corrective Action Plan:

Corrected.

The Howard University

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

Finding 2013-13: Logical Access – Segregation of Duties (Banner)

The auditors recommended that access controls for DBA's be enhanced to enforce proper segregation of duties.

View of Responsible Officials and Planned Corrective Actions:

Howard's ETS noted that the current system configuration is necessary, given the team's structure to provide adequate back-up coverage for each function and created compensating controls to mitigate the risks.

2014 Status Update on Corrective Action Plan:

Corrected.

Finding 2013-14: Information Systems Training

To minimize disruptions during system upgrades, the auditors recommended that ETS communicate the nature and timing of changes, and provide comprehensive user training.

View of Responsible Officials and Planned Corrective Actions:

ETS noted in response that they completed a rigorous User Acceptance Testing and Training for all updates to the system. User Acceptance testing and training is documented thoroughly and maintained with other key project documents but we will revisit our policy and document any necessary updates.

2014 Status Update on Corrective Action Plan:

Corrected.

Finding 2013-15: System Capabilities

The auditors recommended that management collaborate with ETS to review PeopleSoft capabilities and define stakeholder needs in order to maximize system potential and reduce the need for manual processes. In response, ETS will conduct a systems utilization assessment and the Finance department will leverage the budget module in the system to enhance the annual budget process by June 2014.

View of Responsible Officials and Planned Corrective Actions:

ETS has partnered with Finance and HR to review the PeopleSoft configuration and potential automation of processes. The FY2015 budget was uploaded into PeopleSoft for use in budget control.

2014 Status Update on Corrective Action Plan:

Howard has hired a new CIO and he has charged the ETS team with becoming business partners with operations to develop more automated processes. He has not ruled out making any necessary change including potentially finding a new solution.

The Howard University

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

Finding 2013-16: Financial Reporting

The auditors recommended strengthening controls over account reconciliation by including supervisory review in the reconciliation process and developing a consistent policy for review of manual journal entries.

View of Responsible Officials and Planned Corrective Actions:

Howard's Finance Department performed a comprehensive risk analysis to determine the key accounts for analysis/reconciliation which are included the updated policies in FY 2014.

2014 Status Update on Corrective Action Plan:

A policy for the review of manual journal entries was formalized, and the policy included specific dollar thresholds which will be consistently applied.

Finding 2013-17: Disaster Recovery and Business Continuity

The auditors recommended that a formal disaster recovery and business continuity plan be developed and implemented.

View of Responsible Officials and Planned Corrective Actions:

In response to the finding, Howard notes that a Disaster Recovery Plan was developed in 2009. The existing plan was reviewed and updated in FY 2014.

2014 Status Update on Corrective Action Plan:

The University will develop a business continuity plan (BCP) as part of the University's Emergency Management Plan which will require a dedicated cross functional team.

Finding 2013-18: Program Change Management (PeopleSoft Financials/HCM and nVision)

The auditors recommended that a formal change management policy be developed including the process and workflows in support of program changes administered for the PeopleSoft Financials/HCM application.

View of Responsible Officials and Planned Corrective Actions:

To address this finding, ETS and HU management implemented Standard Operating Procedures in accordance with the auditors' recommendation.

2014 Status Update on Corrective Action Plan:

Corrected.

The Howard University

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

Finding 2013-19: Information Technology Governance and Organization

To enable better monitoring of information technology, the auditor recommended that Howard consider defining a leader responsible for managing Information Technology operations across the University, and forming a centralized Information Technology Steering Committee.

View of Responsible Officials and Planned Corrective Actions:

In response, University leadership reviewed the IT organization and determined Howard needed a revised structure moving forward.

2014 Status Update on Corrective Action Plan:

A new Chief Information Officer was hired.

Finding 2013-20: Logical Access (Network and Lawson)

The auditors recommended that a formal policy be developed and implemented that prescribes the process and workflows supporting user administration of Lawson and network/AD user accounts.

View of Responsible Officials and Planned Corrective Actions:

In response to this finding, ETS implemented Standard Operating Procedures in accordance with the auditors' recommendation.

