



CALIFORNIA STATE UNIVERSITY

Single Audit Reports

June 30, 2018

(With Independent Auditors' Report Thereon)

CALIFORNIA STATE UNIVERSITY

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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

The Board of Trustees
California State University:

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 the business-type activities and the aggregate discretely presented component units of the California State University, an agency of the State of California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise California State University's basic financial statements, and have issued our report thereon dated March 8, 2019. Our report refers to other auditors who audited 87 of the 89 aggregate discretely presented component units, which statements reflect total assets constituting 93% and total revenues constituting 95% of the aggregate discretely presented component units totals. The reports of the other auditors have been furnished to us, and our opinion, insofar as they relate to the amounts included for the 87 aggregate discretely presented component units, are based solely on the reports of the other auditors. The financial statements of 45 discretely presented component units are not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters in accordance with *Government Auditing Standards* for the discretely presented component units.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered California State University'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's internal control. Accordingly, we do not express an opinion on the effectiveness of California State University'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule or findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether California State University's financial statements are free from 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*.

The University's Response to Findings

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

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 California State University'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 California State University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Orange County, California
March 8, 2019



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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
California State University:

Report on Compliance for Each Major Federal Program

We have audited the California State University's (the University) compliance with the types of compliance requirements described in the *OMB 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, 2018. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The University's basic financial statements include the operations of the University's discretely presented component units, which received federal awards totaling \$374,340,854, which is not included in the schedule of expenditures of federal awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of these component units because the component units engaged other auditors to perform audits in accordance with the Uniform Guidance.

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 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Opinion on Each Major Federal Program

In our opinion, the California State 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 major federal programs for the year ended June 30, 2018.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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 the Uniform Guidance 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.

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 a 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003 that we consider to be significant deficiencies.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the University, an agency of the State of California, as of and for the year ended June 30, 2018, and have issued our report thereon dated March 8, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

KPMG LLP

Orange County, California
March 8, 2019

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Direct programs:				
Federal Supplemental Educational Opportunity Grants	84.007		\$ 15,585,515	—
Federal Work-Study Program	84.033		18,745,549	—
Federal Perkins Loan Program	84.038		81,283,248	—
Federal Pell Grant Program	84.063		1,045,767,200	—
Federal Direct Student Loans	84.268		1,490,959,019	—
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		3,116,515	—
Postsecondary Education Scholarships for Veteran's Dependents (Iraq and Afghanistan Service Grant (IASG))	84.408		4,148	—
Total U.S. Department of Education			<u>2,655,461,194</u>	<u>—</u>
U.S. Department of Health and Human Services:				
Direct program:				
Nursing Student Loans	93.364		2,647,945	—
Total U.S. Department of Health and Human Services			<u>2,647,945</u>	<u>—</u>
Total Student Financial Assistance Cluster			<u>2,658,109,139</u>	<u>—</u>
Other Programs and Clusters:				
U.S. Department of Agriculture:				
Direct program:				
Higher Education Multicultural Scholars Program	10.220		26,000	—
Passed through California Department of Education: Child and Adult Care Food Program	10.558	04346-CACFP-12-HU-CS	39,626	—
Total U.S. Department of Agriculture			<u>65,626</u>	<u>—</u>
U.S. Department of Commerce:				
Passed through Regents of the University of Michigan:				
Coastal Zone Management Administration Awards	11.419	3004232335	10,000	—
Direct program:				
Marine Debris Program	11.999		36,643	—
Total U.S. Department of Commerce			<u>46,643</u>	<u>—</u>
U.S. Department of Defense:				
Passed through Institute of International Education Inc.:				
The Language Flagship Grants to Institutions of Higher Education	12.550	0054-SFSU-8-SSC-280-PO4	51,720	—
The Language Flagship Grants to Institutions of Higher Education	12.550	0054-SFSU-8-link-280-PO5	1,945	—
The Language Flagship Grants to Institutions of Higher Education	12.550	0054-SFSU-8-SSC-280-PO3	16,000	—
The Language Flagship Grants to Institutions of Higher Education	12.550	1-0054-SFSU-8-CHN-280-PO1 Amendment #2-0054-SFSU-8-CHN-280-PO1	8,630	—
The Language Flagship Grants to Institutions of Higher Education	12.550		300,254	—
Total U.S. Department of Defense			<u>378,549</u>	<u>—</u>
U.S. Department of the Interior:				
Direct programs:				
Cultural and Paleontological Resources Management	15.224		7,875	—
National Center for Preservation Technology and Training	15.923		21,058	—
Passed through CSU Dominguez Hills Foundation:				
Preservation of Japanese American Confinement Sites	15.933	500020	2,497	—
Direct program:				
Cultural Resources Management	15.946		17,338	—
Total U.S. Department of the Interior			<u>48,768</u>	<u>—</u>
U.S. Department of Labor:				
Direct program:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		1,628,558	36,962
Total U.S. Department of Labor			<u>1,628,558</u>	<u>36,962</u>
U.S. Department of Transportation:				
Passed through California Department of Transportation:				
U.S. Department of Transportation (not classified elsewhere)	20.UNK	04A4658,04A4782, 04A4916 06A2062, 43A0342	181,498	—
Direct program:				
Highway Training and Education	20.215		11,384	—
Passed through California Department of Transportation:				
Highway Training and Education	20.215	88A0121	5,058	—
Subtotal CFDA 20.215			<u>16,442</u>	<u>—</u>
Direct programs:				
State Maritime Schools	20.806		24,251	—
Ballast Water Treatment Technologies	20.819		126,990	—
Total U.S. Department of Transportation			<u>349,181</u>	<u>—</u>

