

**Pennsylvania State System Of Higher Education,  
Commonwealth of Pennsylvania**

Financial Statements and  
Supplementary Information

June 30, 2012



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## INDEPENDENT AUDITORS' REPORT

Board of Governors  
Pennsylvania State System of Higher Education:

We have audited the accompanying financial statements of the Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania ("PASSHE") (a component unit of the Commonwealth of Pennsylvania) and its aggregate discretely presented component units as of and for the years ended June 30, 2012 and 2011, which collectively comprise PASSHE's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of PASSHE's management. Our responsibility is to express an opinion on these financial statements based on our audits. We have audited the financial statements of certain of the discretely presented component units which statements reflect total assets of \$449,013,000 and \$455,868,000 as of June 30, 2012 and 2011. We did not audit the financial statements of the other aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of PASSHE and of its aggregate discretely presented component units as of June 30, 2012 and 2011, and the respective changes in its net assets and its cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012 on our consideration of PASSHE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 and the Required Supplementary Information on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise PASSHE's financial statements. The accompanying schedule of expenditures of federal awards on pages 35-49 is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

*ParenteBeard LLC*

Wilkes-Barre, Pennsylvania  
September 26, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

As the public universities of the Commonwealth of Pennsylvania (Commonwealth), the 14 universities of the Pennsylvania State System of Higher Education (PASSHE) are charged with providing high quality education at the lowest possible cost to the students. With more than 118,000 students enrolled, PASSHE is the state's largest higher education provider. Its 14 universities offer the lowest-cost four-year baccalaureate degree programs in the state in more than 120 areas of study. The universities function independently, but being part of PASSHE enables them to share resources and benefit from economies of scale. Following is an overview of PASSHE's financial activities for the year ended June 30, 2012, as compared to the year ended June 30, 2011.

### FINANCIAL HIGHLIGHTS

- In fiscal year 2011/12, PASSHE received \$412.8 million in General Fund appropriations from the Commonwealth, a decrease of \$52.4 million, or 11.3%, from the General Fund appropriations received in fiscal year 2010/11.
- PASSHE received no funding from ARRA (American Recovery and Reinvestment Act) State Fiscal Stabilization Funds in fiscal year 2011/12. The Commonwealth had supplemented its appropriation to PASSHE with \$38.2 million of ARRA funds in fiscal year 2010/11 and \$65.2 million in ARRA funds in fiscal year 2009/10.
- Including the ARRA funds, PASSHE's appropriation decreased \$90.6 million, or 18%, in fiscal year 2011/12 compared to fiscal year 2010/11. This is the same level of funding PASSHE received in fiscal year 1997/98—fourteen years ago.
- After a two-year suspension, PASSHE received a \$6.8 million Realty Transfer Tax allocation from the Commonwealth's Key '93 (Keystone Recreation, Park and Conservation) Fund. With the exception of the last two years, Key '93 funds have provided a consistent revenue stream for deferred maintenance projects since 1993. PASSHE has received \$11.7 million of Key '93 funds in fiscal year 2012/13.
- From fiscal year 2000/01 to fiscal year 2008/09, PASSHE received \$65 million annually in Commonwealth capital funding, primarily for renovation or replacement of existing educational and general buildings. In fiscal years 2009/10 and 2010/11, the Commonwealth's capital funding for PASSHE increased to \$130 million per year. In fiscal year 2011/12, however, the Governor reduced PASSHE's capital appropriation funding level back to \$65 million, where it will remain for the foreseeable future. The portion of capital appropriations reflected in these statements, representing the furnishings and equipment for the Commonwealth-funded construction projects, totaled \$9.7 million and \$1.3 million in fiscal years 2011/12 and 2010/11, respectively.
- As part of its continuing commitment to reward the universities for demonstrated success and continued improvement in student achievement, university excellence, and operational efficiency, PASSHE's Board of Governors (Board) allocated \$35.9 million of PASSHE's appropriations for performance funding in fiscal year 2011/12, slightly more than the \$35.6 million allocated in fiscal year 2010/11.
- After 14 years of record growth, PASSHE experienced its first enrollment decline in fiscal year 2011/12. Fall 2011 enrollment was 118,224, a decrease of 1,289 students, or 1%, from the fall 2010 record enrollment of 119,513.
- Of the 118,224 students in the fall 2011 enrollment, 100,459 (85%) were full-time and 17,765 (15%) were part-time students; 102,900 (87%) were undergraduate and 15,324 (13%) were graduate students.

- In academic year 2010/11, PASSHE awarded 24,860 degrees, comprising 18,485 bachelor's degrees; 5,630 master's degrees; 150 doctoral degrees; 388 associate's degrees; and 207 certificates.
  - The Board approved a tuition rate increase of 7.5%, or \$436, for undergraduate resident students in fiscal year 2011/12. PASSHE's 2011/12 annual tuition rate of \$6,240 for full-time, resident undergraduate students was the lowest of four-year baccalaureate degree programs in the state.
  - Mandatory student fees set by the universities increased, on average, by 9.4%. These increases resulted in tuition and fee revenue (before discounts) of \$1.01 billion, an increase of \$77.1 million, or 8.3%, over fiscal year 2010/11.
  - The most common room and board fees (included in auxiliary enterprises) set by the universities increased 4.7% and 1.4%, respectively, resulting in revenue of \$246.9 million, an increase of \$1.3 million, or 0.5%, over fiscal year 2010/11.
  - PASSHE's average cost of attendance (tuition, mandatory fees, room, and board) in 2011/12 was \$513 below the average among all four-year public universities in the United States and \$2,317 below the average in the Middle States region (Delaware, Maryland, New Jersey, New York, Pennsylvania, and Washington, D.C.), according to the latest College Board survey.
  - PASSHE purchased \$187.0 million in capital assets in fiscal year 2011/12, including \$150.3 million to build or improve academic and auxiliary facilities across all 14 universities.
  - On July 12, 2011, PASSHE issued Series AM bonds totaling \$119.1 million to provide funds to undertake various capital projects at the universities, including:
    - \$23.6 million for student residences at Bloomsburg, Indiana, and Lock Haven;
    - \$51.9 million for student union/recreation centers at Millersville, Shippensburg, Slippery Rock, and West Chester;
    - \$12.7 million for technology infrastructure and information systems at California and East Stroudsburg;
    - \$3.1 million for a Guaranteed Energy Savings Agreement project at Millersville;
    - \$14.6 million for the convocation center at California;
    - \$5.4 million for a performing arts center at Millersville; and
    - \$7.8 million for property purchases by East Stroudsburg.
  - In March 2012, PASSHE issued Series AN revenue bonds totaling \$76.8 million to current refund Series U, W, and X revenue bonds. This bond refunding was completed to reduce debt service by \$13.8 million and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$13.3 million.
  - During fiscal year 2011/12, \$48.0 million of principal and \$6.8 million of interest was paid, bringing the total outstanding bond debt to \$941.7 million at June 30, 2012.
- Moody's Rating*  
In February 2012, Moody's Investors Service, Inc. (Moody's), assigned PASSHE a bond rating of Aa2. Moody's ratings outlook for PASSHE is *Negative*. In its analysis of PASSHE, Moody's notes PASSHE's strengths and challenges as follows:
- Strengths
    - PASSHE's established market position and its large enrollment base.
    - Improved, balanced operating performance and cash flow generation.
    - Adequate financial resource cushion of debt and operations with rapid amortization of debt.
    - Good unrestricted liquidity.
  - Challenges
    - Declining enrollment, particularly in Western Pennsylvania, with an ongoing decline in the number of Pennsylvania high school graduates.
    - Dramatic increase in privatized replacement student housing debt, over which PASSHE has limited oversight, but which creates a strong strategic and operational link between PASSHE and its affiliates.
    - A highly unionized environment.
    - Rising pension and health care benefits that have created a high postretirement liability.
    - Expected continued reductions in operating support from the Commonwealth.

The Balance Sheet reports the balances of the assets, liabilities, and net assets of PASSHE as of the end of the fiscal year. Assets include cash; investments reported at market value; the value of outstanding receivables due from students and other parties; and land, buildings, and equipment reported at cost, less accumulated depreciation. Liabilities include payments due to vendors and students; the balance of bonds payable; and liabilities such as workers' compensation (PASSHE is self-insured), compensated absences (the value of sick and annual leave earned by employees), and postretirement benefits (health and tuition benefits expected to be paid to certain current and future retirees). The difference between the assets and liabilities is reported as net assets.

#### *Statement of Revenues, Expenses, and Changes in Net Assets*

This statement reports the revenues earned and the expenses incurred during the fiscal year. The result is reported as an increase or decrease in net assets. In accordance with the Governmental Accounting Standards Board (GASB) requirements, PASSHE has classified revenues and expenses as either operating or nonoperating. GASB has determined that all public colleges' and universities' state appropriations are nonoperating revenues. In addition, GASB requires classification of gifts, investment income and expenses, unrealized gains and losses on investments, interest expense, and losses on disposals of assets as nonoperating. PASSHE classifies all of its remaining activities as operating.

#### *Statement of Cash Flows*

This statement's primary purpose is to provide relevant information about PASSHE's cash receipts and cash payments. It may be used to determine PASSHE's ability to generate future net cash flows and to meet its obligations as they come due and its need for external financing.

#### **Net Assets**

Net assets increased by \$71.6 million in fiscal year 2011/12, as compared to an increase of \$53.9 million in fiscal year 2010/11.

- *Invested in capital assets, net of related debt* is the cost of land, buildings, improvements, equipment,

furnishings, and library books, net of accumulated depreciation, less any associated debt (primarily bonds payable). This balance is not available for PASSHE's use in ongoing operations, since the underlying assets would have to be sold in order to use the balance to pay current or long-term obligations. The Commonwealth prohibits PASSHE from selling university land and buildings without prior approval.

- *Restricted* net assets represent the balances of funds received from the Commonwealth, donors, or grantors who have placed restrictions on the purpose for which the funds must be spent. *Nonexpendable* restricted net assets represent corpuses of endowments and similar arrangements in which only the associated investment income can be spent. *Expendable* restricted net assets are available for expenditure as long as any external purpose and time restrictions are met.
- *Unrestricted* net assets include funds that the Board has designated for specific purposes, auxiliary funds, and all other funds not appropriately classified as restricted or invested in capital assets. Unrestricted net assets reflect two unfunded liabilities:
  - The liability for postretirement benefits for employees who participate in the PASSHE plan increased by \$72.9 million to \$864.4 million for the year ended June 30, 2012. Because this liability is expected to be realized gradually over time, and because of its size, the universities fund it only as it becomes due.
  - The liability for compensated absences increased by \$6.4 million to \$108.2 million for the year ended June 30, 2012. Similar to the postretirement benefits liability, cash payouts to employees upon termination or retirement for annual and sick leave balances are expected to be realized gradually over time.

Following is a summary of the balance sheet at June 30, 2012, 2011, and 2010.