2014 Status Update on Corrective Action Plan:

Corrected.

Finding 2013-21: Account Reconciliation Process - Hospital

The auditors recommended that Hospital management perform the necessary procedures to resolve reconciling items that are identified during the month-end close process.

View of Responsible Officials and Planned Corrective Actions:

To address the finding, the RNI reconciliation are being performed each quarter and monthly bank reconciliations are being signed off and dated to evidence review and approval.

2014 Status Update on Corrective Action Plan:

Corrected.

The Howard University

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

Finding 2013-22: Employee Terminations - Hospital

The auditors recommended that Hospital management enforce the policy for employee terminations.

View of Responsible Officials and Planned Corrective Actions:

Howard University Hospital management and HR are working to ensure consistent submission of Personnel Action forms and periodic reviews have been implemented to ensure departmental compliance.

2014 Status Update on Corrective Action Plan:

HUH and HR are working together to ensure management enforces the policy for employee terminations.

Finding 2013-23: Special Tests and Provisions – Schedule of Expenditures of Federal Awards

Finding 2013-23 related to the preparation of Howard's Schedule of Expenditures of Federal Awards (SEFA), and cited instances of inappropriate identification of CFDA numbers and one instance of a non-federal award misclassified as a federal award. The auditors recommended updating policies and procedures related to award acceptance and set-up. They also recommended performing a periodic review of grant information to ensure accuracy.

View of Responsible Officials and Planned Corrective Actions:

Formal policies and procedures regarding the SEFA preparation process were created during FY 2013. Examples include process documentation and implementation of a SEFA preparation checklist. Other significant improvements include implementing a monthly review of existing data and all new awards; training for grant personnel responsible for inputting data used in the SEFA; and a more rigorous quality control review during award setup. A resource was also identified to prepare the SEFA and reconcile expenditures to the accounting records monthly. We believe that these initiatives greatly improved the SEFA preparation process from the prior year.

2014 Status Update on Corrective Action Plan:

Howard developed and implemented procedures as indicated above during FY2014. Howard now uses the SEFA preparation checklist and monthly reviews which include the verification of CFDA numbers. Also, Howard dedicated additional resources for the SEFA preparation to ensure CFDA numbers are correct.

Finding 2013-24: Allowable Costs/Cost Principals

Finding 2013-24 identified unallowable personal expenditures charged to a federal award through the use of the project's Purchase-Card (P-Card). The auditor recommended that Howard enhance internal controls over review and approval of purchases made using P-Cards.

View of Responsible Officials and Planned Corrective Actions:

Initiatives are underway to improve internal controls. These include adding a P-Card administrator to be responsible for oversight of P-Card purchases. Additionally, Procurement will launch the University's P-Card website in FY2014, which will require each cardholder to reconcile their account online with supporting receipts and approval for the allowability of each item charged to a federal award. We believe that these improvements will address the auditor's recommendations.

The Howard University

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

2014 Status Update on Corrective Action Plan:

Howard developed and implemented review procedures for P-Card purchases as indicated above during FY2014. A P-Card administrator was hired to monitor restricted and unrestricted purchases and reconciliations. The P-Card has an additional feature that allow users to monitor purchases with declining balances and expiration dates.

Finding 2013-25: Special Tests and Provisions (Return of Title IV Funds)

Finding 2013-25 noted one instance where a refund submission of Title IV was returned late. The auditor recommended that controls for implementing established refund policies are enforced.

View of Responsible Officials and Planned Corrective Actions:

Howard agrees with this finding and underscores that the return of Title IV funds calculation was completed timely and the majority of funding returned timely. The total amount of the return (i.e. SEOG, \$1,700 and PELL \$2,775) was completed 122 days after the deadline due to manual error. The following action items have been implemented to serve as internal controls. The Student Financial Aid team will be conducting monthly peer audits for every return of Title IV funds to ensure compliance and timely returns.