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance (CFDA) number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>	<u>Amounts provided to subrecipients</u>
Office of Personnel Management:				
Direct program:				
Intergovernmental Personnel Act (IPA) Mobility Program	27.011		\$ 288,558	—
Total Office of Personnel Management			<u>288,558</u>	<u>—</u>
National Aeronautics and Space Administration:				
Passed through Association of Universities for Research in Astronomy, Incorporated:				
Science	43.001	STI-509915	390,121	—
Passed through University of California, San Diego:				
Science	43.001	NNX15AP87H	3,000	—
Subtotal CFDA 43.001			<u>393,121</u>	<u>—</u>
Direct program:				
Education	43.008		107,231	25,438
Passed through Napa Valley College:				
Education	43.008	SSU16	114,314	—
Subtotal CFDA 43.008			<u>221,545</u>	<u>25,438</u>
Total National Aeronautics and Space Administration			<u>614,666</u>	<u>25,438</u>
National Endowment for the Humanities:				
Passed through California Humanities:				
Promotion of the Humanities Federal/State Partnership	45.129	HFAQ17-46	5,000	—
Direct program:				
Promotion of the Humanities Fellowships and Stipends	45.160		29,400	—
Total National Endowment for the Humanities			<u>34,400</u>	<u>—</u>
U.S. Environmental Protection Agency:				
Passed through Environmental Quality Management:				
U.S. Environmental Protection Agency (not classified elsewhere)	66.UNK	13-017_021003	135,190	—
Direct program:				
Regional Wetland Program Development Grants	66.461		81,924	—
Total U.S. Environmental Protection Agency			<u>217,114</u>	<u>—</u>
U.S. Department of Energy:				
Passed through Alliance for Sustainable Energy, LLC:				
Renewable Energy Research and Development	81.087	AFC-5-52004-02	14,492	—
Direct program:				
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117		251,612	—
Total U.S. Department of Energy			<u>266,104</u>	<u>—</u>
U.S. Department of Education, excluding Student Financial Assistance Cluster:				
TRIO Cluster:				
Direct program:				
TRIO – Student Support Services	84.042		1,858,609	—
Passed through The CSU, Chico Research Foundation:				
TRIO – Student Support Services	84.042	P042A100854-17	29,350	—
Subtotal CFDA 84.042			<u>1,887,959</u>	<u>—</u>
Direct programs:				
TRIO – Talent Search Program	84.044		782,270	—
TRIO – Upward Bound Program	84.047		1,783,226	—
TRIO – McNair Post-Baccalaureate Achievement	84.217		375,122	—
Total TRIO Cluster			<u>4,828,577</u>	<u>—</u>
Passed through University Enterprises Corporation at California State University San Bernardino:				
Undergraduate International Studies and Foreign Language Programs	84.016	GT-14130	5,828	—
Direct program:				
Higher Education – Institutional Aid	84.031		6,364,930	199,479
Passed through Santa Barbara City College:				
Higher Education – Institutional Aid	84.031	12131.4070.562000.60	138,777	—
Passed through Ventura County Community College District:				
Higher Education – Institutional Aid	84.031	P0103046	126,986	—
Passed through San Mateo County Community College District:				
Higher Education – Institutional Aid	84.031	P031S160245	83,017	—
Higher Education – Institutional Aid	84.031	P031C1100159	2,172	—
Subtotal CFDA 84.031			<u>6,715,882</u>	<u>199,479</u>