(in millions)

	June 30, 2012	Change from Prior Year	June 30, 2011	Change from Prior Year	June 30, 2010	Change from Prior Year
<b>Assets</b>						
Cash and investments	\$1,340.3	11.7%	\$1,199.9	6.5%	\$1,126.3	9.7%
Capital assets, net	1,623.4	4.6%	1,551.9	5.9%	1,464.8	9.0%
Other assets	181.1	(9.5%)	200.2	18.5%	168.9	12.1%
<b>Total assets</b>	<b>\$3,144.8</b>	<b>6.5%</b>	<b>\$2,952.0</b>	<b>7.0%</b>	<b>\$2,760.0</b>	<b>9.5%</b>
<b>Liabilities</b>						
Workers' compensation	\$19.8	4.2%	\$19.0	15.2%	\$16.5	4.4%
Compensated absences	108.2	6.3%	101.8	(2.1%)	104.0	4.4%
Postretirement benefits	864.4	9.2%	791.5	9.5%	722.6	9.1%
Bonds payable	941.7	6.4%	885.3	7.3%	825.4	11.6%
Other liabilities	398.0	(3.7%)	413.3	2.2%	404.3	12.5%
<b>Total liabilities</b>	<b>2,332.1</b>	<b>5.5%</b>	<b>2,210.9</b>	<b>6.7%</b>	<b>2,072.8</b>	<b>10.4%</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	621.4	3.3%	601.6	(2.3%)	615.9	7.9%
Restricted	86.2	12.7%	76.5	12.7%	67.9	0.0%
Unrestricted*	105.1	66.8%	63.0	1,752.9%	3.4	(27.7%)
<b>Total net assets</b>	<b>812.7</b>	<b>9.7%</b>	<b>741.1</b>	<b>7.8%</b>	<b>687.2</b>	<b>6.8%</b>
<b>Total liabilities and net assets</b>	<b>\$3,144.8</b>	<b>6.5%</b>	<b>\$2,952.0</b>	<b>7.0%</b>	<b>\$2,760.0</b>	<b>9.5%</b>

\*\$27.5 million of the change in Unrestricted net assets from June 30, 2010, to June 30, 2011, was due to university reclassification from Invested in capital assets, net of related debt.

## REVENUES AND EXPENSES

Overall, fiscal year 2011/12 operating revenues increased 6.6% from the prior fiscal year, mainly due to the 8.7% increase in net tuition and fees. Nonoperating revenues decreased 13.6%, primarily because of the overall 16.3% decrease in state appropriations.

In anticipation of a significant decrease in funding from the Commonwealth, along with concerns about tuition rates and declining enrollment, universities cut operating expenses by \$9 million, or 0.5%, in fiscal year 2011/12 compared to the prior fiscal year.

In addition to the changes to the appropriation and tuition revenue discussed in the Financial Highlights section of this analysis, following are the more significant revenue and expense items:

- Investment income (before investment expenses) for fiscal year 2011/12 was \$24.9 million, an increase of \$0.5 million from the prior year. Although the decline in interest rates continued

through the fiscal year, spending at the universities declined, resulting in higher operating capital. The average monthly operating capital was approximately \$128 million more, or 12% higher, than the previous fiscal year.

- Universities spent \$683.4 million on instruction, or 36.7% of total operating expenses, in fiscal year 2011/12. This represents a decrease of \$13.3 million, or 1.9%, over fiscal year 2010/11.
- Financial aid to students in the form of waivers and scholarships was \$301.6 million in fiscal year 2011/12, an increase of \$11.6 million from the previous year. In accordance with a formula prescribed by the National Association of College and University Business Officers (NACUBO), in fiscal year 2011/12, PASSHE reported \$223.9 million of financial aid as *scholarship discounts and allowances* (netted against tuition and fees) and \$76.6 million as *student aid* expense. Auxiliary expense was reported as \$1.1 million. Following is the breakdown of scholarship discounts and

allowances and waivers in fiscal years 2011/12 and 2010/11:

(in millions)

Student Financial Aid		
	2011/12	2010/11
Federal Pell grants	\$145.7	\$149.0
Other federal aid	6.2	12.4
State financial aid including PHEAA	104.0	82.1
Local government financial aid	1.7	1.9
Scholarships from endowments and restricted gifts and grants	10.3	9.8
Unrestricted scholarships and fellowships	12.0	11.9
Tuition and fee waivers	20.6	22.0
Dorm and dining waivers	1.1	0.9
Total	\$301.6	\$290.0

- Interest expense on capital asset-related debt was \$41.6 million, an increase of \$5.2 million over fiscal year 2010/11.
- PASSHE is the 15<sup>th</sup> largest employer in the state (source: PA Department of Labor and Industry), with more than 13,038 professional and support staff. Salaries and benefits totaled \$1.26 billion. Compared to fiscal year 2010/11, salaries decreased by \$23.7 million, or 2.7%, while benefits increased by \$6.0 million, or 1.5%, for an overall decrease of \$17.7 million:
  - Employer hospitalization and Health and Welfare Fund costs decreased 6.1% over fiscal year 2010/11, for a total decrease of \$7.4 million. This follows a decrease of 1.5%

(\$1.8 million) in fiscal year 2010/11 and an increase of 15.6% (\$16.6 million) in fiscal year 2009/10 over the prior fiscal years.

- Employer annuitant health care costs increased 6.9% over fiscal year 2010/11, for a total increase of \$8.7 million. This follows consecutive increases of 7.8% (\$9.1 million) and 4.9% (\$5.5 million) in fiscal years 2010/11 and 2009/10, respectively, over the prior fiscal years. The increases are caused not only by the increase in health care costs, but also by the increase in the number of retired employees.
- Employer contributions to SERS and PSERS increased 54.4% over fiscal year 2010/11, for a total increase of \$7.9 million. This follows consecutive increases of 30.4% (\$3.4 million) and 4.8% (\$0.5 million) in fiscal years 2010/11 and 2009/10, respectively, over the prior fiscal years. The steep increases were instituted by SERS and PSERS to fund the enormous and growing unfunded actuarial accrued liabilities in both pensions, which was \$14.7 billion at December 31, 2011, for SERS and \$19.7 billion at June 30, 2011, for PSERS.
- The total cost for all other employee benefits, such as Social Security and workers' compensation, decreased by a total of \$3.2 million, or 2.3% less than fiscal year 2010/11, compared to an increase of \$4.9 million in fiscal year 2010/11, or 3.6%, over fiscal year 2009/10.

Following is a summary of salaries, wages, and benefits expenses for the years ending June 30, 2012, 2011, and 2010.

(in millions)

	June 30, 2012	Change from Prior Year	June 30, 2011	Change from Prior Year	June 30, 2010	Change from Prior Year
Salaries and wages	\$853.9	(2.7%)	\$877.7	1.8%	\$861.8	3.2%
<b>Benefits</b>						
Hospitalization	104.8	(7.0%)	112.6	(1.4%)	114.2	16.9%
Health & Welfare Fund	8.8	5.0%	8.4	(2.0%)	8.5	0.2%
Annuitant Hospitalization	134.9	6.9%	126.2	7.8%	117.1	4.9%
SERS	20.6	58.4%	13.0	28.0%	10.2	4.2%
PSERS	1.8	19.5%	1.5	56.3%	1.0	11.2%
Other benefits	137.3	(2.3%)	140.5	3.6%	135.6	4.1%
<b>Total benefits</b>	<b>408.2</b>	<b>1.5%</b>	<b>402.2</b>	<b>4.0%</b>	<b>386.6</b>	<b>7.8%</b>
<b>Total salaries, wages, and benefits</b>	<b>\$1,262.1</b>	<b>(1.4%)</b>	<b>\$1,279.9</b>	<b>2.5%</b>	<b>\$1,248.4</b>	<b>4.6%</b>

Following is a summary of revenues and expenses for the years ending June 30, 2012 and 2011.

(in millions)

	June 30, 2012	Change from Prior Year	June 30, 2011	Change from Prior Year	June 30, 2010	Change from Prior Year
<b>Operating revenues</b>						
Tuition and fees, net	\$786.4	8.7%	\$723.5	8.4%	\$667.4	4.6%
Grants and contracts	320.7	1.7%	315.3	4.5%	301.7	19.7%
Auxiliary enterprises, net	327.1	2.5%	319.0	8.4%	294.2	5.1%
Other	56.8	38.6%	40.8	9.7%	37.3	(0.3%)
<b>Total operating revenues</b>	<b>1,491.0</b>	<b>6.6%</b>	<b>1,398.6</b>	<b>7.5%</b>	<b>1,300.6</b>	<b>7.7%</b>
<b>Nonoperating revenues</b>						
State appropriations	422.5	(16.3%)	504.7	(5.3%)	532.8	4.7%
Investment income, net	24.5	2.1%	24.0	(14.0%)	27.9	(21.2%)
Unrealized gain on investment	11.7	91.8%	6.1	(61.6%)	15.9	(762.5%)
Gifts and other	28.6	(2.0%)	29.3	12.3%	26.1	13.5%
<b>Total nonoperating revenues</b>	<b>487.3</b>	<b>(13.6%)</b>	<b>564.1</b>	<b>(6.4%)</b>	<b>602.7</b>	<b>6.7%</b>
<b>Total revenues</b>	<b>\$1,978.3</b>	<b>0.8%</b>	<b>\$1,962.7</b>	<b>3.1%</b>	<b>\$1,903.3</b>	<b>7.4%</b>

(in millions)

	June 30, 2012	Change from Prior Year	June 30, 2011	Change from Prior Year	June 30, 2010	Change from Prior Year
<b>Operating expenses</b>						
Instruction	\$683.4	(1.9%)	\$696.7	4.9%	\$664.2	5.2%
Research	6.6	(7.0%)	7.1	0.0%	7.1	(2.7%)
Public service	33.8	(5.1%)	35.6	(2.2%)	36.4	(10.6%)
Academic support	158.9	(0.1%)	159.0	(3.5%)	164.8	(0.5%)
Student services	166.3	1.0%	164.6	6.1%	155.1	3.6%
Institutional support	251.4	0.7%	249.6	1.4%	246.2	2.4%
Operations and maintenance of plant	137.1	(2.3%)	140.3	0.1%	140.2	(3.0%)
Depreciation	113.2	4.6%	108.2	2.4%	105.7	5.6%
Student aid	76.6	(3.8%)	79.6	3.5%	76.9	28.0%
Auxiliary enterprises	235.5	1.9%	231.1	5.0%	220.2	2.6%
<b>Total operating expenses</b>	<b>1,862.8</b>	<b>(0.5%)</b>	<b>1,871.8</b>	<b>3.0%</b>	<b>1,816.8</b>	<b>3.6%</b>
<b>Other expenses</b>						
Interest expense on capital asset- related debt	41.6	14.3%	36.4	4.0%	35.0	10.1%
Loss on disposal of assets	2.3	283.3%	.6	(91.8%)	7.3	(83.8%)
<b>Total other expenses</b>	<b>43.9</b>	<b>18.6%</b>	<b>37.0</b>	<b>(12.5%)</b>	<b>42.3</b>	<b>(44.9%)</b>
<b>Total expenses</b>	<b>\$1,906.7</b>	<b>(0.1%)</b>	<b>\$1,908.8</b>	<b>2.7%</b>	<b>\$1,859.1</b>	<b>1.5%</b>

## FUTURE ECONOMIC FACTORS

- The Commonwealth ended fiscal year 2011/12 with General Fund collections that were \$162.8 million, or 0.6%, below estimate. Similar revenue collections are anticipated in the Commonwealth's fiscal year 2012/13 General Fund budget. The Governor's Program Policy Guidelines for preparation of the 2013/14 Commonwealth budget again states that "the Pennsylvania economy is still in recovery and has not yet emerged from the 'Great Recession.'" It is anticipated that the Commonwealth's mandatory expenditure increases, including pensions, medical assistance, corrections, and debt service, will continue to grow at a faster rate than revenue.
- In fiscal year 2012/13, PASSHE will receive \$412.8 million in General Fund appropriations, the same as received in fiscal year 2011/12. This funding level is approximately the same as the appropriations PASSHE received from the Commonwealth in fiscal year 1997/98.
- The Commonwealth has continued its commitment to fund PASSHE's deferred maintenance projects with a Realty Transfer Tax allocation from the Key '93 funds. PASSHE received \$11.7 million from this revenue stream in 2012/13. Key '93 funds are

derived from the Realty Transfer Tax; the actual amount received is an estimate and may be adjusted based upon the health of the real estate market.

