

Section IV

Findings

**California Institute of Technology
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2016**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

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 auditors’ report issued on compliance for major programs: Unmodified

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

Program Name	CFDA Number
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 STATEMENT FINDINGS

None reported.

Section III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

California Institute of Technology

Summary Schedule of Status of Prior Audit Findings and Questioned Costs For the Year Ended September 30, 2016

Condition

Finding 2015-001: In testing the Institute's conformity with the compliance requirements for certain non-salary direct costs, PwC selected 21 charges, comprising \$1.8 million of costs stemming from 20 federally funded awards. Total expenditures for these cost types, for these awards, was \$20.3 million. PwC noted one charge for a new service center in the amount of \$41,848. The service center charges were based on budgeted hours rather than actual hours and therefore were not determined on a basis generally consistent with charges from other service centers. The Institute's policies and procedures do not indicate that rates are required to be based on actual hours rather than budgeted hours. However, the Institute assumes that charges will be based on actual hours unless otherwise noted by the service center. The service center provides curation and archive services, and primarily services non-federal awards for the Institute. This was the only Institute federal award to which the service center charged costs.

Current Status

The Institute updated its Service Center Policy, effective September 2016, to include guidance on acceptable methodologies for determining charges to federal awards for center services. In addition, the Institute provided training in September 2016 regarding the revised policy and related procedures.

Condition

Finding 2015-002: In testing the Institute's compliance with the monitoring of subrecipient requirements, PwC sampled 30 subrecipient agreements out of a total population of 155. PwC identified two subawards with foreign entities, for which the Institute did not perform the appropriate monitoring procedures as it did not evaluate whether the entities were subject to audit requirements for federal expenditures. In both cases, the Institute did not engage in discussions to understand whether these subrecipients had sufficient federal expenditures in the subrecipients' fiscal year to make them subject to either an A-133 audit or audit under *Government Auditing Standards*. In both cases, as part of its award monitoring procedures, the Institute did review and approve the invoices and associated costs, which provided evidence that the costs incurred were appropriate. The expenditures included in the accompanying schedule of expenditures of federal awards for these two subawards are \$512,000 and \$480,000, respectively.

Current Status

The Institute updated its Policy and Procedure on Issuance of Subawards and on Subrecipient Monitoring, effective September 2016, which addresses compliance with Sponsor audit requirements, including foreign subrecipients. In addition, foreign subrecipients are required to complete a Subrecipient Mini-Audit Questionnaire annually.