



CALIFORNIA STATE UNIVERSITY
LONG BEACH
RESEARCH FOUNDATION

Internal Control and Compliance Reports
June 30, 2015

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**INDEPENDENT AUDITORS' 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 Directors of
California State University,
Long Beach Research Foundation:

We have audited, in accordance with the 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 financial statements of California State University, Long Beach Research Foundation (a nonprofit organization), which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

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

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 financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether California State University, Long Beach Research Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Long Beach, California
September 30, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
California State University,
Long Beach Research Foundation:

Report on Compliance for Each Major Federal Program

We have audited California State University, Long Beach Research Foundation's 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 California State University, Long Beach Research Foundation's major federal programs for the year ended June 30, 2015. California State University, Long Beach Research Foundation's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of California State University, Long Beach Research Foundation'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 California State University, Long Beach Research Foundation'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 California State University, Long Beach Research Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, California State University, Long Beach Research Foundation 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 major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of California State University, Long Beach Research Foundation 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 California State University, Long Beach Research Foundation'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 California State University, Long Beach Research Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB A-133

We have audited the financial statements of California State University, Long Beach Research Foundation as of and for the year ended June 30, 2015, and have issued our report thereon dated September 30, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.



Long Beach, California
September 30, 2015

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
RESEARCH AND DEVELOPMENT - CLUSTER:			
U. S. Department of Agriculture			
Agriculture and Food Research Initiative	10.310	\$ 671,365	\$ 17,916
Forestry Research	10.652	4,204	
U.S. Department of Commerce			
Sea Grant Support			
Pass-through:			
University of Southern California	11.417	59,648	
U.S. Department of Defense			
Basic Scientific Research			
Basic Applied and Advanced Research in Science and Engineering	12.431	92,937	
Pass-through:			
Hyper-Therm HTC Inc.	12.630	(2,807)	
U.S. Department of the Interior			
Earthquake Hazards Reduction Program	15.807	(246)	
U.S. Department of Justice			
Research, Evaluation, and Development Project Grants			
Pass-through			
California State University, Fullerton Auxiliary Services Corporation	16.560	87,197	
U.S. Department of State			
Assistance for Europe, Eurasia, and Central Asia - AEECA Public Diplomacy EUR/PD and SC/PPD			
	19.900	89,926	
U.S. Department of Transportation			
University Transportation Centers Program			
Pass-through:			
University of Southern California	20.701	121,115	

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
RESEARCH AND DEVELOPMENT - CLUSTER (CONTINUED):			
National Aeronautics and Space Administration			
Aerospace Education Services Program			
Pass-through:			
University of Maine	43.001	402	
Technology Transfer	43.002	659,789	80,829
Pass-through:			
Jet Propulsion Laboratory	43.1496960	21,094	15,000
National Endowment for Humanities			
Promotion of the Humanities Fellowship and Stipends	45.160	50,400	
National Science Foundation			
Mathematical and Physical Sciences	47.049	177,479	
Pass-through:			
University of California, Los Angeles	47.049	7,790	
University of California, Riverside	47.049	27,067	
Geosciences	47.050	172,543	
Computer & Information Science & Engineering			
Pass-through:			
Harvey Mudd College	47.070	23,492	
Biological Sciences	47.074	40,551	
Social, Behavioral, and Economic Sciences	47.075	227,952	
Education and Human Resources	47.076	514,511	7,572
Pass-through:			
Arizona State University	47.076	152,569	
American Physical Society	47.076	18,618	
NSF ARRA Research Support	47.082	(5,787)	