2014 Status Update on Corrective Action Plan:

The University worked through several control mechanisms as a best practice in FY 2014. Due to the manual nature of the task, the University has continued to work with third-party servicers on technological solutions to ensure returns are flagged in its student ERP (e.g. Ellucian/Banner). The final phase is set for implementation in AY2014-2015.

Finding 2013-26: Eligibility

Finding 2013-26 indicated that one Pell Grant recipient was over-awarded grant funds because they were not identified as “less-than-half-time” recipients. The auditors recommended that Howard implement a system that would correctly calculate awards to students classified as “less-than-half-time.”

View of Responsible Officials and Planned Corrective Actions:

Howard completed an extensive review of all Pell recipients to ensure that this incident was isolated. Howard highlights that funds were returned to the Department of Education and the student did not suffer any loss of aid because Howard replaced the previous award with institutional funds. To avoid future errors with Pell, Howard implemented a “Less than half-time module” in our Banner system. This will prevent disbursement of Pell funds if a student is considered at less than half-time.

2014 Status Update on Corrective Action Plan:

The University implemented the above referenced corrective action plan to help mitigate this finding from reoccurring.

The Howard University

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2014

Finding 2013-27: Allowable Costs/Cost Principals

Finding 2013-27 noted instances when applicable F&A and/or fringe benefit expenses were not appropriately charged within the period that they were incurred. The auditors also determined that there was insufficient management oversight and review of the F&A and fringe benefit costs charged to each program.

View of Responsible Officials and Planned Corrective Actions:

Howard agrees with the auditor's recommendation. Prior to submitting a request for reimbursement or final report, all F&A and fringe benefit charges are recalculated for accuracy and any adjustments are made to ensure that all amounts are accurate and allowable prior to reimbursement. We will implement additional review procedures to ensure that F&A and fringe benefits charges are recorded in the appropriate accounting period by performing a quarterly review of F&A and fringe benefit charges on active projects to ensure that charges are posted in the appropriate accounting period. It should be noted that the F&A and fringe benefits charges noted above were corrected on the first day of FY2014, within the same award period and on the final version of the SEFA; therefore, there was no impact to the overall expenditures reimbursed or reported on this award.

2014 Status Update on Corrective Action Plan:

Howard implemented a monthly monitoring process by developing a spreadsheet to calculate indirect cost and fringe benefits charges. Monthly, the RAS spreadsheet is compared to the PeopleSoft calculations with regards to the indirect cost and fringe benefit charges recorded in the PeopleSoft Financial Systems. Any differences are reconciled and adjustments made accordingly.

Finding 2013-28: Matching, Level of Effort, Earmarking

Finding 2013-28 stated that Howard did not contribute the full fiscal year 2013 cost-share amount required by a sub agreement with FHI360. The auditors recommended strengthening policies and procedures for monitoring cost-share to ensure that Howard fulfills any contribution requirements.

View of Responsible Officials and Planned Corrective Actions:

Howard agrees with the auditor's recommendation and will implement additional monitoring controls to ensure that applicable matching requirements on federal awards are met. Research Administrative Services will implement quarterly reviews over those awards with matching requirements including reaching out to program staff and reviewing expenditures for compliance. Additionally, a message will be distributed to the research community to re-educate Principal Investigators on the importance of remaining compliant with all matching requirements.

2014 Status Update on Corrective Action Plan:

In response to the finding, RAS now conducts quarterly reviews of programs with a cost-share component to ensure that Howard contributions are on-target to meet the required amounts. RAS contacts Principal Investigators with low or no cost-share recorded to Fund 14.

Corrective Action Plan

HOWARD UNIVERSITY

Office of the Interim
Chief Financial Officer and Treasurer

March 27, 2015

Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

Subject: OMB Circular A-133 ("A-133") Corrective Action Plan of The Howard University ("Howard") for the Fiscal Year ended June 30, 2014.

To Users of Howard's A-133 Report:

This document describes the Corrective Action Plan ("CAP") of Howard University as it relates to audit findings for the fiscal year ("FY") ended June 30, 2014 under OMB Circular A-133. The CAP includes descriptions of corrective actions and anticipated time needed to implement the corrective actions. This CAP covers audit findings related to over \$611 million of federal program expenditures in FY 2014.