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
Direct program: TRIO Staff Training Program	84.103		\$ 491,513	—
Passed through California Department of Rehabilitation: Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	28592	73,139	—
Direct program: Rehabilitation Long-Term Training	84.129		349,877	—
Direct program: Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325		1,086,768	124,283
Passed through Commission on Teacher Credentialing: Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325	14STC0035	5,114	—
Subtotal CFDA 84.325			<u>1,091,882</u>	<u>124,283</u>
Direct programs: Special Education – Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		652,584	—
Child Care Access Means Parents in School	84.335		328,979	—
Passed through The California State University, Chico Research Foundation: Teacher Quality Partnership Grants	84.336	14-042, 15-034	155,063	—
Direct program: English Language Acquisition State Grants	84.365		407,447	—
Passed through Santa Rosa City Schools: Mathematics and Science Partnerships	84.366	101	74,174	—
Passed through California Department of Education: Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	15-15196-3064-00	197,031	129,763
Passed through The Regents of the University of California: Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	NCLB14-CISP-SONOMA NCLB14-CMP-SONOMA NCLB14-CMP-STANISLAUS NCLB14-CWP-TURLOCK	163,204	—
Passed through National Writing Project: Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	92-CA10-SEED2016	1,048	—
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	92-CA10-SEED2016-ILI	320	—
Subtotal CFDA 84.367			<u>361,603</u>	<u>129,763</u>
Direct program: Strengthening Minority-Serving Institutions Total U.S. Department of Education, excluding Student Financial Assistance Cluster	84.382		375,028	—
			<u>15,911,576</u>	<u>453,525</u>
U.S. Department of Health and Human Services: 477 Cluster: Child Care and Development Fund Cluster: Passed through California Department of Education: Child Care and Development Block Grant	93.575	CCTR-7044, CSPP-7105	69,778	—
Child Care Mandatory and Matching Funds of the Child Care and Development Fund Total Child Care and Development Fund Cluster	93.596	CCTR-7044, CSPP-7105	151,822	—
Total 477 Cluster			<u>221,600</u>	<u>—</u>
Direct program: Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243		199,660	—
Passed through University of California, San Francisco: Minority Health and Health Disparities Research	93.307	7518SC	2,224	—
Passed through California Department of Education: Early Head Start-Child Care Partnerships (EHS-CCP) Grant Partnerships (EHS-CCP) Grant	93.600	15291, 15292, 15298	236,140	—
Passed through University of California, Berkeley: Foster Care – Title IV-E	93.658	00009246-01 Agreement #9243; CDSS #16-IA-00775	2,206,808	—
Passed through The Regents of the University of California: Foster Care – Title IV-E	93.658	16-IA-00775	1,267,532	—
Subtotal CFDA 93.658			<u>3,474,340</u>	<u>—</u>