- The Board approved a 3.0% increase in tuition for the 2012/13 academic year. The \$188 increase for full-time, resident undergraduate students sets the new rate at \$6,428, the lowest among all four-year colleges and universities in Pennsylvania.
- After 14 straight years of record enrollments, some universities experienced reductions in academic year 2011/12 enrollment, resulting in a 1% decline in PASSHE's overall fall headcount enrollment. Contributing factors are the general economic environment and declining numbers of high school graduates. In addition, changes in state and local policies regarding advanced degrees for teachers contributed to an overall decline in graduate enrollment. Preliminary fall 2012 enrollment statistics indicate a continuing enrollment decline of approximately 3%.
- During fiscal year 2011/12, PASSHE increased its focus on enrollment management:

- PASSHE is conducting a pricing elasticity and brand value study. It is anticipated the results of this study will provide guidance for improving institutional brand strength and optimizing the relationship between market demand and net price.
- PASSHE is creating a System-wide, multi-university, electronic admissions application. Anticipated to be available for use by the fall 2014 entering class, this web-based tool should result in increased admissions applications and provide a better showcase of PASSHE offerings to prospective students.
- Initiatives designed for nontraditional and returning adult students are underway and include articulation agreements in 25 areas of study with Pennsylvania's 14 community colleges. In addition, PASSHE is collaborating with the Center for Adult and Experiential Learning to assist students in developing "prior learning portfolios" for college credit.
- Several PASSHE universities have created senior leadership positions in enrollment management.
- PASSHE continues to align academic offerings with work force needs and student expectations. In 2011/12 alone, the Board created 18 new academic programs, placed 29 programs in moratorium, discontinued 4 programs, and reorganized 20 programs.
- In fiscal year 2011/12, the State Employees' Retirement System (SERS) continued its steep increases in employer pension contribution rates that are anticipated to persist through fiscal year 2013/14 and remain high for the foreseeable future. The most predominant employer-paid SERS rates for PASSHE employees rose 50% in 2012/13, and are anticipated to increase 43% in 2013/14. A similar pattern is occurring with the Public School Employees' Retirement System (PSERS). Approximately 47% of PASSHE's employees receiving retirement benefits are enrolled in SERS or PSERS.
- In June 2012, GASB issued Statement No. 67, *Accounting and Financial Reporting for Pensions*. Statement 67 will require PASSHE to report on its balance sheet a net pension liability for SERS and PSERS, which would represent the difference between its share of the total SERS and PSERS pension liabilities and the net assets set aside in a qualified trust to pay the benefits to current employees, retirees, and their beneficiaries. Although an estimate of the liability has not been calculated by SERS or PSERS, the effect on PASSHE is expected to be significant. PASSHE will begin recording this liability in fiscal year 2014/15.
- At December 31, 2011, SERS' actuarial accrued pension liability of \$42.3 billion was only 65.3% funded, down from 75.2% funded the previous year. The actuarial value of its net assets was \$27.6 billion at December 31, 2011, compared to \$29.4 billion at December 31, 2010, a decrease of \$1.8 billion. \$14.7 billion of its actuarial pension liability was unfunded at December 31, 2011, compared to \$9.7 billion unfunded at December 31, 2010. The \$14.7 billion is debt already incurred by the Commonwealth, and it is an obligation that cannot be eliminated by reducing future benefits. The 2011 employer contributions were only 42.8% of the actuarially calculated Annual Required Contribution. The number of new retirees added to the SERS rolls in 2011 (7,669) was 90% higher than those removed from the rolls (4,040), increasing the annual allowance paid to retirees to \$2.2 billion, or 7.4% higher than 2010. In 2011, PASSHE's employees represented 4.8% of active SERS members. SERS predicts that it may take as many as 40 years to fully fund its liability.
- At June 30, 2011, PSERS's actuarial accrued pension liability of \$79.1 billion was only 75.1% funded, down from 79.2% funded the previous year. The actuarial value of its net assets was \$59.4 billion at June 30, 2011, compared to \$59.9 billion at June 30, 2010, a decrease of \$0.5 billion. \$19.7 billion of its actuarial pension liability was unfunded at June 30, 2011, compared to \$15.7 billion unfunded at June 30, 2010. The \$19.7 billion is debt already incurred and cannot be eliminated by reducing future benefits. The 2011 employer contributions were only 27% of the actuarially calculated Annual Required Contribution. PASSHE's employees represent approximately 0.4% of reported member salaries covered under PSERS.
- PASSHE has eight collective bargaining agreements with seven employee unions. Agreements have yet to be reached with three bargaining units, whose contracts expired June 30, 2011, meaning that future compensation requirements are unknown for approximately 53% of PASSHE's employees.

### Moody's Outlook

As a result of the recent downgrade of the Commonwealth of Pennsylvania's rating from Aa1 to Aa2, Moody's notified PASSHE that its rating was under a 90-day review for a possible downgrade. A decision on whether PASSHE's rating will be changed is expected in October 2012. Moody's notes the following regarding a change in the rating.

- *What could make the rating go up (not likely with the negative outlook):*
  - Substantial increase in financial resources, including a notable rise in gift revenues.
  - Consistently favorable operating performance.
  - Increased student demand.
- *What could make the rating go down:*
  - Stagnant or declining tuition revenues.
  - Failure to achieve significant gains in union contract negotiations.
  - Substantially reduced state funding.
  - Further increase in debt.
- On February 6, 2012, Governor Tom Corbett created an Advisory Commission on Postsecondary Education to make recommendations related to the Commonwealth's postsecondary education system. The review, to be completed by November 15, 2012, will include "an assessment of state workforce shortages, system sustainability and adaptability, individual sector roles and responsibilities and funding policies." Concurrently, PASSHE's Board is in the process of developing a new strategic plan. It is anticipated that PASSHE's strategic plan will take into consideration the deliberations of the Commonwealth Commission.
- PASSHE was successful in achieving a number of statutory changes this spring, known collectively as the Higher Education Modernization Act. These changes in legislation:
  - Enhance economic development opportunities for PASSHE universities, faculty, and students by allowing employees and students to participate in entrepreneurial activity related to marketable intellectual property and services developed by faculty.
  - Clarify the ability of university employees to raise funds for affiliated organizations.
  - Allow all PASSHE universities to offer applied doctorates (previously, only Indiana University could do so).
  - Allow PASSHE to join nonprofit, interstate, multi-university procurement consortia that could produce significant savings.
- PASSHE's accountability and performance funding programs, which have been in place since 2001, have been drivers for change to better serve students and the Commonwealth. PASSHE universities have achieved improvements in retention; graduation rates; diversity of students, faculty, and administrators; program quality; faculty productivity; and the lowering of instructional costs. The current design has created a culture of accountability throughout PASSHE, serving as a national model for accountability and institutional improvement. To build upon these successes, the program has been redesigned to improve student success, access to PASSHE universities, and stewardship of public resources. To achieve these principles, each institution has committed to ten performance indicators for the next five years, beginning July 2012. Five of the indicators are the same for all universities; the remaining five vary by university, recognizing institutional differences. University performance will be measured based upon institutional improvement and national standards/goals or peer comparisons. These measures align with the requirements of Middle States Commission on Higher Education and with national accountability efforts such as Complete College America and the EdTrust/NASH Access to Success initiative. PASSHE is committed to funding its performance program at a level equal to 2.4% of the Educational and General (E&G) budget.
- Construction of PennREN (Pennsylvania Research and Education Network), a high-speed broadband network, continues on schedule with a completion date of 2013. Once completed, PennREN will form interconnections among the vast majority of higher education institutions, provide new opportunities to partner with K-12 schools, increase access to national and federal research centers, and enhance the availability of telemedicine and the use of electronic medical records. PennREN was initiated by the Keystone Initiative for Network Based Education and Research (KINBER), a historic collaboration comprising PASSHE, other Pennsylvania colleges and universities, research and health care organizations, and economic development entities.
- For further information about these financial statements, contact the Pennsylvania State System of Higher Education, Accounting Office, 2986 North Second Street, Harrisburg, PA 17110.

Pennsylvania State System of Higher Education

Balance Sheet  
(dollars in thousands)

Assets

	June 30, 2012	June 30, 2011
Current Assets		
Cash and cash equivalents	\$ 23,713	\$ 18,353
Short-term investments	431,145	406,953
Accounts receivable, students, net of allowance for doubtful accounts of \$22,462 in 2012 and \$20,611 in 2011	50,127	51,719
Accounts receivable, other	10,743	19,528
Governmental grants and contracts receivable	54,394	39,873
Inventories	3,863	3,798
Prepaid expenses	8,654	8,755
Current portion of loans receivable	5,302	5,312
Due from component units	1,191	8,055
Other current assets	3,436	14,957
Total Current Assets	<u>592,568</u>	<u>577,303</u>
Noncurrent Assets		
Restricted cash and cash equivalents	25	3,812
Endowment investments	27,679	26,935
Other long-term investments	857,690	743,827
Due from component units	11,581	10,549
Loans receivable, net of allowance for doubtful accounts of \$6,047 in 2012 and \$4,978 in 2011	29,120	30,848
Capital Assets:		
Land	27,606	26,304
Buildings, including improvements	1,888,922	1,687,780
Improvements other than buildings	232,226	223,831
Equipment and furnishings	425,040	388,202
Library books	83,960	83,810
Construction in progress	92,627	175,278
	<u>2,750,381</u>	<u>2,585,205</u>
Less accumulated depreciation	<u>(1,126,994)</u>	<u>(1,033,267)</u>
Capital assets, net	1,623,387	1,551,938
Other noncurrent assets	2,786	6,778
Total Noncurrent Assets	<u>2,552,268</u>	<u>2,374,687</u>
Total Assets	<u>\$ 3,144,836</u>	<u>\$ 2,951,990</u>

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education

Balance Sheet  
(dollars in thousands)

Liabilities and Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 151,992	\$ 192,694
Deferred revenue	57,602	53,044
Deposits	9,337	17,388
Current portion of workers' compensation liability	4,755	4,895
Current portion of compensated absences liability	11,656	10,269
Current portion of postretirement benefits liability	56,635	52,604
Current portion of capitalized lease obligations	8,893	3,441
Current portion of bonds payable	41,913	41,260
Other current liabilities	43,230	34,959
<b>Total Current Liabilities</b>	<u>386,013</u>	<u>410,554</u>
<b>Noncurrent Liabilities</b>		
Deferred revenue	3,545	5,075
Deposits	362	2,351
Workers' compensation liability	15,008	14,090
Compensated absences liability	96,550	91,559
Postretirement benefits liability	807,760	738,848
Capitalized lease obligations	46,627	42,995
Bonds payable	899,802	844,030
Other noncurrent liabilities	76,442	61,375
<b>Total Noncurrent Liabilities</b>	<u>1,946,096</u>	<u>1,800,323</u>
<b>Total Liabilities</b>	<u>2,332,109</u>	<u>2,210,877</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	621,400	601,613
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	24,305	24,059
Other	1,251	1,365
Expendable:		
Scholarships and fellowships	12,699	13,013
Research	731	1,685
Student loans	432	416
Capital projects	38,030	27,847
Other	8,771	8,116
Unrestricted	105,108	62,999
<b>Total Net Assets</b>	<u>812,727</u>	<u>741,113</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,144,836</u>	<u>\$ 2,951,990</u>