Background and Recent History

In FY2014, Howard continued its extensive renewal of University programs, facilities and functions. As part of this effort, significant attention and resources were devoted to improving Howard's federal award compliance. Principal investigators were provided with additional resources for proposal development and program management. Howard's accounting and grants management information systems were enhanced for federal program reporting capacity. As a result of these efforts, Howard's experienced a marked improvement in overall grants management and compliance. Evidence of this improvement is clearly demonstrated in the trends of reduced compliance findings and questioned costs in Howard's A-133 audit reports over the last fiscal years. Questioned costs for 2014 is zero.

Corrective Actions Taken To-Date

Howard continued to improve compliance oversight over federal programs in FY2014 by installing a number of new system tools. The HR process improvement initiative started in FY2014 will streamline the employee onboarding process, improve the accuracy of employee time charged to federal grants and will reduce the need for cost transfers. The HR initiative builds on the success of the e-Procurement tool launched in FY2013. By automating steps in the procurement process, the new tool has improved grants procurement integrity and inventory management.

Additionally, a new electronic tool is currently in development to enhance Howard's proposal procedures. Once implemented, this tool will assist Principal Investigators with proposal preparation and improve the overall quality of Howard's grant proposal. The system is designed to automatically populate the proposal with data and compliance criteria directly from sponsor websites. As a result, grant set-up award will benefit from improved accuracy by reducing the potential for human error and increased automation in the SEFA preparation process.



Finally, the Electronic Effort Certification System implemented FY2012 transitioned an inefficient manual process to an electronic solution with ease of use and quality control features. The upgrade improved record retention and effort certification in FY2013 and new upgrades of FY2014 will ensure timelines of certification complete and accurate.

Ownership of FY2014 Corrective Action Plan

Ownership of Howard's corrective action plan resides with the officers of the University. The President, Chief Financial Officer, Chief Operating Officer and other officers take responsibility for the remediation of audit findings and for reinvigorating the control and accountability model. Toward that end, a committee of key executives (with the participation and counsel of the Chairman of the Board of Trustees and the Chairman of its Audit and Legal Committee) has been formed to drive organizational and process change, and to minimize the risk of non-compliance with federal regulations.

Financial Statement Findings, Section II – Findings 2014-1 through 2014-30

We note the auditors' conclusion that the findings, in aggregate, did not result in a material misstatement of Howard's financial statements.

In response to these findings, Howard's Board of Trustees (BOT) took immediate action to move toward their vision of excellence. In October 2013, the BOT appointed an Interim President, an Interim Chief Financial Officer (CFO), Chief Operating Officer (COO) and Interim Provost & Chief Academic Officer while the search for a permanent President is underway. Additionally, contracted employees at the executive level were replaced by full-time University employees.

The BOT also established an Enterprise Risk Management (ERM) Committee to evaluate and mitigate Howard's exposure to risk. The ERM Committee is comprised of cross-functional senior and mid-level management to ensure a wide spectrum of possible risks is identified. The ERM Committee provides a status update to the BOT at each regularly scheduled Board Meeting and will work closely with executive leadership and the Policy Committee to evaluate policies and procedures across the University to address the audit recommendations.

Additionally, Howard will continue a long-running project to assess design and test operational effectiveness of key accounting and program controls. Please refer to the attached table for Howard's corrective action for each finding.

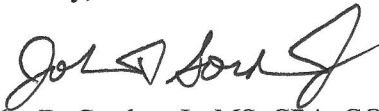
Federal Award Findings, Section III – Findings 2014 – 15 through 2014-30

Howard has already taken steps to remediate the underlying issue related to the findings noted in this section. To address findings, Howard has dedicated additional resources to enhance the SEFA preparation process and monthly review of grant transactions to ensure compliance. Additionally, additional reviews have been added in the Student Financial Aid area to prevent issues from recurring going forward.