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
Direct program: Biomedical Research and Research Training Passed through University of California, San Francisco:	93.859		\$ 487,161	—
Biomedical Research and Research Training	93.859	10339SC 7284SC	90,673	—
Subtotal CFDA 93.859			<u>577,834</u>	<u>—</u>
Passed through AIDS United: HIV Prevention Activities – Non-Governmental Organization Based	93.939	880-20172	11	—
Total U.S. Department of Health and Human Services			<u>4,711,809</u>	<u>—</u>
Corporation for National and Community Service: Direct program: AmeriCorps	94.006		195,501	—
Passed through Jumpstart for Young Children: AmeriCorps	94.006	CFDA-94.006-JS-SITE#10	212,701	—
Subtotal CFDA 94.006			<u>408,202</u>	<u>—</u>
Direct program: Volunteers in Service to America	94.013		19,233	—
Total Corporation for National and Community Service			<u>427,435</u>	<u>—</u>
U.S. Department of Homeland Security: Passed through Department of Parks and Recreation, Division of Boating and Waterways: Boating Safety Financial Assistance	97.012	C8960313	9,100	—
Passed through Historic Preservation, Office of (OHP): Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	C1710004	6,506	—
Total U.S. Department of Homeland Security			<u>15,606</u>	<u>—</u>
Total other programs and clusters			<u>25,004,593</u>	<u>515,925</u>
Research and Development Cluster: U.S. Department of Agriculture: Direct program: Agricultural Research Basic and Applied Research	10.001		2,461	—
Direct program: Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326		69,431	22,004
Supplemental Nutrition Assistance Program (SNAP) Cluster: Passed through California Department of Public Health: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16-10234	33,712	—
Total Supplemental Nutrition Assistance Program (SNAP) Cluster			<u>33,712</u>	<u>—</u>
Direct program: Cooperative Forestry Assistance	10.664		32,848	—
Direct program: Partnership Agreements	10.699		15,914	—
Total U.S. Department of Agriculture			<u>154,366</u>	<u>22,004</u>
U.S. Department of Commerce: Passed through Monterey Bay Aquarium Research Institute: Integrated Ocean Observing System (IOOS)	11.012	1611290	125,042	—
Passed through The Regents of the University of California: Sea Grant Support	11.417	71780057	102,470	—
Direct program: Coastal Zone Management Estuarine Research Reserves	11.420		642,787	—
Passed through Merkel & Associates Incorporated: Coastal Zone Management Estuarine Research Reserves	11.420	GS-10F-0060T/ AB-133F-14NC-1535	54,824	—
Subtotal CFDA 11.420			<u>697,611</u>	<u>—</u>
Direct programs: Marine Sanctuary Program	11.429		21,084	—
Habitat Conservation	11.463		25,580	—
Total U.S. Department of Commerce			<u>971,787</u>	<u>—</u>
U.S. Department of Defense: Direct program: Flood Control Projects	12.106		11,510	—
Passed through National Marine Mammal Foundation: Basic and Applied Scientific Research	12.300	SSU-2773	22,068	—
Direct program: Basic, Applied, and Advanced Research in Science and Engineering	12.630		997,507	—

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
Air Force Defense Research Sciences Program	12.800		\$ 37,723	—
Passed through George Mason University:				
Air Force Defense Research Sciences Program	12.800	E2043361	22,159	—
Subtotal CFDA 12.800			59,882	—
Total U.S. Department of Defense			1,090,967	—
U.S. Department of the Interior:				
Direct programs:				
Fish, Wildlife and Plant Conservation Resource Management	15.231		242,788	—
Fish and Wildlife Management Assistance	15.608		30,808	—
Cooperative Endangered Species Conservation Fund	15.615		46,341	—
Passed through Fish and Wildlife, California Department of (CDFW):				
Cooperative Endangered Species Conservation Fund	15.615	P1680007 P1680032	60,068	—
Subtotal CFDA 15.615			106,409	—
Passed through Fish and Wildlife, California Department of (CDFW):				
State Wildlife Grants	15.634	P1640010 S1780015	46,261	—
Direct programs:				
Challenge Cost Share	15.642		3,728	—
Research Grants (Generic)	15.650		31,535	—
Passed through Regents of the University of California:				
Endangered Species Conservation, Recovery Implementation Funds	15.657	A18-0450-S0001	512	—
Direct programs:				
Earthquake Hazards Reduction Program	15.807		43,358	—
U.S. Geological Survey-Research and Data Collection	15.808		172,167	—
Passed through California Office of Historic Preservation:				
Historic Preservation Fund Grants-In-Aid	15.904	C8960507	11,000	—
Direct programs:				
Cooperative Research and Training Programs – Resources of the National Park System	15.945		55,728	—
National Park Service Conservation, Protection, Outreach, and Education	15.954		31,043	—
CA Biodiversity Council Facilitation	15.UNK		16,757	—
Total U.S. Department of the Interior			792,094	—
National Aeronautics and Space Administration:				
Direct program:				
Science	43.001		182,720	49,062
Passed through Space Telescope Science Institute:				
Science	43.001	HST-GO-12950.03-A HST-GO-13297.07-A	7,716	—
Passed through Oregon State University:				
Science	43.001	NS251A-A	4,984	—
Passed through Arizona State University, Tempe:				
Science	43.001	15-718	3,814	—
Subtotal CFDA 43.001			199,234	49,062
Total National Aeronautics and Space Administration			199,234	49,062
National Endowment for the Humanities:				
Passed through California Humanities:				
Promotion of the Humanities Federal/State Partnership	45.129	HFAP17-11	7,653	—
Direct program:				
Promotion of the Humanities Fellowship and Stipends	45.160		37,800	—
Total National Endowment for the Humanities:			45,453	—
National Science Foundation:				
Direct programs:				
Engineering Grants	47.041		536,816	—
Mathematical and Physical Sciences	47.049		539,179	—
Geosciences	47.050		426,233	—
Computer and Information Science and Engineering	47.070		189,347	35,894
Biological Sciences	47.074		1,327,456	—
Passed through Fordham University:				
Biological Sciences	47.074	FORD0003	19,217	—
Passed through Regents of the University of California San Francisco:				
Biological Sciences	47.074	9807SC	358,230	—
Subtotal CFDA 47.074			1,704,903	—
Direct program:				
Education and Human Resources	47.076		721,834	25,640
Passed through California State University Sacramento:				
Education and Human Resources	47.076	523911 AMENDMENT NO. 523914 523911 AMENDMENT NO. 523915	12,458	—

