

**Middlesex Community College
591 Springs Road
Bedford, Massachusetts 01730**

**National Science Foundation
Award Number DUE- 9454642**

**Financial Audit
of
Financial Schedules
and
Independent Auditors' Reports**

For the Period January 1, 1995 to June 30, 1999

**Leon Snead & Company, P.C.
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EXECUTIVE SUMMARY



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National Science Foundation
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EXECUTIVE SUMMARY

BACKGROUND

Middlesex Community College (MCC) is a component unit of the Commonwealth of Massachusetts. MCC follows the cost principles specified in Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions* and the Federal administrative requirements contained in OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

On January 1, 1995, the National Science Foundation (NSF) issued award DUE-9454642 to MCC to fund the *Advanced Biotechnology Education Project*. The project was to develop coordinated high school and two-year college biotechnology curricula. Supporting activities were to include teacher and faculty trainings, industry mentor education, program material development, job shadowing, and the recruitment and retention of underrepresented groups of students. The NSF award budget was \$1,132,394 and MCC agreed to provide cost sharing in the amount of \$359,298 to support the project for the award period of January 1, 1995 through June 30, 1999. MCC claimed NSF funding of \$1,129,320 and cost sharing of \$365,074 for the award period.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

We have performed an audit of award DUE-9454642 issued by NSF to MCC for the period January 1, 1995 to June 30, 1999. A summary of the audit results of this award are in Schedule A – *Schedule of Award Costs*, and Schedule C – *Summary Schedules of Award Audited and Audit Results*.

The objectives of our audit were to determine whether:

1. Costs charged to the NSF award by MCC are allowable, allocable, and reasonable, in accordance with the applicable Federal cost principles, and NSF award terms and conditions; and

2. MCC's systems of internal controls are adequate to properly administer, account for, and monitor its NSF awards in compliance with NSF and Federal requirements.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States of America, and the *National Science Foundation Audit Guide* (September 1996), as applicable. These standards and the *National Science Foundation Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed to the National Science Foundation as presented in the *Schedule of Award Costs* (Schedule A), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Schedule A. An audit also includes assessing the accounting principles used and significant estimates made by MCC, as well as evaluating the overall financial schedule's presentation. We believe our audit provides a reasonable basis for our opinion.

We used non-statistical sampling to test the costs claimed by MCC to test for compliance with Federal and NSF award requirements. Based on this sampling plan, questioned costs may have been found had all expenditures been tested.

SUMMARY OF AUDIT RESULTS

An audit was performed on the costs claimed in financial reports submitted by MCC to NSF, as well as on the cost sharing provided by MCC for the NSF award audited. These costs and the results of our audit are shown in Schedule A and are summarized as follows:

| <u>Award No.</u> | <u>Source of Funding</u> | <u>Budget</u> | <u>Claimed Costs</u> | <u>Questioned Costs</u> |
|------------------|--------------------------|--------------------|----------------------|-------------------------|
| DUE-9454642 | NSF Funding | \$1,132,394 | \$1,129,320 | \$ 0 |
| | Cost Sharing | <u>359,298</u> | <u>365,074</u> | <u>0</u> |
| | Total Project | <u>\$1,491,692</u> | <u>\$1,494,394</u> | <u>\$ 0</u> |

The costs claimed by MCC for the award expenditures were generally allowable, allocable, and reasonable in accordance with the applicable Federal cost principles, and NSF award terms and conditions. In addition, MCC's systems of internal controls appear adequate to properly administer, account for, and monitor its NSF awards in compliance with NSF and Federal requirements.

EXIT CONFERENCES

An exit conference was held on January 11, 2002, at MCC's office in Bedford, Massachusetts. Preliminary findings and recommendations, as well as other observations, were discussed with those attending.

Representing MCC were:

| Name | Title |
|-------------|--------------|
| [REDACTED] | [REDACTED] |

Representing Leon Snead & Company, P.C. was:

| Name | Title |
|-------------|--------------|
| [REDACTED] | [REDACTED] |

A second exit conference was held on March 2, 2004 by telephone. The audit results were discussed with those attending.