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education

Statement of Revenues, Expenses, and Changes in Net Assets  
For the Years Ended June 30, 2012 and 2011

(dollars in thousands)

	2012	2011
Operating Revenues		
Tuition and fees	\$ 1,010,294	\$ 933,153
Less scholarship discounts and allowances	<u>(223,877)</u>	<u>(209,663)</u>
Net tuition and fees	\$ 786,417	\$ 723,490
Governmental grants and contracts:		
Federal	192,150	202,754
State	117,550	101,036
Local	4,027	3,324
Nongovernmental grants and contracts	6,966	8,140
Sales and services	33,535	30,699
Auxiliary enterprises, net of discounts of \$659 in 2012 and \$498 in 2011	327,139	319,005
Other revenues	<u>23,205</u>	<u>10,173</u>
Total Operating Revenues	1,490,989	1,398,621
Operating Expenses		
Instruction	683,429	696,677
Research	6,591	7,072
Public service	33,844	35,603
Academic support	158,935	159,010
Student services	166,300	164,644
Institutional support	251,352	249,552
Operations and maintenance of plant	137,128	140,311
Depreciation	113,154	108,172
Student aid	76,592	79,580
Auxiliary enterprises	<u>235,488</u>	<u>231,147</u>
Total Operating Expenses	1,862,813	1,871,768
Operating Loss	(371,824)	(473,147)
Nonoperating Revenues (Expenses)		
State appropriations, general and restricted	412,751	465,197
ARRA State Fiscal Stabilization Funds	-	38,158
Investment income, net of related investment expense of \$434 in 2012 and \$475 in 2011	24,465	23,966
Unrealized gain on investments	11,687	6,092
Gifts for other than capital purposes	15,362	17,259
Interest expense on capital asset-related debt	(41,617)	(36,372)
Loss on disposal of assets	(2,312)	(601)
Other nonoperating revenue	<u>1,308</u>	<u>1,417</u>
Net Nonoperating Revenues	421,644	515,116
Income before other revenues	49,820	41,969
State appropriations, capital	9,748	1,337
Capital gifts and grants	12,046	10,581
Increase in Net Assets	71,614	53,887
Net assets—beginning of year	741,113	687,226
Net assets—end of year	\$ 812,727	\$ 741,113

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education

Statement of Cash Flows  
For the Years Ended June 30, 2012 and 2011  
(dollars in thousands)

	2012	2011
Cash Flows from Operating Activities		
Tuition and fees	\$ 786,282	\$ 720,409
Grants and contracts	308,308	307,090
Payments to suppliers for goods and services	(406,141)	(422,047)
Payments to employees	(1,216,389)	(1,206,122)
Loans issued to students	(5,153)	(4,273)
Loans collected from students	6,746	6,253
Student aid	(77,033)	(79,800)
Auxiliary enterprise charges	326,124	320,502
Sales and services	33,136	25,958
Other receipts	23,576	10,583
Net cash used in operating activities	(220,544)	(321,447)
Cash Flows from Noncapital Financing Activities		
State appropriations, including Federal ARRA	412,751	503,355
Gifts for other than capital purposes	15,306	16,969
PLUS, Stafford, and other loans receipts (non-Perkins)	890,468	822,304
PLUS, Stafford, and other loans disbursements (non-Perkins)	(890,396)	(822,368)
Agency transactions, net	13,632	(10,243)
Other	1,308	1,419
Net cash provided by noncapital financing activities	443,069	511,436
Cash Flows from Capital Financing Activities		
Proceeds from capital debt and leases	202,982	149,424
Capital appropriations	8,338	564
Capital grants and gifts received	9,792	9,954
Proceeds from sales of capital assets	36	190
Purchases of capital assets	(167,345)	(187,033)
Principal paid on capital debt and leases	(144,200)	(78,820)
Interest paid on capital debt and leases	(27,973)	(41,023)
Net cash used in capital financing activities	(118,370)	(146,744)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	23,828,180	24,201,114
Interest on investments	24,472	24,860
Purchase of investments	(23,955,234)	(24,259,057)
Net cash used in investing activities	(102,582)	(33,083)
Net Increase (Decrease) in Cash and Cash Equivalents	1,573	10,162
Cash and cash equivalents—beginning of year	22,165	12,003
Cash and cash equivalents—end of year	\$ 23,738	\$ 22,165

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education

Statement of Cash Flows  
 For the Years Ended June 30, 2012 and 2011  
 (dollars in thousands)

	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (371,824)	\$ (473,147)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	113,154	108,172
Expenses paid by Commonwealth or donor	1,344	570
Changes in assets and liabilities:		
Receivables, net	(12,619)	(11,206)
Inventories	(64)	34
Other assets	15,047	(12,792)
Accounts payable	(44,791)	(8,141)
Deferred revenue	340	2,733
Student deposits	658	(1,066)
Compensated absences	6,377	(2,214)
Loans to students and employees	1,593	1,979
Other liabilities	70,241	73,631
Net cash used in operating activities	<u>\$ (220,544)</u>	<u>\$ (321,447)</u>
Noncash Capital Financing Activities		
Capital assets included in payables or acquired by gift	\$ 6,395	\$ 8,653
Capital assets acquired through capital leases	\$ 13,259	\$ 2,282

See accompanying notes to financial statements.

Pennsylvania State System of Higher Education  
Component Units Statement of Financial Position  
*(dollars in thousands)*

	June 30, 2012	June 30, 2011
<b>Assets</b>		
Cash and cash equivalents	\$ 111,029	\$ 140,014
Accounts receivable	4,792	6,302
Contributions/pledges receivable	19,122	20,815
Due from universities	52,104	40,020
Inventories	9,279	8,307
Short-term investments	29,606	42,706
Investments	336,422	285,032
Capital assets:		
Land	25,216	22,983
Buildings	916,314	769,023
Building improvements	14,909	14,665
Improvements other than buildings	8,597	7,640
Equipment and furnishings	68,028	56,772
Construction in progress	73,656	101,673
	1,106,720	972,756
Less accumulated depreciation	(159,507)	(128,675)
Capital assets, net	947,213	844,081
Other assets	102,804	81,751
Total Assets	\$ 1,612,371	\$ 1,469,028
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 37,767	\$ 39,872
Annuity liabilities	8,699	8,711
Due to universities	22,868	26,493
Deposits payable	16,398	13,632
Capitalized leases	32,620	17,732
Bonds payable	909,170	755,719
Notes payable	218,730	251,799
Other liabilities	130,050	67,499
Total Liabilities	1,376,302	1,181,457
<b>Net Assets</b>		
Unrestricted	(31,481)	25,637
Temporarily restricted	70,018	74,917
Permanently restricted	197,532	187,017
Total Net Assets	236,069	287,571
Total Liabilities and Net Assets	\$ 1,612,371	\$ 1,469,028

*See accompanying notes to financial statements.*

Pennsylvania State System of Higher Education

Component Units Statement of Activities  
For the Years Ended June 30, 2012 and 2011

(dollars in thousands)

	2012	2011
Revenues and Gains		
Contributions	\$ 33,921	\$ 37,226
Sales and services	49,360	52,684
Student fees	33,753	32,993
Grants and contracts	11,171	13,528
Rental income	111,953	96,711
Investment income	8,133	11,230
Unrealized gains (losses) related to investment activity	(58,089)	35,130
Other revenues and gains	13,045	17,447
Total Revenues and Gains	203,247	296,949
Expenses and Losses		
Program services:		
Scholarships and grants	10,501	10,755
Student activities and programs	28,278	27,877
University stores	32,068	35,639
Housing	110,144	97,871
Other university support	21,364	17,514
Other programs	20,278	27,255
Management and general	24,736	23,393
Fundraising	7,380	9,319
Total Expenses and Losses	254,749	249,623
Change in Net Assets	(51,502)	47,326
Net assets—beginning of year	287,571	240,245
Net assets—end of year	<u>\$ 236,069</u>	<u>\$ 287,571</u>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
*Years Ended June 30, 2012 and 2011*

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(1) SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES

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***Organization***

The Pennsylvania State System of Higher Education (PASSHE) is a body corporate and politic, created by the State System of Higher Education Act of November 12, 1982, P.L. 660, No. 188, as amended (Act 188). PASSHE is a component unit of the Commonwealth of Pennsylvania (Commonwealth) and is governed by a Board of Governors (Board), as provided for in Act 188. PASSHE comprises the 14 universities of the Pennsylvania State System of Higher Education and the Office of the Chancellor.

***Reporting Entity***

PASSHE functions as a Business Type Activity, as defined by the Governmental Accounting Standards Board (GASB).

Certain affiliated organizations are included in PASSHE's financial statements as discretely presented component units. Some of the organizations, such as university student associations, are included because the Board has oversight responsibility for the organizations. The criteria used in determining the organizations for which PASSHE has oversight responsibility include financial interdependency, the ability to select members of the governing body, the ability to designate management, the ability to influence operations significantly, and accountability for fiscal matters. Other affiliated organizations for which the Board does not have oversight responsibility, such as university foundations and alumni associations, are included when the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of PASSHE, the activity of the organization is significant to PASSHE universities, and PASSHE historically has received a majority of these economic resources. Neither PASSHE nor its universities control the timing or amount of receipts from these organizations.

PASSHE does not consider any of its component units to be major, and has aggregated all component unit information into a separate set of financial statements. Information on individual component units can be obtained by contacting the respective universities.

Transactions between the universities and the Office of the Chancellor have been eliminated in the accompanying financial statements.

***Measurement Focus, Basis of Accounting, and Basis of Presentation***

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. The economic resources measurement focus reports all inflows, outflows, and balances that affect an entity's net assets. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

***Operating Revenues and Expenses***

PASSHE records tuition; all academic, instructional, and other student fees; student financial aid; auxiliary activity; corporate partnerships; and revenue from cogeneration sales as operating revenue. In addition, governmental and private grants and contracts in which the grantor receives equal value for the funds given to the university are recorded as operating revenue. All expenses, with the exception of interest expense, loss on investments, loss on the disposal of assets, and extraordinary expenses, are recorded as operating expenses. Appropriations, gifts, investment income, capital grants, gains on investments, gains on the disposal of assets, parking and library fines, and governmental and private research grants and

contracts in which the grantor does not receive equal value for the funds given to the university are reported as nonoperating revenue.

#### *Net Assets*

PASSHE maintains the following net asset classifications:

*Invested in capital assets, net of related debt:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

*Restricted—nonexpendable:* Net assets subject to externally imposed conditions requiring that they be maintained by PASSHE in perpetuity.

*Restricted—expendable:* Net assets whose use is subject to externally imposed conditions that can be fulfilled by the actions of PASSHE or by the passage of time.

*Unrestricted:* All other categories of net assets. Unrestricted net assets may be designated for specific purposes by the Board.