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Federal grantor/pass-through agency/program title	Catalog of federal domestic assistance (CFDA) number	Pass-through entity identifying number	Federal disbursements/ expenditures	Amounts provided to subrecipients
Passed through Cal Poly Corporation: Education and Human Resources	47.076	2018-2-51273	\$ 10,683	—
Passed through Missouri State University: Education and Human Resources	47.076	16043-007	49,070	—
Passed through University Enterprises, Incorporated California State University: Education and Human Resources	47.076	HRD – 1302873	9,814	—
Passed through University Enterprises, Incorporated California State University, Sacramento: Education and Human Resources	47.076	520541A, 523841 523951 A523955	31,710	—
Passed through University Enterprises, Incorporated: Education and Human Resources	47.076	523751, 523961	24,961	—
Passed through Northeastern University: Education and Human Resources	47.076	502277-78050	186,398	—
Passed through The Regents of the University of California: Education and Human Resources	47.076	9400, KK1627 A00-1696S004-P056579	87,259	—
Passed through WestEd: Education and Human Resources	47.076	S00028711.0	34	—
Passed through University of Texas at El Paso: Education and Human Resources	47.076	226100955B	238,699	—
Subtotal CFDA 47.076			<u>1,372,920</u>	<u>25,640</u>
Direct program:				
Polar Programs	47.078		24,500	24,500
Total National Science Foundation			<u>4,793,898</u>	<u>86,034</u>
U.S. Department of Veterans Affairs VA Health Administration Center				
Direct program:				
Research and Development	64.054		29,414	—
Total U.S. Department of Veterans Affairs VA Health Administration Center			<u>29,414</u>	<u>—</u>
U.S. Environmental Protection Agency:				
Passed through California State Coastal Conservancy: Congressionally Mandated Projects	66.202	CONTRACT NO. 10-030	182,757	—
Total U.S. Environmental Protection Agency			<u>182,757</u>	<u>—</u>
U.S. Department of Energy:				
Direct program:				
Office of Science Financial Assistance Program	81.049		247,615	—
Total U.S. Department of Energy			<u>247,615</u>	<u>—</u>
U.S. Department of Education:				
Passed through San Mateo County Community College District: Minority Science and Engineering Improvement	84.120	P120A150014	83,495	—
Direct programs:				
Research in Special Education	84.324		1,031,444	640,481
Education Innovation and Research (formerly Investing in Innovation (i3) Fund	84.411		637,569	—
Total U.S. Department of Education			<u>1,752,508</u>	<u>640,481</u>
U.S. Morris K. Udall Foundation:				
Direct program:				
Morris K. Udall Scholarship Program	85.400		32,836	—
Total U.S. Morris K. Udall Foundation			<u>32,836</u>	<u>—</u>
U.S. Department of Health and Human Services:				
Passed through California Department of Public Health Environmental Public Health and Emergency Response	93.070	13-20878	22,500	—
Passed through Urban Institute Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	09349-00-00 #36200	19,889	—
Passed through California Department of Public Health Injury Prevention and Control Research and State and Community Based Programs	93.136	13-20878	7,500	—
Direct program:				
Mental Health Research Grants	93.242		814,244	69,114
Passed through Boston University: Mental Health Research Grants	93.242	4500002320	76,888	—
Subtotal CFDA 93.242			<u>891,132</u>	<u>69,114</u>