Howard is committed to improving all aspects of the University's Operational, financial and legal compliance. Our goal is to document and demonstrate that key controls over accounting and compliance are both designed and operated to achieve effective oversight. These initiatives are guided by themes of

quality, transparency, cooperation, and accountability. Please refer to our full OMB Circular A-133 report for responses to each of the auditors' findings.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Gordon, Jr.", with a stylized flourish at the end.

John D. Gordon, Jr. MS, CPA, CGMA
Interim Chief Financial Officer and Treasurer

Section II – Summary of Financial Statement Findings

Finding	Corrective Action
2014-001 Consolidated Financial Reporting and Close Process	The auditor recommended that the University consider updating processes to ensure differences between the PeopleSoft general ledger and other accounting sub-systems are timely reconciled. In response, the University will identify a resource to create standard PeopleSoft reports to assist in the reconciliation process. Also, a formal closing checklist will be developed to verify completeness and accuracy of reconciliations as well as controls will be put in place to more effectively track disclosures and other accounting matters resulting from newly executed or negotiated contracts, memorandums of understanding, etc. Finally, a centralized Budget Office will be created to focus on the accuracy of financial information.
2014-002 Existence of Accounts Payable	The auditor recommended that the University continue to investigate stale dated Accounts Payable balances to determine whether they represent true obligations to third parties. The auditors also recommend that controls within PeopleSoft be strengthened in order detect and flag duplicate invoices. To address this finding, the University will continue to follow the established plan for contacting vendors with outstanding balances. Also, AP will coordinate with ETS to develop tools for flagging potential duplicate payments. Finally, controls governing wire transfers will be updated to place a hold on outgoing wires until they are cleared through a secondary manual review.
2014-003 Faculty Practice Plan Accounting	The auditor recommended Howard should institute overall processes allowing for the appropriate year-end revenue and accounts receivable cut-off. They also stated that policies should be implemented and monitored such that physicians are completing necessary paperwork to ensure timely recognition of revenue. In response, all providers' charge lag will be monitored as a mandatory benchmark in FY 2016. An additional steps includes the creation of an IT solution to correct interface data received from the hospital (step completed in Feb 2015 and has already resulted in improvements).
2014-004 Expenses Cut-off (accrual process)	The auditor recommended that management consider alternative methods for collecting invoices from departments. In response, the University will develop a vendor portal so that invoices can be received directly from vendors by AP. In addition, a monthly accrual checklist and certification will be obtained from each college dean or their financial liaison to ensure that all monthly activity is captured prior to the period close.
2014-005 Hospital Financial Statements Reporting and Close Process	The auditor recommended that closing procedures should be documented in a checklist that indicates who will perform and review each procedure and that provides a completion timeline. They also recommend that significant financial statement accounts be reconciled on a monthly basis and that all reconciliations be reviewed by a designated individual to ensure accuracy. In response, a cover sheet was developed for reconciliations to provide evidence that the reconciliations are properly reviewed and approved. Roles and responsibilities will be clearly delineated to ensure that users will not have system rights to prepare and approve journal entries. Finally, intercompany communication will be improved to avoid untimely adjustments on consolidated financial statement items.