When both restricted and unrestricted funds are available for expenditure, the decision as to which funds are used first is left to the discretion of the universities.

#### *Cash Equivalents and Investments*

PASSHE considers all demand and time deposits and money market funds to be cash equivalents. Investments purchased are stated at fair value. Investments received as gifts are recorded at their fair value or appraised value as of the date of the gift. PASSHE classifies investments as short-term when they are readily marketable and intended to be converted to cash within one year.

#### *Accounts and Loans Receivable*

Accounts and loans receivable consist of tuition and fees charged to current and former students and amounts due from federal and state governments in connection with reimbursements of allowable expenditures made pursuant to grants, contracts, and other miscellaneous sources.

Accounts and loans receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated

based upon the universities' historical losses and periodic review of individual accounts.

#### *Inventories*

Inventories are stated at the lower of cost or market, with cost being determined principally on the weighted average method.

#### *Capital Assets*

Land and buildings at the 14 university campuses acquired or constructed prior to its creation on July 1, 1983, are owned by the Commonwealth and made available to the universities of PASSHE. Since PASSHE neither owns such assets nor is responsible to service associated bond indebtedness, no value is ascribed thereto in the accompanying financial statements. Likewise, no value is ascribed to the portion of any land or buildings acquired or constructed utilizing capital funds appropriated by the Commonwealth after June 30, 1983, and made available to the universities.

All assets with a purchase cost, or fair value if acquired by gift, in excess of \$5,000, with an estimated useful life of two years or greater, are capitalized. Buildings, portions of buildings, and capital improvements acquired or constructed by the universities after June 30, 1983, through the expenditure of university funds or the incurring of debt are stated at cost less accumulated depreciation.

Equipment and furnishings are stated at cost less accumulated depreciation. Library books are capitalized and depreciated. Assets under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. PASSHE provides for depreciation on the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over useful lives ranging from 10 to 40 years. Equipment and furnishings are depreciated over useful lives ranging from 3 to 10 years. Library books are depreciated over 10 years. Amortization of assets under capital leases is included in depreciation expense. Normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

PASSHE does not capitalize collections of art, rare books, historical items, etc., as they are held for public exhibition, education, or research rather than financial gain.

#### *Impairment of Capital Assets*

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-down of capital assets was required for the years ended June 30, 2012 and 2011.

#### *Deferred Revenue*

Deferred revenue includes amounts for tuition and fees, grants, corporate sponsorship payments, and certain auxiliary activities received prior to the end of the fiscal year but earned in a subsequent accounting period.

#### *Compensated Absences*

Employees' right to receive annual leave and sick leave payments upon termination or retirement for services already rendered is recorded as a liability.

#### *Pension Plans*

Employees of PASSHE enroll in one of three available retirement plans immediately upon employment. PASSHE recognizes annual pension expenditures equal to its contractually required contributions to the plan.

#### *Scholarships and Waivers*

In accordance with a formula prescribed by the National Association of College and University Business Officers (NACUBO), PASSHE allocates the cost of scholarships, waivers, and other student financial aid between *Scholarship discounts and allowances* (netted against tuition and fees) and *Student aid expense*. Scholarships and waivers of room and board fees are reported in Auxiliary enterprises. The cost of tuition waivers granted to employees is reported as employees' benefits expense.

#### *Income Taxes*

PASSHE and its member universities are tax-exempt; accordingly, no provision for income taxes has been made in the accompanying financial statements.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures

of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *New Accounting Standards*

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Statement No. 60 establishes guidance for accounting and financial reporting for service concession arrangements, which are a type of public-private or public-public partnership. PASSHE is required to adopt Statement No. 60 for the fiscal year ending June 30, 2013. PASSHE has not yet determined the effect of Statement No. 60 on its financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. With Statements No. 63 and 65, GASB has reclassified certain assets and liabilities as "deferred outflows" and "deferred inflows" of resources. Further, GASB has replaced the term "net position" with "net assets," and has changed the balance sheet presentation to "assets, plus deferred outflows of resources equals liabilities, plus deferred inflows of resources, plus net position." PASSHE is required to adopt Statement No. 63 for the fiscal year ending June 30, 2013, and Statement No. 65 for the fiscal year ending June 30, 2014. PASSHE has determined that the adoption of these GASB Statements will have no effect on the substance of its financial statements but will increase the complexity of the financial statements to its readers, as the new presentation will differ from the traditional and familiar business reporting model.

In June 2012, GASB issued Statement No. 67, *Accounting and Financial Reporting for Pensions*. Statement No. 67 will require PASSHE to report its share of the pension liabilities that the Commonwealth of Pennsylvania State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS) must record beginning in Fiscal Year 2014/15. Although PASSHE has not received an estimate of its share of the pension liabilities from either organization, the liabilities are expected to be significant and have a detrimental effect on its financial statements.

(2) DEPOSITS AND INVESTMENTS

Board Policy 1986-02-A, Investment, authorizes PASSHE to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, banker's acceptances, U.S. money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations (CMOs), asset-backed securities, and internal loan funds. Restricted nonexpendable funds and amounts designated by the Board or university trustees may be invested in the investments described above as well as in corporate equities and approved pooled common funds. For purposes of convenience and expedience, universities use local financial institutions for activities such as deposits of cash. In addition, universities may accept gifts of investments from donors as long as risk is limited to the investment itself. Restricted gifts of investments fall outside the scope of the investment policy.

In keeping with its legal status as a system of public universities, PASSHE recognizes a fiduciary responsibility to invest all funds prudently and in accordance with ethical and prevailing legal standards. Investment decisions are intended to minimize risk while maximizing asset value. Adequate liquidity is maintained so that assets can

be held to maturity. High quality investments are preferred. Reasonable portfolio diversification is pursued to ensure that no single security or investment or class of securities or investments will have a disproportionate or significant impact on the total portfolio. Investments may be made in U.S. dollar-denominated debt of high quality U.S. and non-U.S. corporations. Investment performance is monitored on a frequent and regular basis to ensure that objectives are attained and guidelines are followed.

Safety of principal and liquidity are the top priorities for the investment of PASSHE's operating funds. Within those guidelines, income optimization is pursued. Speculative investment activity is not allowed; this includes investing in asset classes such as commodities, futures, short-sales, equities, real or personal property, options, venture capital investments, private placements, letter stocks, and unlisted securities.

PASSHE's operating funds are invested and reinvested in the following types of instruments with qualifications as provided. (See Board Policy 1986-02-A, Investment, for a complete list of and more details on permissible investments and associated qualifications.)

Investment Categories	Qualifications/Moody's Ratings Requirements
United States Government Securities	Together with repurchase agreements must comprise at least 20% of the market value of the fund.
Repurchase Agreements	Underlying collateral must be direct obligations of the United States Treasury and be in PASSHE's or its agent's custody.
Commercial Paper	P-1 and P-2 notes only, with no more than 5% and 3%, respectively, of the market value of the fund invested in any single issuer. Total may not exceed 20% of the market value of the fund.
Municipal Bonds	Bonds must carry long-term debt rating of A or better. Total may not exceed 20% of the market value of the fund.
Corporate Bonds	15% must carry long-term debt rating of A or better; 5% may be rated Baa2 or better. Total may not exceed 20% of the market value of the fund.
Collateralized Mortgage Obligations (CMOs)	Must be rated Aaa and guaranteed by U.S. government. Total may not exceed 20% of the market value of the fund.
Asset-Backed Securities	Must be Aaa rated. Total may not exceed 20% of the market value of the fund, with no more than 5% invested in any single issuer.
System Investment Fund Loans (university loans and bridge notes)	Total may not exceed 20% of the market value of the fund, and loan terms may not exceed 5 years.

**CMO Risk:** CMOs are sometimes based on cash flows from interest-only (IO) payments or principal-only (PO) payments and are sensitive to prepayment risks. The CMOs in PASSHE's portfolio do not have IO or PO

structures; however, they are subject to extension or contraction risk based on movements in interest rates.

**Moody's Rating:** PASSHE uses ratings from Moody's Investors Service, Inc., to indicate the credit risk of investments, i.e., the risk that an issuer or other counterparty to an investment will not fulfill its obligations. An Aaa rating indicates the highest quality obligations with minimal credit risk. Ratings that begin with Aa indicate high quality obligations subject to very low credit risk; ratings that begin with A indicate upper-medium-grade obligations subject to low credit risk; and ratings that begin with Baa indicate medium-grade obligations, subject to moderate credit risk, that may possess certain speculative characteristics. Moody's appends the ratings with numerical modifiers 1, 2, and 3, with 1 indicating a higher ranking and 3 indicating a lower ranking within the category. For short-term obligations, a rating of P-1 indicates that issuers have a superior ability to repay short-term debt obligations, and a rating of P-2 indicates that issuers have a strong ability to repay short-term debt obligations.

**Modified Duration:** PASSHE denotes interest rate risk, or the risk that changes in interest rates will affect the fair value of an investment, using *modified duration*. *Duration* is a measurement in years of how long it takes for the price of a bond to be repaid by its internal cash flows. *Modified duration* takes into account changing interest rates. PASSHE maintains a portfolio duration target of 1.8 years with an upper limit of 2.5 years for the intermediate-term

component of the operating portion of the investment portfolio. PASSHE's duration targets are not applicable to its long-term investments.

On June 30, 2012 and 2011, the carrying amount of PASSHE's demand and time deposits and certificates of deposit for all funds was \$23,761,000 and \$22,188,000, respectively, compared to bank balances of \$22,470,000 and \$22,155,000, respectively. The difference is caused primarily by items in transit. Of the bank balances, \$3,529,000 and \$3,575,000, respectively, were covered by federal government depository insurance or collateralized by a pledge of United States Treasury obligations held by Federal Reserve banks in the name of the banking institutions; \$2,302,000 and \$2,295,000, respectively, were uninsured and uncollateralized; and \$16,639,000 and \$16,285,000, respectively, were uninsured and uncollateralized, but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971, as amended. Act 72 allows banking institutions to satisfy the collateralization requirements by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions' trust departments.

The carrying values (fair values) of deposits and investments for PASSHE's pooled funds in M&T Bank on June 30, 2012 and 2011, follow.