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
RESEARCH AND DEVELOPMENT - CLUSTER (CONTINUED):			
U.S. Department of Energy			
Renewable Energy Research and Development Alpha Radiolysis of Nuclear Science Project Pass-through:	81.087	135,325	18,245
Battelle Energy Alliance LLC	81.10341	329,429	143,498
Nuclear Waste Disposal Siting Pass-through:			
State Department of Toxic Substances Control	81.13-T3792	6,764	
U.S. Department of Education			
Undergraduate International Studies and Foreign Language Programs	84.016	43,418	
Higher Education Institutional Aid	84.031	38,736	
National Institute on Disability and Rehabilitation Research	84.133	24,044	
U. S. Department of Health and Human Services			
Substance Abuse and Mental Health Services Pass-through:	93.243	90,286	36,504
Substance Abuse Foundation of Long Beach	93.243	(1,232)	
Drug Abuse and Addiction Research Program	93.279	120,414	2,128
Minority Health and Health Disparities	93.307	933,917	
Trans-NIH Recovery Act Research Support	93.310	7,887	
Microbiology and Infectious Disease Research	93.856	87,024	32,615
Biomedical Research and Training	93.859	1,216,046	
Population Research	93.864	5,114	
Child Health and Human Development Extramural Research	93.865	108,695	
U. S. Department of Homeland Security			
Centers for Homeland Security Pass-through:			
Jackson State University	97.061	62,851	
TOTAL RESEARCH AND DEVELOPMENT		<u>6,420,527</u>	<u>354,307</u>

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
OTHER PROGRAMS:			
U. S. Department of Agriculture			
Summer Food Service Program for Children			
Pass-through:			
California Department of Education	10.559	\$ 4,239	
Scientific Cooperation and Research	10.961	8,095	
U.S. Department of National Oceanic and Atmospheric Administration			
Habitat Conservation			
Pass-through:			
National Fish and Wildlife Foundation	11.463	12,366	
U.S. Department of Defense			
Sexual Assault Prevention Training	12.G164113100	(142)	
Naval Sexual Assault Prevention	12.G176214100	23,000	
Language Training Center			
Pass-through:			
Institute of International Education	12.579	223,228	
U.S. Department of Labor			
Trade Adjustment Assistance Community College			
Pass-through:			
Long Beach Community College	17.282	2,249	

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
OTHER PROGRAMS (CONTINUED):			
U.S. Department of Transportation			
Highway Research and Development Program	20.200	79,939	28,462
University Transportation Centers Program			
Pass-through:			
University of Southern California	20.701	77,010	
Southern California Regional Transit Consortium	20.PO247	20,804	
National Aeronautics and Space Administration			
Aerospace Education Services Program	43.001	15,000	
Education (NASA)	43.008	5,687	
Institute of Museum and Library Services			
Promotion of the Arts Grants to Organizations and Individuals	45.024	17,936	
Promotion of Humanities Teaching and Learning Resources	45.162	7,279	
Promotion of Humanities Professional Development	45.163	142,433	
National Science Foundation			
Mathematical and Physical Sciences	47.049	77	
Education and Human Resources	47.076	59,865	
Pass-through:			
California State University, Sacramento-University Enterprises, Inc.	47.076	13,722	

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
OTHER PROGRAMS (CONTINUED):			
U.S. Department of Veterans Affairs			
QULRC – Palliative Care Team	64.VA262-13-P-1491	652	
QiORC Eval Palliative Care	64.VA262-14-P-8078	24,950	
U.S. Department of Education			
Higher Educational Institutional Aid	84.031	860,928	
Pass-through:			
Antelope Valley College	84.031	299,858	
TRIO-Student Support Services	84.042	509,064	
TRIO-Talent Search	84.044	720,292	
TRIO-Upward Bound	84.047	696,156	
TRIO-Educational Opportunity Center	84.066	232,410	
Migrant Education	84.149	421,240	
Rehabilitation Services Vocational Rehabilitation			
Pass-through			
California Department of Rehabilitation	84.126	150,132	
Special Education – Personnel Development	84.325	216,611	
Gaining Early Awareness and Readiness for			
Undergraduate Programs			
Pass-through:			
California State University Fullerton			
Foundation	84.334	17,308	
Improving Teacher Quality State Grants			
Pass-through:			
Postsecondary Education Commission,			
California	84.367	61,968	

