

## **Section IV**

### **Findings**

**California Institute of Technology  
Independent Auditors Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2010**

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**SECTION I – SUMMARY OF AUDITORS RESULTS**

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? No

**Federal Awards**

Internal control over major programs:

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

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

Any audit findings that are required to be reported in accordance with OMB Circular A-133? Yes

Identification of major programs:

<b>Program Name</b>	<b>CFDA Number</b>	
Research and Development Cluster	Various	
Dollar threshold used to distinguish between type A and type B programs:		\$3,000,000
Auditee qualified as a low-risk auditee?		Yes

**SECTION II – FINANCIAL REPORTING FINDINGS**

No matters are reportable.

**California Institute of Technology**  
**Independent Auditors Schedule of Findings and Questioned Costs**  
**(Continued)**  
**For the Year Ended September 30, 2010**

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 10-01: Timeliness of financial reporting for federal awards**

**Identification of programs affected by the finding**

Sponsor Award Number: Various (FA9550-07-1-0247, NBCH1050001, 2007-DN-077-ER0004-03)

Sponsoring Agency: Various (Air Force, Department of the Interior, Homeland Security Advanced Research Projects Agency)

CFDA#: Various (12.8000, 15.000, 97.077)

Caltech Award #: Various (AFOSR.000025, DOI.MGA, HSARPA.000005)

Award Year: FY2010

**Criteria**

The Institute is responsible for submitting financial reports for awards on quarterly, semi-annual, annual or final basis, in accordance with specific sponsoring agency requirements and as included in the grant agreements.

Based on the Office of Management and Budget ("OMB") Circular A-110, \_\_\_\_52 (a)(1)(iv), SF-269 Financial Status Report shall be required to be submitted no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for annual and final reports. Extension of reporting due dates may be approved by the Federal awarding agency upon request of the recipient.

Based on the Office of Management and Budget ("OMB") Federal Financial Report ("FFR") Instructions, the SF-425 report shall replace the standard SF-269 and SF-272 Financial Status Reports. All submission requirements that applied to the previously mentioned reports apply to the SF-425.

**Condition**

The Federal Financial Report ("Form 425") for 3 out of 25 reports for federal awards was not submitted to the awarding agencies in a timely manner. Below are instances where the reports were submitted late from our testing sample.

<b>Award No.</b>	<b>Funding Source #</b>	<b>Due date of Selected Report</b>	<b>Report Submission Date</b>	<b>Days late</b>
AFOSR.000025	FA9550-07-1-0247	3/2/2010	3/31/2010	29
DOI.MGA	NBCH1050001	10/31/2009	12/11/2009	41
HSARPA.000005	2007-DN-077-ER0004-03	12/1/2009	12/17/2009	16

**California Institute of Technology**  
**Independent Auditors Schedule of Findings and Questioned Costs**  
**(Continued)**  
**For the Year Ended September 30, 2010**

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**

The Institute has a total of 537 awards subject to financial reporting requirements with \$247 million of expenditures during fiscal 2010. Approximately 89% of the fiscal 2010 federal expenditures or \$219 million of federal expenditures were funded by four federal agencies, namely, National Aeronautics and Space Administration ("NASA"), National Institutes of Health ("NIH"), National Science Foundation ("NSF"), and Department of Energy ("DOE"). No exceptions were identified in regards to the reporting requirements to these top four Federal funding agencies for the Institute.

**Questioned Costs**

Not Applicable. Audit finding pertains to noncompliance with the reporting requirements set forth under OMB Circular A-133.

**Cause**

The following were the causes for the delay in the submission of the required financial reports:

*AFOSR.000025, DOI.MGA and HSARPA.00005*

These final reports were due prior to March 2010. Absence of a report reminder system and staff getting used to newly assigned workload were the main reasons for late final reports. The Institute implemented the report reminder system in March 2010.

**Effect**

As the Institute did not submit the financial reports in a timely manner, in accordance with the award agreement, the Institute did not meet its contractual obligations.