CALIFORNIA STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of federal domestic assistance (CFDA) number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>	<u>Amounts provided to subrecipients</u>
Passed through Stanford University: Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	60917381-114033	\$ 53,679	—
Direct programs:				
Minority Health and Health Disparities Research	93.307		246,077	—
Trans-NIH Research Support	93.310		3,408,617	1,033,282
Behavioral Risk Factor Surveillance System	93.336		28,621	—
Passed through The Regents of the University of California: Mental and Behavioral Health Education and Training Grants	93.732	9668	47,468	—
Passed through California Department of Public Health: PPHF: Health Care Surveillance / Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745	13-20878	202,569	—
Passed through California Department of Public Health: State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	13-20878	35,404	—
Passed through California Department of Public Health: Preventative Health and Health Services Block Grant Funded solely with Prevention and Public Health Funds	93.758	13-20878	338,760	—
Direct program: Cardiovascular Diseases Research	93.837		82,878	—
Passed through University of California, San Francisco: Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	8109SC	26,123	—
Direct program: Allergy and Infectious Diseases Research	93.855		338,585	—
Direct program: Biomedical Research and Research Training	93.859		2,766,849	—
Passed through University of California, San Francisco: Biomedical Research and Research Training	93.859	1R15GM116043-01	71,159	—
Subtotal CFDA 93.859			<u>2,838,008</u>	<u>—</u>
Direct program: Child Health and Human Development Extramural Research	93.865		227,310	13,814
Passed through Research Foundation for Mental Hygiene, Incorporated: Child Health and Human Development Extramural Research	93.865	25999	158,751	—
Subtotal CFDA 93.865			<u>386,061</u>	<u>13,814</u>
Direct program: Aging Research	93.866		139,243	—
Passed through University of California, San Francisco: Aging Research	93.866	9913C, 10273SC, 10295SC	125,716	—
Passed through Stanford University: Aging Research	93.866	61406136-45510 61593292-45510	24,728	—
Subtotal CFDA 93.866			<u>289,687</u>	<u>—</u>
Passed through Stanford University: Medical Library Assistance	93.879	61100260-12656-A	36,327	—
Passed through California Department of Public Health: Assistance Programs for Chronic Disease Prevention and Control	93.945	13-20878	33,750	—
Total U.S. Department of Health and Human Services			<u>9,333,635</u>	<u>1,116,210</u>
Total Research and Development Cluster			<u>19,626,564</u>	<u>1,913,791</u>
Total expenditures of federal awards			<u>\$ 2,702,740,296</u>	<u>2,429,716</u>

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance.

CALIFORNIA STATE UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

(1) General

The accompanying schedule of expenditures of federal awards (Schedule) presents the activity of all federal award programs of the California State University (the University). The University does not consider itself a subrecipient of federal funds when those funds are received as payments for services rendered from individual campus foundations, which are discretely presented component units in the basic financial statements of the University. Accordingly, these amounts are not reflected in the accompanying Schedule.

For purposes of the Schedule, federal awards include all grants and contracts entered into directly between the University and agencies and departments of the federal government and pass-through agencies. The awards are classified into program categories in accordance with the provisions of the Uniform Guidance.

(2) Basis of Accounting

The information in the accompanying Schedule is prepared on the accrual basis of accounting and is also presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(3) Loan Programs

Total loans outstanding under the Federal Perkins Loan Program and the Nursing Student Loan Program are \$68,898,975 and \$2,406,773, respectively, at June 30, 2018. The amounts included in the accompanying Schedule consist of the beginning balances of the loans, loans advanced to students during the year and the administrative cost allowance for the year ended June 30, 2018.