PASSHE Pooled Deposits and Investments  
 June 30, 2012  
 (in thousands)

	Moody's Rating (if applicable)	Modified Duration (if applicable)	Fair Value
<b>Deposits</b>			
Money market funds			\$3,741
<b>Total deposits</b>			<b>3,741</b>
<b>Investments</b>			
Repurchase agreements			40,872
Commercial paper	P1	0.06	187,893
U.S. government and agency obligations	Aaa	3.15	495,203
Asset-backed securities	Aaa	0.69	69,846
	P1	0.17	41,026
Collateralized mortgage obligations (CMOs)	Aaa	2.01	211,515
Corporate bonds and notes	Aaa	2.58	29,519
	Aa1	1.62	10,684
	Aa2	1.91	31,849
	Aa3	1.89	56,803
	A1	2.23	15,488
	A2	2.34	33,162
	A3	3.92	5,131
	Baa1	2.31	19,192
	Baa2	2.73	28,899
	Baa3	0.14	5,729
<b>Total investments</b>			<b>1,282,811</b>
<b>Total deposits and investments</b>			<b>\$1,286,552</b>

PASSHE Pooled Deposits and Investments  
 June 30, 2011  
 (in thousands)

	Moody's Rating (if applicable)	Modified Duration (if applicable)	Fair Value
<b>Deposits</b>			
Demand and time deposits			\$100
Money market funds			2,086
<b>Total deposits</b>			<b>2,186</b>
<b>Investments</b>			
Repurchase agreements			7,406
Commercial paper	P1	0.07	312,882
U.S. government and agency obligations	Aaa	4.03	432,705
Asset-backed securities	Aaa	0.77	68,945
	P1	0.19	21,633
Collateralized mortgage obligations (CMOs)	Aaa	3.66	150,660
Corporate bonds and notes	Aaa	2.32	40,390
	Aa1	2.53	10,761
	Aa2	2.53	58,651
	Aa3	2.42	24,492
	A1	1.28	7,023
	A2	1.16	2,998
	Baa1	1.35	7,493
	Baa3	0.96	725
<b>Total investments</b>			<b>1,146,764</b>
<b>Total deposits and investments</b>			<b>\$1,148,950</b>

Of the investments noted above at June 30, 2012 and 2011, \$36,525,000 and \$28,826,000, respectively, were held by a trustee to be used for projects funded under the Pennsylvania Higher Educational Facilities Authority/State System of Higher Education bond issues (note 8). Investments are made subject to the restrictions of the bond

indenture and may be liquidated only for the payment of costs associated with the projects described in the bond indenture.

The carrying values (fair values) of local university deposits and investments on June 30, 2012 and 2011, follow.

**University Local Deposits and Investments**  
**June 30, 2012**  
*(in thousands)*

	Moody's Rating (if applicable)	Modified Duration (if applicable)	Fair Value
<b>Deposits</b>			
Demand and time deposits			\$19,997
Certificates of deposit			23
<b>Total deposits</b>			<b>20,020</b>
<b>Investments</b>			
U.S. government and agency obligations		1.17	736
Fixed-income mutual funds		4.52	4,747
Equity/balanced mutual funds			26,225
Common stock			1,972
<b>Total investments</b>			<b>33,680</b>
<b>Total deposits and investments</b>			<b>\$53,700</b>

**University Local Deposits and Investments**  
**June 30, 2011**  
*(in thousands)*

	Moody's Rating (if applicable)	Modified Duration (if applicable)	Fair Value
<b>Deposits</b>			
Demand and time deposits			\$19,979
Certificates of deposit			23
<b>Total deposits</b>			<b>20,002</b>
<b>Investments</b>			
U.S. government and agency obligations		1.96	666
Fixed-income mutual funds		3.39	3,950
Equity/balanced mutual funds			25,231
Common stock			1,081
<b>Total investments</b>			<b>30,928</b>
<b>Total deposits and investments</b>			<b>\$50,930</b>

Of the local investments noted above, the exposure to foreign currency risk is as follows.

		Fair Value	
		June 30, 2012	June 30, 2011
Investment	Currency		
Deposit	British Pound	\$44	\$11
Deposit	Euro	0	1
Total		\$44	\$12

The universities are beneficiaries of trust funds held by others with an approximate fair value of \$3,608,000 and \$3,609,000 on June 30, 2012 and 2011, respectively. Since the universities have neither possession nor control of these trusts, the principal is not included in the accompanying balance sheet.

### (3) LEASES

Total rent expense for PASSHE operating leases amounted to \$7,773,000 and \$9,229,000 for the years ended June 30, 2012 and 2011, respectively.

Capital assets on June 30, 2012 and 2011, included \$75,579,000 and \$62,677,000, respectively, acquired through leases that have been capitalized.

Future minimum payments, by year and in the aggregate, under capital and noncancelable operating leases, with initial or remaining terms of one year or more, are as follows.

	Operating Leases		Capital Leases
	2013	2014	2015
2013	\$5,220		\$11,371
2014	4,235	5,266	
2015	3,519	4,904	
2016	3,088	4,697	
2017	3,003	4,597	
Thereafter	37,324	47,160	
Total minimum lease payments	\$56,389		77,995
Amount representing interest on capital leases			22,475
Present value of net minimum capital lease payments			\$55,520

Changes in the liability for capital leases in fiscal years 2012 and 2011 follow.

Year	Beginning Balance	Capital Lease Additions	Capital Lease Payments	Ending Balance
2011	\$47,504	\$2,282	\$3,350	\$46,436
2012	\$46,436	\$13,259	\$4,175	\$55,520

### (4) PENSION BENEFITS

The Public School Employees' Retirement System (PSERS) and the Commonwealth of Pennsylvania State Employees' Retirement System (SERS) are governmental cost-sharing multiple-employer defined benefits plans. The Alternative Retirement Plan (ARP) is a defined contribution plan administered by PASSHE.

PSERS provides retirement and disability benefits, legislative-mandated ad hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. §§8101-8535) is the authority by which PSERS benefits provisions are established and may be amended. The contribution policy for PSERS is established in the Public School Employees' Retirement Code and requires contributions by active members, the employer (PASSHE), and the Commonwealth of Pennsylvania. Contribution rates for most active members are between 5.25% and 7.50% of their qualifying compensation, depending upon when the active member was hired and what benefits class was selected. New members hired after July 1, 2011, have a one-time election to choose a 10.3% contribution rate. The contribution rate for PASSHE is an actuarially determined rate. The rate was 4.325% of annual covered payroll at June 30, 2012. PASSHE's contributions to PSERS for the years ended June 30, 2012, 2011, and 2010, were \$1,769,000, \$1,481,000, and \$948,000, respectively, equal to the required contractual contribution. PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125.

SERS provides retirement, death, and disability benefits, and legislative-mandated ad hoc cost-of-living adjustments. Article II of the Commonwealth of Pennsylvania's Constitution assigns the authority to establish and amend the benefits provisions of the plan to the General Assembly. The contribution policy for SERS, as established by the State Employees' Retirement Code, requires contributions by active members and the employer (PASSHE). The contribution rate for both active members and PASSHE depends upon when the active member was hired and what benefits class is selected. Contribution rates for most active members are between 5.0% and 6.25% of their qualifying compensation. New members hired after January 1, 2011, have a one-time election to choose a 9.3% contribution rate. PASSHE contributed at actuarially determined rates of between 4.83% and 6.99% of active members' annual covered payroll at June 30, 2012. PASSHE's contributions to SERS for the years ended June 30, 2012, 2011, and 2010, were \$20,643,000, \$13,032,000, and \$10,182,000, respectively, equal to the required contractual contribution. SERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Commonwealth of Pennsylvania, State Employees' Retirement System, P.O. Box 1147, Harrisburg, PA 17108.

Because the ARP is a defined contribution plan, benefits equal amounts contributed to the plan plus investment earnings. Act 188 empowers the Board to establish and amend benefits provisions. The State Employees' Retirement Code establishes the employer contribution rate for the ARP, while the Board establishes the employee contribution rates. Active members contribute at a rate of 5% of their qualifying compensation. PASSHE's contribution rate on June 30, 2012 and 2011, was 9.29% of qualifying compensation. The contributions to the ARP for the years ended June 30, 2012 and 2011, were \$41,978,000 and \$42,851,000, respectively, from PASSHE; and \$23,165,000 and \$23,139,000, respectively, from active members.

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(5) POSTRETIREMENT BENEFITS

PASSHE employees who retire after meeting specified service and age requirements become eligible for participation in one of two defined health care benefits plans, referred to here as the *System Plan* and the *Retired Employees Health Program*. These plans include hospital, medical/surgical, and

major medical coverage, and provide a Medicare supplement for individuals over age 65.

*System Plan*

*Plan Description*

Employee members of the Association of Pennsylvania State College and University Faculties (APSCUF), the State College and University Professional Association (SCUPA), Security Police and Fire Professionals of America (SPFPA), Pennsylvania Nurses Association (PNA), and nonrepresented employees participate in a single-employer defined benefits health care plan administered by PASSHE (System Plan). The System Plan provides eligible retirees and their eligible dependents with health care benefits, as well as tuition waivers at any of the 14 PASSHE universities. Act 188 empowers the Board to establish and amend benefits provisions. The System Plan has no plan assets and no financial report is prepared.

*Funding Policy*

The contribution requirements of plan members and PASSHE are established and may be amended by the Board. The System Plan is funded on a pay-as-you-go basis, i.e., premiums are paid to an insurance company and various health maintenance organizations to fund the health care benefits provided to current retirees. Tuition waivers are provided by the retiree's sponsoring university as they are granted. PASSHE paid premiums of \$38,729,000 and \$37,245,000 for the fiscal years ending June 30, 2012 and 2011, respectively. Plan members receiving benefits contribute at various rates, depending upon when they retire, whether they are eligible for Medicare, the contribution rate in effect on the day of their retirement, the contribution rate for active employees, and applicable collective bargaining agreements. Following are the contribution rates of plan members as of June 30, 2012:

- Plan members receiving benefits who retired prior to July 1, 2005, are not required to make contributions.
- Nonfaculty coaches who retired July 1, 2005, or after pay a percentage of their final annual gross salary at the time of retirement.
- Other eligible annuitants who retired on or after July 1, 2005, and prior to January 1, 2008, and who are under age 65 pay 10% of the plan premium in effect on the day of retirement. When annuitants become eligible for Medicare, they pay 15% of the current cost of their Medicare coverage and current

cost of coverage for covered dependents. The rate changes annually.

- Other eligible annuitants who retire after July 1, 2009, pay 15% of the plan premium in effect when they retired.

Total contributions made by plan members were \$3,189,000 and \$2,762,000, or approximately 7.6% and 6.9% of the total premiums, for the fiscal years ending June 30, 2012 and 2011, respectively.

**Annual OPEB Cost and Net OPEB Obligation**

PASSHE's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid annually, is projected to cover normal cost plus the annual portion of the unfunded actuarial liability amortized over 30 years. The following shows the components of PASSHE's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in PASSHE's net OPEB obligation.

<i>(in thousands)</i>	
Annual required contribution	\$116,548
Interest on net OPEB obligation	35,615
Adjustment to annual required contribution	(40,491)
Annual OPEB cost (expense)	111,672
Contributions made	(38,729)
Increase in net OPEB obligation	72,943
Net OPEB obligation at July 1, 2011	791,452
Net OPEB obligation at June 30, 2012	\$864,395

PASSHE's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2012, and the two preceding years were as follows.

<i>(in thousands)</i>			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$91,771	34.7%	\$722,574
June 30, 2011	\$106,123	35.1%	\$791,452
June 30, 2012	\$111,672	34.7%	\$864,395

**Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2011, the most recent actuarial valuation date, was as follows.

<i>(in thousands)</i>	
Actuarial accrued liability (AAL)	\$1,373,049
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	\$1,373,049
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$570,839
UAAL as a percentage of covered payroll	241%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation (revised November 2011), the projected unit credit method was used. The actuarial assumptions included a 4.5% investment rate of return, which is the expected rate to be earned on PASSHE's operating portfolio, and an annual health care cost trend rate of 8.5% initially, reduced by decrements to an ultimate rate of 5.0% by 2025. The UAAL is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at July 1, 2011, was 24 years.

#### Retired Employees Health Program

##### Plan Description

Employee members of the American Federation of State, County and Municipal Employees (AFSCME); Pennsylvania Doctors Alliance (PDA); and Pennsylvania Social Services Union (PSSU) participate in the Retired Employees Health Program (REHP), which is sponsored by the Commonwealth and administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF). The REHP provides eligible retirees and their eligible dependents with health care benefits. Benefits provisions are established and may be amended under pertinent statutory authority. The REHP neither issues a stand-alone financial report nor is it included in the report of a public employee retirement system or other entity.