**Recommendation**

The Institute implemented a report reminder system in March 2010. This system needs to be maintained, monitored and updated for changes in financial reporting requirements. The monitoring procedure should particularly include updating reporting due dates for modifications, new awards and early terminations. Maintaining an accurate master listing of required financial reports and their due dates will provide the internal control for submitting financial reports by the reporting deadlines.

**Management's Views and Corrective Action Plan**

Management's response is reported in the "Management's Views and Corrective Action Plan" and considered as part of this report.

**California Institute of Technology  
Summary Schedule of Prior-Year Audit Findings  
and Questioned Costs  
For the Year Ended September 30, 2010**

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**Summary Schedule of Prior Audit Findings**

**Finding 09-1 Timeliness of financial reporting for Federal awards.**

**Condition**

The Financial Status Report ("Form 269") and Federal Cash Transaction Report ("Form 272") for 10 out of 29 reports on federal awards were not submitted to the awarding agencies in a timely manner.

**Current Status**

Refer to Finding 10-01 and Management's Views and Corrective Action Plan 10.1.

**Finding 09-02: Distribution of expenditures between two Federal awards under direct cost allocation principles**

**Condition**

Expenditures that benefited two federal awards, contract 1000 G HD871 and DE-FG02-92ER40701, for University of California Los Angeles ("UCLA") and Department of Energy ("DOE"), respectively, required distribution of the expenditures between both awards. While the expenditures benefited both federal awards, the summary of all the allowable expenses was not mathematically correct. As such, the distribution of the expenditures between both federal awards was not properly performed, thereby leading to the UCLA award being overcharged and the DOE award being under charged by the same amount of \$1,207.

**Current Status**

Project Accounting has incorporated in their training programs the importance of after-the-fact timely review of charges posted to federal awards by the departmental administrators so that errors are identified and corrected in a timely manner.

No equivalent issues were noted during the current year audit, and no further action is required.

**Finding 09-03: Support for Travel Costs**

**Condition**

In testing the travel expense reports, one travel expense report out of the 10 selected for testing did not have a timely travel expense report submitted for the trip in support of the expenditure. The travel expenditure, which was \$472 for airfare, was incurred in November 2008 in relation to a subaward from Howard University.

**Current Status**

Travel Services now copies Project Accounting on 90-day and 120-day reminders sent to travelers. Travel Services and Project Accounting work together to ensure supporting documentation is provided by the divisions.

No equivalent issues were noted during the current year audit, and no further action is required.

# *CALIFORNIA INSTITUTE OF TECHNOLOGY*

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April 13, 2011

PricewaterhouseCoopers LLP  
350 South Grand Avenue  
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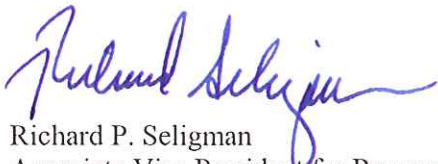
Subject: California Institute of Technology Management's Views and Corrective Action Plan

Reference: OMB Circular A-133 Audit for Fiscal Year 2010

Enclosed is the California Institute of Technology's OMB Circular A-133 Management's Views and Corrective Action Plan for fiscal year ended September 30, 2010.

Please feel free to call me if any further information or clarification is required.

Sincerely,



Richard P. Seligman  
Associate Vice President for Research Administration

Enclosure

# CALIFORNIA INSTITUTE OF TECHNOLOGY

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Fiscal Year 2010

Finding Number	Condition	Management's Views and Corrective Action Plan	Responsible Individual	Planned Completion Date
10.1	The Federal Financial Report ("Form 425") for 3 out of 25 reports for federal awards were not submitted to the awarding agencies in a timely manner.	The Institute has evaluated the compliance impact of the late reports, noting that these reports account for 1% of total expenditures reported in the financial reports for the 537 awards in fiscal 2010. In accordance with the Management Response to FY 08-A133 and FY 09-A133 Audit, the Institute has implemented a report reminder database, which became fully functional in March 2010. The late reports had reporting deadlines before March 2010. Project Accounting staff are monitoring financial report due dates by using this report reminder system.	Director of Project Accounting	Ongoing