(4) Administrative Cost Allowances

Administrative cost allowances included in the accompanying Schedule are summarized as follows:

Federal Perkins Loan Program	\$	893,647
Federal Pell Grant Program		871,670
Federal Work-Study Program		403,948
Federal Supplemental Educational Opportunity Grant Program		<u>172,026</u>
Total administrative cost allowances	\$	<u>2,341,291</u>

(5) Indirect Cost Rate

The University did not elect to use the 10% de minimis indirect cost rate as discussed in the Uniform Guidance Section 200.414. For all sponsored programs where indirect costs are allowed to be claimed, the rates approved by the University's cognizant agency were used.

CALIFORNIA STATE UNIVERSITY
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2018

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on financial statements: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ X Yes _____ None Reported

Noncompliance material to the financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ Yes X No
- Significant deficiencies in internal control over major programs _____ X Yes _____ None Reported

Type of auditors' report issued on compliance for major programs: Unmodified opinion

Any audit findings that are required to be reported in accordance with 2 CFR 200.516 of Uniform Guidance _____ X Yes _____ No

Identification of Major Programs

<u>CFDA number(s)</u>	<u>Name of federal program or cluster</u>
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.408, and 93.364	Student Financial Assistance Cluster
17.282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants
84.031	Higher Education – Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs: \$1,338,935

Auditee qualified as low-risk auditee? _____ X Yes _____ No

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

2018-001

Missing Control over the Review of Employee Census Data used to Calculate Other Post-Employment Benefits

Condition and Context

The University records the net other postemployment benefits (OPEB) liability based on the projected benefit for current and active employees and retirees based on various assumptions and employee census data elements. Errors were identified in the census data file for the active employees, resulting in the OPEB expenses and liability being calculated using erroneous information. While the University submits changes to the census data elements for active employees to the State, there is a missing control over the review of the accuracy of census data used by the actuary in estimating OPEB expense and liability.

Criteria

A significant deficiency in internal control is the result of a deficiency in internal controls, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements will not be prevented or detected.

Potential Cause and Effect

Due to the lack of controls over the review to ensure completeness and accuracy of census data used by the actuary in estimating OPEB, this resulted in a projected overstatement of OPEB liability in the amount of \$199.3M. This error was not corrected in the June 30, 2018 financial statements.

Recommendation

We recommend that the University revisits its policies and procedures and take the necessary action to improve its control over the review of census data used in estimating OPEB liability.

View of Responsible Officials and Planned Corrective Action

The University concurs with the recommendation. The University will review the policies and procedures and develop appropriate internal controls to ensure the completeness and accuracy of the census data used by the actuary in estimating the net OPEB liability.

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

(3) Findings and Questioned Costs Relating to Federal Awards

2018-002

Compliance requirement:	Enrollment Reporting
Campus:	Northridge, San Francisco, Sacramento, Chico, Fresno, Dominguez Hills, Pomona, San Marcos, and Sonoma
Cluster name/program:	Student Financial Assistance Cluster
CFDA number:	84.268 Federal Direct Student Loans 84.038 Federal Perkins Loan Program
Federal agency:	U.S. Department of Education
Pass-through entity:	None
Award year:	July 1, 2017 through June 30, 2018

Criteria or Specific Requirement

According to 34 CFR Section 685.309, institutions with direct loan programs must complete and return to the National Student Loan Data System for Students (NSLDS) within 30 days the enrollment reporting roster file provided by NSLDS, unless the school expects to complete the next roster within 60 days, then they must return it within 60 days. The institution must update changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and then submit changes electronically to the NSLDS, for the purpose of providing complete and accurate data to lenders regarding enrollment status so they may properly determine when repayment of the loans should begin.

Condition Found and Context

During our testwork, we haphazardly selected 132 students from 12 campuses that withdrew or graduated during the year that have direct loans that we tested for reporting the change of status to NSLDS and noted the following:

- We identified ten students where their change in status was not reported to the NSLDS within the 30/60-day reporting period. For these students, status was communicated between 3-237 days late.
- We identified three students with status changes that were not accurately reported to NSLDS due to campuses not accurately reporting retroactive withdrawals.

During our testwork, we have identified insufficient documentation of controls at six of the 12 campuses and noted the following:

- We were unable to obtain sufficient audit evidence over the effectiveness of the control at three of the 12 campuses.
- We identified sufficient control at one of the campuses, however, it was implemented in January 2018, as such, was not effective throughout the period under audit.