Representing MCC were:

| Name | Title |
|-------------|--------------|
| [REDACTED] | [REDACTED] |

Representing Leon Snead & Company, P.C. was:

| Name | Title |
|-------------|--------------|
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INDEPENDENT AUDITORS' REPORT ON FINANCIAL SCHEDULES

We have audited the costs claimed by Middlesex Community College (MCC) to the National Science Foundation (NSF) on the Federal Cash Transactions Reports (FCTR) – Federal Share of Net Disbursements for the NSF award listed below. In addition, we have also audited the amount of cost sharing claimed on the award. The FCTRs, as presented in the *Schedule of Award Costs* (Schedule A), are the responsibility of MCC's management. Our responsibility is to express an opinion on Schedule A based on our audit.

| <u>Award Number</u> | <u>Award Period</u> | <u>Audit Period</u> |
|---------------------|----------------------|----------------------|
| DUE-9454642 | 01/01/95 to 06/30/99 | 01/01/95 to 06/30/99 |

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States of America, and the *National Science Foundation Audit Guide* (September 1996), as applicable. These standards and the *National Science Foundation Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed to NSF as presented in the *Schedule of Award Costs* (Schedule A) are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the *Schedule of Award Costs* (Schedule A). An audit also includes assessing the accounting principles used and significant estimates made by MCC's management, as well as evaluating the overall financial schedule's presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial schedule was prepared in conformance with the requirements of the *National Science Foundation Audit Guide* as described in the Notes to the Financial Schedules, and are not intended to be a complete presentation of financial position in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the *Schedule of Award Costs* (Schedule A) referred to above presents fairly, in all material respects, the costs claimed on

the Federal Cash Transactions Reports – Federal Share of Net Disbursements for the period January 1, 1995 to June 30, 1999, in conformity with the *National Science Foundation Audit Guide* (September 1996), NSF *Grant Policy Manual*, terms and conditions of the NSF award, and on the basis of accounting described in the *Notes to the Financial Schedules*.

In accordance with *Government Auditing Standards* and the *National Science Foundation Audit Guide*, we have also issued a report dated November 2, 2001, on our tests of MCC's compliance with certain provisions of laws and regulations and the NSF award agreement, and our consideration of MCC's internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the MCC's management, NSF, the cognizant Federal agency for audit, the Office of Management and Budget, and the Congress of the United States and is not intended to be and should not be used by anyone other than these specified parties.

Leon Snead & Company, P.C.
Leon Snead & Company, P.C.
Rockville, Maryland 20850
November 2, 2001



**LEON SNEAD
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND
REGULATIONS AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

We have audited the costs claimed as presented in the *Schedule of Award Costs* (Schedule A), which summarizes the financial reports submitted by Middlesex Community College (MCC) to the National Science Foundation (NSF) and claimed cost sharing for the award listed below. We have issued our report thereon dated November 2, 2001.

| <u>Award Number</u> | <u>Award Period</u> | <u>Audit Period</u> |
|---------------------|----------------------|----------------------|
| DUE-9454642 | 01/01/95 to 06/30/99 | 01/01/95 to 06/30/99 |

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States of America, and the *National Science Foundation Audit Guide* (September 1996), as applicable. These standards and the *National Science Foundation Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free of material misstatement.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with applicable Federal laws, regulations, and the NSF award terms and conditions is the responsibility of MCC's management. As part of obtaining reasonable assurance about whether the financial schedule is free of material misstatement, we performed tests of MCC's compliance with certain provisions of laws, regulations, and the NSF award terms and conditions, noncompliance with which could have a direct and material effect on the overall financial schedule. However, providing an opinion on compliance with such provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards* and the *National Science Foundation Audit Guide*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of MCC is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with accounting principles prescribed by NSF. Because of inherent limitations in any internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the *Schedule of Award Costs* (Schedule A) for the period January 1, 1995 to June 30, 1999, we obtained an understanding of MCC's internal control over financial reporting. With respect to internal control over financial reporting, we obtained an understanding of the design of relevant policies and procedures and whether the procedures have been placed in operation. Furthermore, we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedule and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

Our consideration of internal control over financial reporting would not necessarily disclose all matters related to internal control over financial reporting that might be reportable conditions under standards established by the American Institute of Certified Public Accountants, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data in a manner that is consistent with the assertions of management in the financial schedule. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial schedule being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses as defined above. However, because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

This report is intended solely for the information and use of the MCC's management, NSF, the cognizant Federal agency for audit, the Office of Management and Budget, and the Congress of the United States, and is not intended to be and should not be used by anyone other than these specified parties.

Leon Snead & Company, P.C.
Leon Snead & Company, P.C.