##### Funding Policy

The contribution requirements of plan members covered under collective bargaining agreements are established by the collective bargaining agreements. The contribution requirements of nonrepresented plan members and contributing entities are established and may be amended by the Commonwealth's Office of Administration and the Governor's Budget Office. Plan members who enrolled prior to July 1, 2004, are not required to make contributions. Plan members who enrolled after July 1, 2004, contribute a percentage of their final salary, the rate of which varies based on the plan member's enrollment date. Agency member (employer) contributions are established primarily on a pay-as-you-go basis. In Fiscal Year 2011/12, PASSHE contributed \$240 for each current active employee per biweekly pay period. PASSHE made contributions of \$23,228,000, \$20,069,000, and \$25,318,000 for the fiscal years ending June 30, 2012, 2011, and 2010, respectively, equal to the required contributions for the year. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan

assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### (6) WORKERS' COMPENSATION

PASSHE is self-insured for workers' compensation losses. For claims occurring prior to July 1, 1995, PASSHE universities must pay up to \$100,000; for claims occurring on or after July 1, 1995, PASSHE universities must pay up to \$200,000. Claims in excess of the self-insurance limits are funded through the Workers' Compensation Collective Reserve Fund (Reserve Fund), to which all PASSHE universities contribute an amount determined by an independent actuarial study. Based on updated actuarial studies, the universities contributed \$2,004,000 and \$1,365,000 to the Reserve Fund during the years ended June 30, 2012 and 2011, respectively.

For the years ended June 30, 2012 and 2011, the aggregate liability for claims under the self-insurance limit was \$10,243,000 and \$10,852,000, respectively. The Reserve Fund assets of \$9,520,000 and \$8,134,000 are equal to the liability for claims in excess of the self-insurance limits for the years ended June 30, 2012 and 2011, respectively. Changes in the workers' compensation claims liability in fiscal years 2012 and 2011 follow.

(in thousands)

Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2011	\$16,484	\$6,791	\$4,290	\$18,985
2012	\$18,985	\$5,888	\$5,110	\$19,763

#### (7) COMPENSATED ABSENCES

Changes in the compensated absences liability in fiscal years 2012 and 2011 are as follows.

(in thousands)

Year	Beginning Balance	Current Changes in Estimates	Less Payouts	Ending Balance
2011	\$104,042	\$9,812	\$12,026	\$101,828
2012	\$101,828	\$14,837	\$8,459	\$108,206

(8) BONDS PAYABLE

Bonds payable on June 30, 2012 and 2011, consisted of several outstanding tax-exempt revenue bond series issued by the Pennsylvania Higher Educational Facilities Authority (PHEFA). In connection with the bond issuance, PASSHE entered into a loan agreement with PHEFA under which

PASSHE has pledged its full faith and credit for the repayment of the bonds. The loan constitutes an unsecured general obligation of PASSHE. The bonds were issued to provide funds to undertake various capital projects at the universities or to advance refund certain previously issued bonds. Activity for the various bond series for the years ended June 30, 2012 and 2011, was as follows.

Bonds Payable  
 June 30, 2012 and 2011  
 (in thousands)

Description	Original Issuance	Weighted Average Interest Rate	Balance June 30, 2010	2011 Bonds Issued	2011 Bonds Redeemed/Refunded	Balance June 30, 2011	2012 Bonds Issued	2012 Bonds Redeemed/Refunded	Balance June 30, 2012	Current Portion
Series T issued July 2001, final maturity June 2021	\$69,555	4.86%	\$33,785	-	\$33,785	-	-	-	-	-
Series U issued August 2002, final maturity June 2022	14,400	4.43%	8,780	-	690	\$8,090	-	\$8,090	-	-
Series W issued October 2002, final maturity June 2020	69,105	4.76%	61,795	-	865	60,930	-	60,930	-	-
Series X issued May 2003, final maturity June 2023	80,910	4.28%	36,320	-	4,850	31,470	-	31,470	-	-
Series Z issued March 2004, final maturity June 2024	71,760	3.95%	47,735	-	4,630	43,105	-	1,875	\$41,230	\$1,930
Series AA issued July 2004, final maturity June 2024	28,750	4.62%	20,595	-	1,540	19,055	-	1,605	17,450	1,665
Series AC issued July 2005, final maturity June 2025	52,650	4.90%	41,545	-	2,425	39,120	-	2,540	36,580	2,675
Series AE issued July 2006, final maturity June 2036	103,290	4.99%	90,795	-	3,480	87,315	-	3,645	83,670	3,835
Series AF issued July 2007, final maturity June 2037	68,230	4.95%	62,780	-	1,935	60,845	-	2,020	58,825	2,105
Series AG issued March 2008, final maturity June 2024	101,335	4.60%	90,830	-	4,390	86,440	-	4,540	81,900	4,395
Series AH issued July 2008, final maturity June 2038	140,760	4.69%	134,360	-	3,860	130,500	-	3,645	126,855	3,830
Series AI issued August 2008, final maturity June 2025	32,115	4.01%	28,780	-	1,880	26,900	-	1,665	25,235	1,725
Series AJ issued July 2009, final maturity June 2039	123,985	4.90%	121,160	-	3,415	117,745	-	3,720	114,025	4,225
Series AK issued Sept. 2009, final maturity June 2024	47,310	3.66%	46,090	-	3,080	43,010	-	3,485	39,525	3,580
Series AL issued July 2010, final maturity June 2035	135,410	5.00%	-	\$135,410	4,645	130,765	-	7,180	123,585	7,705
Series AM issued July 2011, final maturity June 2036	119,085	4.62%	-	-	-	-	\$119,085	3,060	116,025	3,865
Series AN issued March 2012, final maturity June 2023	76,840	4.78%	-	-	-	-	76,810	-	76,810	375
<b>Total</b>	<b>\$1,335,490</b>	<b>-</b>	<b>\$825,350</b>	<b>\$135,410</b>	<b>\$75,470</b>	<b>\$885,290</b>	<b>\$195,895</b>	<b>\$139,470</b>	<b>\$941,715</b>	<b>\$41,910</b>

Principal and interest requirements to maturity are as follows.

<i>(in thousands)</i>			
	Principal	Interest	Total
2013	\$41,910	\$45,499	\$87,409
2014	46,970	42,801	89,771
2015	54,970	40,689	95,659
2016	60,825	38,069	98,894
2017	61,910	35,105	97,015
2018-2022	307,840	129,921	437,761
2023-2027	213,460	63,070	276,530
2028-2032	105,610	25,190	130,800
2033-2037	46,410	5,890	52,300
2038-2039	1,810	101	1,911
Total	\$941,715	\$426,335	\$1,368,050

#### (9) DEBT REFUNDINGS

In March 2012, the net proceeds from the Series AN revenue bonds was used to current refund the Series U, W, and X bonds. This refunding was performed to reduce debt service by approximately \$13,778,000 and resulted in an economic gain (difference between the present values of the old and

new debt service payments) of approximately \$13,318,000.

#### (10) CAPITAL ASSETS

The classifications of capital assets and related depreciation at June 30, 2012 and 2011, follow.

<i>(in thousands)</i>							
	Balance June 30, 2010	2010/11 Additions	2010/11 Retirements/ Adjustments	Balance June 30, 2011	2011/12 Additions	2011/12 Retirements/ Adjustments	Balance June 30, 2012
Land	\$24,770	\$876	\$658	\$26,304	\$987	\$315	\$27,606
Construction in progress	159,881	111,842	(96,445)	175,278	75,983	(158,634)	92,627
Total capital assets not being depreciated	184,651	112,718	(95,787)	201,582	76,970	(158,319)	120,233
Buildings, including improvements	1,553,171	57,913	76,696	1,687,780	73,283	127,859	1,888,922
Improvements other than buildings	211,245	2,895	9,691	223,831	3,374	5,021	232,226
Equipment and furnishings	366,450	20,843	909	388,202	32,028	4,810	425,040
Library books	83,848	1,784	(1,822)	83,810	1,342	(1,192)	83,960
Total capital assets being depreciated	2,214,714	83,435	85,474	2,383,623	110,027	136,498	2,630,148
Less accumulated depreciation							
Buildings and improvements	(502,052)	(66,642)	368	(568,326)	(71,357)	2,531	(637,152)
Land improvements	(86,335)	(8,943)	(38)	(95,316)	(9,090)	886	(103,520)
Equipment and furnishings	(275,534)	(30,083)	7,337	(298,280)	(30,292)	14,837	(313,735)
Library books	(70,644)	(2,503)	1,802	(71,345)	(2,415)	1,173	(72,587)
Total accumulated depreciation	(934,565)	(108,171)	9,469	(1,033,267)	(113,154)	19,427	(1,126,994)
Total capital assets being depreciated, net	1,280,149	(24,736)	94,943	1,350,356	(3,127)	155,925	1,503,154
Capital assets, net	\$1,464,800	\$87,982	(\$844)	\$1,551,938	\$73,843	(\$2,394)	\$1,623,387

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(11) CONTINGENCIES, COMMITMENTS, AND  
CONCENTRATIONS

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*Contingencies*

The nature of the educational industry is such that, from time to time, PASSHE is exposed to various risks of loss related to torts; alleged negligence; acts of discrimination; breach of contract; labor disputes; disagreements arising from the interpretation of laws or regulations; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system.

PASSHE is self-insured for workers' compensation up to stated limits (note 6). For all other risks of loss, PASSHE pays annual premiums to the Commonwealth to participate in its Risk Management Program. PASSHE does not participate in any public entity risk pools, and does not retain risk related to any aforementioned exposure, except for those amounts incurred relative to policy deductibles that are not significant. PASSHE has not significantly reduced any of its insurance coverage from the prior year. Settled claims have not significantly exceeded PASSHE's insurance coverage in any of the past three years. It is not expected that the resolution of any outstanding claims and litigation will have a material

adverse effect on the accompanying financial statements.

*Construction Commitments*

Authorized expenditures for construction projects unexpended as of June 30, 2012 and 2011, were approximately \$100,049,000 and \$118,168,000, respectively.

*Labor Concentration*

Approximately 88% of PASSHE's labor force is covered by collective bargaining agreements. The contract for APSCUF, which represents PASSHE's faculty and coaches, or approximately 46% of the labor force, expired June 30, 2011. The contract for SCUPA, which represents approximately 5% of PASSHE's labor force and includes professional employees working in areas such as admissions, financial aid, and residence life, also expired June 30, 2011. Negotiations between PASSHE and these unions are ongoing.

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(12) SUBSEQUENT EVENTS

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In July 2012, Moody's placed PASSHE's Aa2 bond rating on review for downgrade as a result of the Commonwealth's rating downgrade from Aa1 to Aa2. The results of the review should be known later in the fall of 2012.