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

- We identified inadequate documentation of the design and implementation of controls at two of the 12 campuses.

Since late or inaccurate enrollment status reporting in conjunction with inadequate documentation of controls was identified at six of the twelve campuses sampled, we consider this to be a significant deficiency in internal control over the compliance requirement for enrollment status reporting.

Cause and Effect

All campuses utilize the services of the National Student Clearinghouse (NSC) to assist in the reporting of enrollment status changes to NSLDS. NSC generally requires approximately 45 days to submit information provided to them by institutions to NSLDS. The cause of the late or inaccurate submissions was caused by each of the six campuses not implementing effective procedures in place to monitor the timely reporting from NSC to NSLDS. The effect of these status changes not being reported timely is that the repayment of outstanding loan balances to the lenders is not started and payment to them is delayed.

Sampling

Not statistical

Isolated or Systemic

Systemic

Questioned Costs

None noted

Repeat Finding

Yes, however, different campus locations were sampled in the current year.

Recommendation

We recommend the University select a sample of students from each transmission sent to the NSC and compare the information received by NSLDS against what was sent to the NSC to ensure the information was transmitted by NSC accurately and timely. In addition, we recommend that the University conduct this sample prior to the 60-day deadline to ensure that disbursement information is reported timely.

Views of Responsible Officials

The University concurs with the recommendation. Campuses will review their policies and procedures and devise appropriate internal controls to ensure the timely and accurate reporting of student status changes, including data provided on behalf of the campus by the NSC.

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

2018-003

Compliance requirement:	Verification
Campus:	Northridge, San Francisco, Long Beach
Cluster name/program:	Student Financial Assistance Cluster
CFDA number:	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 84.408, and 93.364
Federal agency:	U.S. Department of Education and U.S. Department of Health
Pass-through entity:	None
Award year:	July 1, 2017 through June 30, 2018

Criteria or Specific Requirement

Title 34 Education. Chapter VI – Office of Postsecondary Education, Department of Education. Part 668 Student Assistance General Provisions. Subpart E Verification of Student Aid Application Information. Sec. 668.56 Items to be verified. (a) Except as provided in paragraphs (b), (c), (d), and (e) of this section, an institution shall require an applicant selected for verification under Sec. 668.54(a)(2) or (3) to submit acceptable documentation described in Sec. 668.57 that will verify or update the following information used to determine the applicant's Expected Family Contributions (EFC): (2) U.S. income tax paid for the base year data was used in determining eligibility.

Condition Found and Context

During our testwork, we haphazardly selected 77 students from seven campuses that received Federal Financial Assistance awards during the year that were also selected for verification under Sec. 668.54(a)(2) or (3) and noted the following:

- We identified one student's verification documents were not appropriately obtained prior to the clearance of the verification flag, but did not result in any known questioned cost impact.
- We identified one student where the student's adjusted gross income (AGI) was incorrectly verified, resulting in a miscalculation of the student's expected family contribution (EFC) and an under-award of Pell grant by \$100. We verified that the campus corrected the under-award amount to the respective student within the same academic year.

The questioned cost is likely over \$25,000, if extrapolated over the entire Pell Grant awards disbursed population. We consider this to be a significant deficiency in internal control over the compliance requirement for verification.

CALIFORNIA STATE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

During our testwork, we have identified controls that are not operating effectively at 1 out of the 7 campuses.

Cause and Effect

Information reported on the campus verification worksheets did not match the information reported on the Institutional Student Information Record (ISIR), which could result in the use of inaccurate amounts in the determination of financial aid awards. The exception impacted the value of awards granted to the student in our selected sample.

Sampling

Not statistical

Isolated or Systemic

Isolated

Questioned Costs

Under-award of Pell Grant known amounts of \$100.

Repeat Finding

Yes, however, different campus locations were sampled in the current year.

Recommendation

We recommend that the University put controls in place to ensure that applicant data is properly verified. In addition, any discrepancies in student data reported in the ISIR should be properly resolved and reported to the Department of Education.

Views of Responsible Officials

The University concurs with the recommendation. Campuses have taken steps to further strengthen internal controls to ensure application data is properly verified and any discrepancies in ISIR are properly resolved and reported to the Department of Education.