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Amounts Provided to Subrecipients
OTHER PROGRAMS (CONTINUED):			
U.S. Department of Education (Continued)			
College Access Challenge Grant			
Pass-through:			
California Student Aid Commission	84.378	339,519	
U.S. Department of Health and Human Services			
Disabilities Prevention	93.184	1,596	
Trans-NIH Health Research Support	93.310	1,143,191	
Foster Care - Title IV-E			
Pass-through:			
Children/Family Services, LA County	93.658	4,971	
University of California, Berkeley	93.658	2,245,245	
University of California, Los Angeles	93.658	1,515,621	13,087
Biomedical Research and Research Training	93.859	301,231	
Pass-through:			
Montana State University	93.859	97,571	
HIV Prevention Activities			
Pass-through:			
Los Angeles County Department of Health Services	93.940	13,588	
Corporation for National and Community Services			
Americorps			
Pass-through:			
Kern County Superintendent of Schools	94.006	7,518	
U.S. Department of Homeland Security			
Scholars and Fellows and Education Programs	97.062	43,437	
TOTAL OTHER PROGRAMS		10,637,844	41,549
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 17,058,371	\$ 395,856

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**NOTE TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of California State University, Long Beach Research Foundation, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued – Unmodified

Internal control over financial reporting

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Noncompliance material to financial statements noted? – No

Federal Awards

Internal control over major programs

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Type of auditors’ report issued on compliance for major programs – Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? – No
5. Identification of major programs: Research and Development Cluster – Various CFDA; TRIO Cluster: Student Support Services – CFDA #84.042, Talent Search – CFDA #84.044, Upward Bound – CFDA #84.047, Educational Opportunity Center – CFDA #84.066,; Foster Care Title IV-E – CFDA #93.658; Higher Educational Institutional Aid – CFDA #84.031; Trans-NIH Health Research – CFDA #93.310.
6. Dollar threshold used to distinguish between type A and type B programs was \$511,751.
7. Auditee qualified as low-risk auditee? – No

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

None

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

2014-01: Overstatement of Accounts Receivable and Unearned Revenues

- Condition: The Foundation has a process to review accounts receivable and unearned revenues to ensure the amounts are properly stated at the end of the fiscal year. However, during the year ended June 30, 2014, we noted the accounts were overstated due to errors, which lead to material adjustments of the Foundation's records. Specifically, we noted the following:
- Accounts receivable and unearned revenues were both overstated by approximately \$1,300,000. This was due to accounting personnel incorrectly booking journal entries during the monthly close process which resulted in grossing up accounts receivable and unearned revenues for the same amount, when in fact these amounts should have netted.
 - Accounts receivable and unearned revenue were both overstated by approximately \$550,000 due to accounting personnel not reviewing for advance funds received on the project prior to generating project billings for expenditures incurred.
- Recommendation: We recommend the Foundation review and amend, if necessary, their policies and procedures over reviewing and reconciling accounts receivable and unearned revenues to ensure journal entries are correctly booked and ending balances are properly stated.
- Current Status: No similar finding was noted during the audit of fiscal year ended June 30, 2015.

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH RESEARCH FOUNDATION**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

2014-02: Prior Period Adjustment to Net Position

- Condition:** During the year ended June 30, 2014, management determined that approximately \$4,500,000 of accounts receivable related to post-retirement health benefits dating back to fiscal year 2007 was determined to be uncollectible. As a result, an adjustment was made to restate the net position balance as of June 30, 2012 and 2013 to correct the overstatement.
- Recommendation:** We recommend the Foundation review and amend, if necessary, their policies and procedures over reviewing of accounts receivable to ensure they are appropriately billable to a contract and collectible.
- Current Status:** No similar finding was noted during the audit of fiscal year ended June 30, 2015.