Rockville, MD 20805

November 2, 2001

FINANCIAL SCHEDULES AND SUPPLEMENTAL INFORMATION

Middlesex Community College
National Science Foundation Award Number DUE-9454642
Schedule of Award Costs
January 1, 1995 to June 30, 1999
Final

| Cost Category | Approved Budget | (A) Claimed Costs | Reclassifications | Claimed Costs After Reclassifications | Questioned Costs | |
|--|-----------------|----------------------|-------------------|---------------------------------------|------------------|--------------------|
| | | | | | Amount | Schedule Reference |
| Direct Costs: | | | | | | |
| Salaries and Wages | ██████████ | ██████████ | ██████████ | ██████████ | | |
| Fringe Benefits | ██████████ | ██████████ | ██████████ | ██████████ | | |
| Permanent Equipment | ██████████ | ██████████ | ██████████ | ██████████ | - | |
| Travel | ██████████ | ██████████ | ██████████ | ██████████ | - | |
| Participant Support | ██████████ | ██████████ | ██████████ | ██████████ | | |
| Other Direct Costs: | | | | | | |
| Material and Supplies | ██████████ | ██████████ | ██████████ | ██████████ | | |
| Publication | ██████████ | ██████████ | ██████████ | ██████████ | - | |
| Consultants | ██████████ | ██████████ | ██████████ | ██████████ | - | |
| Subcontract | ██████████ | ██████████ | ██████████ | ██████████ | - | |
| Other | ██████████ | ██████████ | ██████████ | ██████████ | - | |
| Total Direct Costs | \$ 1,086,998 | \$ 1,086,648 | \$ - | \$ 1,086,648 | \$ - | |
| Indirect Costs | 45,936 | 42,672 | - | 42,672 | - | |
| Subtotal | \$ 1,132,934 | \$ 1,129,320 | \$ - | \$ 1,129,320 | \$ - | |
| Costs claimed to NSF in excess of actual costs or costs incurred in excess of claimed costs to NSF | - | - | - | - | - | |
| Total | \$ 1,132,934 | \$ 1,129,320 | \$ - | \$ 1,129,320 | \$ - | |
| Cost Sharing | \$ 359,298 | \$ 365,074 | \$ - | \$ 365,074 | \$ - | |

(A) The total representing costs claimed agreed with the expenditures reported on Federal Cash Transaction Report - Federal Share of Net Disbursements as of the quarter ended September 30, 1999. Claimed costs reported above are taken directly from Middlesex Community College's books of accounts.

**Middlesex Community College
Summary Schedules of Award Audited and Audit Results
January 1, 1995 to June 30, 1999**

Summary of Award Audited

| Award Number | Award Period | Audit Period |
|--------------|---------------------|---------------------|
| DUE-9454642 | 01/01/95 – 06/30/99 | 01/01/95 – 06/30/99 |

| Award Number | Type of Award | Award Description |
|--------------|---------------|--|
| DUE-9454642 | Grant | The purpose of the award was to fund the <i>Advanced Biotechnology Education Project</i> . The project was to develop coordinated high school and two-year college biotechnology curricula. Supporting activities were to include teacher and faculty trainings, industry mentor education, program material development, job shadowing, and the recruitment and retention of underrepresented groups of students. |

Summary of Questioned Costs by Award

| NSF Award Number | Award Budget | Claimed Costs | Claimed Cost Sharing | Questioned Costs |
|------------------|--------------|---------------|----------------------|------------------|
| DUE-9454642 | \$1,132,394 | \$1,129,320 | \$365,074 | \$0 |

Middlesex Community College
Notes to the Financial Schedules
From January 1, 1995 to June 30, 1999

Note 1: Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial schedule has been prepared in conformity with National Science Foundation (NSF) instructions. The *Schedule of Award Costs* (Schedule A) has been prepared from the reports submitted to NSF and information obtained from the accounting records maintained for the award by MCC. The basis of accounting used in the preparation of these reports differs from generally accepted accounting principles. The following information summarizes these differences:

A. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to NSF. Therefore, the awardee does not maintain any equity in the award and any excess of cash received from NSF over final expenditures is due back to NSF.

B. Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the *Schedule of Award Costs* (Schedule A) include the cost of equipment purchased during the period rather than a provision for depreciation.

Except for awards with nonstandard terms and conditions, title to equipment under NSF awards vests in the recipient, for use in the project or program for which it was acquired, as long as it is needed. The recipient may not encumber the property without approval of the federal awarding agency, but may use the equipment for its other federally sponsored activities, when it is no longer needed for the original project.

C. Inventory

Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedule.

The departure from generally accepted accounting principles allows NSF to properly monitor and track actual expenditures incurred by the awardee. The departure does not constitute a material weakness in internal controls.

Note 2: Income Taxes

MCC is a private nonprofit corporation, incorporated under the laws of the Commonwealth of Massachusetts. MCC is exempt from income taxes under the Internal Revenue Code. It is also exempt from the Commonwealth of Massachusetts franchise or income tax.

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