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Finding	Corrective Action
2014-006 User Access and Administration	The auditor recommended IT management establish priorities for creating processes and controls adequate to address identified risks. They also indicated that management should perform its own risk assessment to thoroughly identify potential risks that may not have been identified within the scope of the audit. Finally, the auditor stated that formal procedures be established and documented for all applications that have an impact on the University's financial information. To address the finding, the University will develop process documentation for all HU and HUH applications. Also, training will be provided to ETS employees on current application processes. Regular user access reviews will be conducted to ensure access rights and permissions are in-line with their job function. User access reviews will include sign-off documentation.
2014-007 Employee On-boarding	In this finding, the auditors recommended that Howard review established protocols for on-boarding new employees and for modifying existing positions to eliminate undue timing delays. In response, the University will evaluate onboarding documentation, identify process gaps, and implement position control to manage the onboarding process. Additional improvements include a funding report to notify responsible parties when funding end-dates are approaching, and an escalation process to hold individuals or groups accountable in instances of non-compliance.
2014-008 International Activities	The auditors recommended that a mechanism be developed for establishing international program offices and for monitoring compliance with local statutes. In addition, management will determine how information is shared. To address this finding, a compliance checklist will be developed for each country in which Howard operates. The Global Business Steering Committee will use the checklist to verify compliance or initiate steps to bring existing activities into statutory compliance with relevant countries. After the initial compliance check is complete, a quarterly assessment will be conducted to evaluate areas of greatest exposure to risk.
2014-009 Circumvention of Policies	The auditors recommended that the University clearly define disciplinary action for circumventing established policies and that any known deviations should be reported. In response, the University established financial controls to limit spending in areas in which circumventing policies have occurred including travel, PCard, and manual payment requests.
2014-010 Fixed Assets Monitoring	The auditors suggested that management appoint a designated liaison within the Office of the Controller to whom project managers provide periodic updates on the status of Construction in Progress assets, and final reporting when such assets are placed in service. To address the finding, a senior accountant will be appointed the designated liaison and will re-establish the fixed asset monitoring process, including a checklist based on key controls.
2014-011 Segregation of Duties	The auditors recommended implementing a mechanism to monitor segregation of duties procedures to ensure they are not circumvented. In response, the University will review existing controls to ensure that protocols are included to trigger notifications or warnings in the event that an attempt is made to circumvent procedure.
2014-012 Procurement Process	The auditors recommended that management have the Purchase Card Administrator audit a sample of purchase card supporting documentation as a regular procedure in order to verify that the card use is in accordance with policies and procedures. In addition, the auditors suggested that management consider detection controls surrounding assets received outside of Central Receiving and that are not tagged as Howard University property. In response, the University submitted the updated PCard policy along with 23 other procurement policy changes to the Policy Working Group for review and analysis. The new policies address the auditors' recommendations.

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Finding	Corrective Action
2014-013 Disaster Recovery and Backup Processes	In response to this finding, the Chief Information Officer will update the disaster recovery plan and associated process and policy documentation. After a decision has been made regarding IT Outsourcing, the University will address the need to develop a backup site outside of the geographic area.
2014-014 Change Management	In this finding, the auditors recommended that Howard develop a formal policy to prescribe the process and workflows supporting program changes administered for the PeopleSoft Financials/HCM application. To address the finding, an individual will be identified to draft policies and procedures regarding the PeopleSoft Financials/HCM application change management process.

Section III – Summary of Federal Award Findings

Finding	Federal Agency	Corrective Action	Questioned Costs
2014-015 Special Tests and Provisions - SEFA	Various	The auditors recommend updating policies and procedures related to award acceptance and set-up, and to enforce internal controls to ensure proper classification on the SEFA. Howard has established quarterly reviews including a checklist to ensure accurate data is reported on the SEFA.	None Noted
2014-016 Allowable Costs/Cost Principles (Effort Certifications)	Various	The auditors recommend that Howard update policies and procedures to ensure that all effort certifications are compiled in accordance to OMB Circular A-21. Howard will update policies and procedures to comply with federal regulations regarding bi-annual time and effort certifications.	None Noted
2014-017 Allowable Cost and Cost Principles	Various	The auditors recommend updating policies and procedures related to award acceptance and set-up, and to enforce internal controls to ensure proper calculation of fringe benefits and F & A reported on the SEFA. Howard has established quarterly reviews of the SEFA and will strengthen procedures to ensure accurate calculations of fringe benefits and F & A are reported on the SEFA.	None Noted
2014-018 Reporting	Department of Education	The auditors recommend that Pell Grant disbursement information reporting policies be executed to ensure information is submitted to the Common Origination and Disbursement (COD) in a timely manner. Howard will enforce policies governing the submission of Pell Grant disbursements timely.	None Noted
2014-019 Special Tests and Provisions (Return of Title IV Funds)	Department of Education	The auditors recommend that controls withdrawal and refund policies be enhanced to ensure that all refunds are returned to the lender in a timely manner. To address the finding, the Student Financial Aid team will be conducting monthly reviews for every return of title IV funds to ensure compliance and timely returns.	Below Reporting Threshold
2014-020 Enrollment Reporting	Department of Education	The auditors recommend that policies and procedures are updated to include reporting of students' change of enrollment status be timely. Howard will establish reviews to ensure third party servicers will be updated timely with regards to students' withdrawals.	None Noted
2014-021 Special Tests and Provisions (Verification)	Department of Education	The auditors recommend that Howard update policies and procedures to ensure verification of FAFSA are performed to all who meet the selection criteria for verification unless excluded by the federal regulations. Howard has modified our practice to realign with the Department of Education's Quality Assurance Program (QAP).	None Noted
2014-022 Allowable Costs and Cost Principles	Department of Health and Human Services	The auditors recommend that Howard strengthen policies and procedures to ensure that amounts charged to the Federal programs do not include unallowable costs. Howard strengthened policies and procedures to ensure amounts charged to federal programs do not include unallowable costs. Howard has enhanced internal controls over review and approval using P-cards.	Below Reporting Threshold
2014-023 Matching, Level of Effort, Earmarking	Agency for International Development	The auditors recommend that Howard strengthen policies and procedures over monitoring of matching requirements to ensure that the required cost share requirements are met. To address the finding, Research Administrative Services implemented quarterly reviews over those awards with matching requirements, and will reach out to program staff to ensure compliance.	None Noted

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Finding	Federal Agency	Corrective Action	Questioned Costs
2014-024 Special Tests and Provisions (Fly America Act)	Centers for Disease Control and Prevention	The auditors recommend that Howard implement policies and procedures that foreign travels are made in accordance to the terms and conditions of the grant agreement. Howard will strengthen procedures to adhere to the American Fly Act when booking foreign travel arrangements.	Below Reporting Threshold
2014-025 Equipment and Real Property Management	Various	The auditors recommend that policies and procedures be strengthened to properly prepare and maintain official property management records, including properly tagging all equipment over \$5000 purchased with federal funds. Howard will strengthen and enforce policies governing property records to include tagging all equipment over \$5000 purchased with federal funds.	None Noted
2014-026 Procurement and Suspension and Debarment	Various	The auditors recommend that Howard develop detailed quality assurance policies and procedures that focus on ensuring that all procurement actions processed are documented and supported in accordance with federal laws and regulations. Howard will update procedures to ensure all purchases made with federal funds are documented in accordance to federal regulations.	Not Determinable
2014-027 Special Tests and Provisions (Publications)	Various	The auditors recommend that policies and procedures be strengthened governing the monitoring of special provisions in the grant agreement related to publications and acknowledgement to ensure that grant requirements are met. Howard will establish and strengthen current policies and procedures over monitoring of special provisions in the grant awards related to publications, acknowledgements and disclaimers to ensure that grant agreements are in compliance.	None Noted
2014-028 Matching, Level of Effort, Earmarking	Department of State	The auditors recommend that Howard strengthen policies and procedures over monitoring of matching requirements to ensure that the required cost share requirements are met. To address the finding, Research Administrative Services implemented quarterly reviews over those awards with matching requirements, and will reach out to program staff to ensure compliance.	None Noted
2014-029 Reporting	Department of State	The auditors recommend that procedures be strengthened over financial reporting to ensure controls are in place to accurately and completely report all required information pertaining to terms and conditions of grant agreements. Howard will establish quarterly reviews to monitor terms and conditions of all grant agreements ensuring compliance of reporting requirements.	None Noted
2014-030 Allowable Costs / Cost Principles	Various	The auditors recommend that Howard develop and implement comprehensive policies, procedures and processes over the timely identification and recording of award transactions to the general ledger. Howard will strengthen policies and procedures governing the timely notification and recording of subrecipients' expenditures to the general ledger.	None Noted