**REQUIRED SUPPLEMENTARY INFORMATION**  
*Years Ended June 30, 2012 and 2011*  
(Unaudited)

**Schedule of Funding Progress for the System Plan (OPEB)**  
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$0	\$1,127,437	\$1,127,437	0%	\$525,684	214%
July 1, 2010	\$0	\$1,315,116	\$1,315,116	0%	\$554,213	237%
July 1, 2011	\$0	\$1,373,049	\$1,373,049	0%	\$570,839	241%

**Schedule of Funding Progress for the REHP (OPEB)**  
(in thousands)

The information below relates to the Commonwealth's REHP as a whole, i.e., it is inclusive of all participating Commonwealth agencies and instrumentalities. Nearly all Commonwealth agencies and instrumentalities participate in the REHP.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$47,920	\$13,257,570	\$13,209,650	.36%	\$4,093,000	323%
July 1, 2010	\$56,320	\$13,674,250	\$13,617,930	.41%	\$3,786,000	360%
July 1, 2011	\$70,740	\$12,907,790	\$12,837,050	.55%	\$3,839,000	334%

**Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Education</u>		
Student Financial Assistance Cluster:		
Federal Supplemental Education Opportunity Grants	84.007	\$ 3,518,494
Federal Work-Study Program	84.033	5,074,453
Perkins Loan Cancellations	84.037	2,035,207
Federal Perkins Loans Outstanding	84.038	37,603,038
Federal Pell Grant Program	84.063	145,720,518
Federal Direct Student Loans	84.268	762,549,027
Academic Competitiveness Grants	84.375	2,520
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	28,899
Teacher Education Assistance for College and Higher Education Grants	84.379	506,000
Postsecondary Education Scholarships for Veteran's Dependents	84.408	1,054,904
Federal Nursing Student Loans Outstanding	93.364	<u>393,391</u>
Total student financial assistance cluster		958,486,451
TRIO Cluster		5,132,180
Research and Development Cluster		4,663,460
Other Federal Awards		<u>26,448,758</u>
Total expenditures of federal awards		<u>\$ 994,730,849</u>

**Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania**

Schedule of Expenditures of Federal Awards

TRIO Cluster

For the Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Education</u>				
TRIO - Student Support Services	P042A101265	84.042A	Bloomsburg	\$ 200
TRIO - Student Support Services	P042A101265	84.042A	Bloomsburg	8,137
TRIO - Student Support Services	P042A101265-11	84.042A	Bloomsburg	28,000
TRIO - Student Support Services	P042A101265-11	84.042A	Bloomsburg	239,691
TRIO - Student Support Services	PO42A100147	84.042A	California	16,553
TRIO - Student Support Services	P042A100147-1	84.042A	California	271,491
TRIO - Student Support Services	P042A100594-01	84.042A	ESU	40,556
TRIO - Student Support Services	P042A100594-11	84.042A	ESU	175,408
TRIO - Student Support Services	P042A101003-11	84.042A	Kutztown	200,196
TRIO - Student Support Services	P042A101003	84.042A	Kutztown	63,228
TRIO - Student Support Services	PO42A100997-11	84.042A	Lock Haven	273,062
TRIO - Student Support Services	P042A100342	84.042A	Mansfield	204,154
TRIO - Student Support Services	PO42A100378	84.042A	West Chester	220,455
TRIO - Student Support Services	PO42A100378	84.042A	West Chester	27,126
TRIO - Student Support Services	P042A100469-10	84.042A	Clarion	351,164
Total TRIO - Student Support Services				<u>2,119,421</u>
TRIO - Talent Search	P044A110159	84.044	Clarion	338,538
TRIO - Talent Search	P044A070045-10	84.044	Clarion	63,479
Total TRIO - Talent Search				<u>402,017</u>
TRIO - Upward Bound	P047A080324-09	84.047A	Bloomsburg	29
TRIO - Upward Bound	P047A080324-10	84.047A	Bloomsburg	129,201
TRIO - Upward Bound	P047A080324-11	84.047A	Bloomsburg	305,341
TRIO - Upward Bound	PO47A080305-10	84.047A	California	69,503
TRIO - Upward Bound	PO47A080448-10	84.047A	California	62,868
TRIO - Upward Bound	P047A080305-11	84.047A	California	201,991
TRIO - Upward Bound	P047A080305-11	84.047M	California	254,226
TRIO - Upward Bound	P047A080038-10	84.047A	ESU	8,395
TRIO - Upward Bound	P047A080038-11	84.047A	ESU	385,038
TRIO - Upward Bound	P047A121574	84.047A	ESU	9,057
TRIO - Upward Bound	P047M070334	84.047M	IUP	257,784
TRIO - Upward Bound	P047A070763-11	84.047	Lock Haven	257,887
TRIO - Upward Bound	P047A070541-10	84.047	Clarion	434,041
Total TRIO - Upward Bound				<u>2,375,361</u>
TRIO - McNair Post-Baccalaureate Achievement	P217A070107	84.217A	IUP	235,381
Total TRIO Cluster				<u>\$ 5,132,180</u>

**Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania**

Schedule of Expenditures of Federal Awards

Research and Development Cluster

For the Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Grants for Agricultural Research, Special Research Grants	2010-38888-21748	10.200	Cheyney	\$ 81,638
Pass-Through PA Department of Health, WIC Grants to States (WGS)	IUP-C-0607-652	10.578	Indiana	3,416
Pass-Through IUP Research Institute: Recovery Act of 2009: Wildland Fire Management - ARRA Soil and Water Conservation	10-DG-11244419-041 68-7482-12-502	10.688 10.902	Indiana Indiana	4,819 <u>7,466</u>
Total U.S. Department of Agriculture				<u>97,339</u>
<u>U.S. Department of Commerce</u>				
Pass-Through Virginia Polytechnic Institute and State University, Sea Grant Support	6532100408	11.417	Millersville	104
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	NA10NMF4270215	11.427	West Chester	<u>32,501</u>
Total U.S. Department of Commerce				<u>32,605</u>
<u>U.S. Department of the Interior</u>				
Assistance to State Water Resources Research Institutes Pass-Through IUP Research Institute: National Fish and Wildlife Foundation Migratory Bird Joint Ventures	6532102811 790B MBNA-0101	15.805 15.663 15.637	Shippensburg Indiana Indiana	8,057 2,793 3,225
Natural Resource Stewardship	NPSRP 62108	15.944	East Stroudsburg	1,738
Natural Resource Stewardship	R4320110302	15.944	East Stroudsburg	1,482
Natural Resource Stewardship	R4320110302	15.944	East Stroudsburg	<u>303</u>
Total Natural Resource Stewardship				<u>3,523</u>
Total U.S. Department of the Interior				<u>17,598</u>
<u>U.S. Department of Transportation</u>				
Public Transportation Research	1533110147	20.514	California	<u>1,668,996</u>

**Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania**

Schedule of Expenditures of Federal Awards

Research and Development Cluster

For the Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>National Aeronautics and Space Administration</u>				
Science	NNX11AR18G	43.001	Bloomsburg	\$ 19,243
Science	NNX8AL81G	43.001	Bloomsburg	991
Science	NNX11AG23G	43.001	Millersville	79,028
Pass-Through Smithsonian Astrophysical Observatory:				
Science	GO8-9014X	43.001	West Chester	24,858
Science	10200787	43.001	West Chester	<u>20,646</u>
Total Science				<u>45,504</u>
Total National Aeronautics and Space Administration				<u>144,766</u>
<u>National Endowment for the Humanities</u>				
Promotion of the Humanities Public Programs	LT-50072-09	45.164	Kutztown	<u>75</u>
<u>National Science Foundation</u>				
Mathematical and Physical Sciences	PHY-0970012	47.049	Kutztown	49,608
Mathematical and Physical Sciences	DMS-1137949	47.049	West Chester	4,687
Pass-Through Trustees of the University of Pennsylvania, Mathematical and Physical Sciences	00001883	47.049	West Chester	<u>12,928</u>
Total Mathematical and Physical Sciences				<u>67,223</u>
Geosciences	AGS-1127242	47.050	West Chester	28,909
Geosciences	EAR-07389534	47.050	Indiana	3,959
Geosciences	EAR-1037709	47.050	Millersville	47,152
Geosciences	OCE-1030430	47.050	Kutztown	37,502
Pass-Through Joint Oceanographic Institutions,				
Geosciences	JSA-62.410	47.050	Indiana	716
Geosciences	EAR-0819812	47.050	West Chester	3,979
Geosciences	GEO-1034925	47.050	West Chester	17,748
Pass-Through IUP Research Institute, Geosciences	JSA- 66.410 T321A66	47.050	Indiana	<u>7,400</u>
Total Geosciences				<u>147,365</u>
Computer and Information Science and Engineering	IIS-0932712	47.070	West Chester	135,193
Computer and Information Science and Engineering	IIS-0835411	47.070	Millersville	176,719
Computer and Information Science and Engineering	IIS-0968368	47.070	Millersville	53,671
Computer and Information Science and Engineering	IIS-1016900	47.070	Millersville	20,588
Computer and Information Science and Engineering	CNS-1054492	47.070	West Chester	<u>53,782</u>
Total Computer and Information Science and Engineering				<u>439,953</u>

**Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania**

Schedule of Expenditures of Federal Awards

Research and Development Cluster

For the Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Pass-Through Pennsylvania State University, Biological Sciences - ARRA	EF-0914384	47.074	Millersville	\$ 89,564
Pass-Through Swarthmore College, Biological Sciences	IOS-0748508	47.074	Millersville	7,226
Biological Sciences	DBI-0649122	47.074	Millersville	4,565
Biological Sciences	DEB-1036505	47.074	Millersville	7,633
Pass-Through IUP Research Institute, Biological Sciences	DEB-1120579-001	47.074	Indiana	27,756
Pass-Through National Science Foundation, Biological Sciences	6532100208	47.074	Shippensburg	<u>10,476</u>
Total Biological Sciences				<u>147,220</u>
Pass-Through CORD, Education and Human Resources	DUE-1003199	47.076	Indiana	3,487
Pass-Through IUP Research Institute, Education and Human Resources	DUE-0736836	47.076	Indiana	941
Education and Human Resources	EEC-0313747	47.076	Indiana	6,553
Education and Human Resources	DUE-0737266	47.076	West Chester	(5,576)
Pass-Through University of Central Florida, Education and Human Resources	61036038	47.076	Indiana	12,272
Pass Through National Science Foundation, Education and Human Resources	6332102610	47.076	Shinnensburg	<u>12,013</u>
Total Education and Human Resources				<u>29,690</u>
Pass Through National Science Foundation, Trans-NSF Recovery Act Research Support - ARRA	PFI 0917466	47.082	Millersville	15,636
Trans-NSF Recovery Act Research Support - ARRA	AST-0908098	47.082	Bloomsburg	46,609
Trans-NSF Recovery Act Research Support - ARRA	BCS-0924369	47.082	Slippery Rock	<u>33,425</u>
Total Trans-NSF Recovery Act Research Support				<u>95,670</u>
Total National Science Foundation				<u>927,121</u>
<u>U.S. Department of Education</u>				
Fund for the Improvement of Postsecondary Education Pass-Through IUP Research Institute, Fund for the Improvement of Postsecondary Education	P116Z080270	84.116	Indiana	(850)
Fund for the Improvement of Postsecondary Education	P116Z090284	84.116Z	Indiana	<u>3,679</u>
Total Fund for the Improvement of Postsecondary Education				<u>2,829</u>
Pass-Through University of Delaware, National Institute on Disability and Rehabilitation Research	H133G080047	84.133	Millersville	<u>11,602</u>
Total U.S. Department of Education				<u>14,431</u>

**Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania**

Schedule of Expenditures of Federal Awards

Research and Development Cluster

For the Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Drug Abuse and Addiction Research Programs	1R03DA027960-02	93.279	Bloomsburg	\$ 20,429
Mental Health Research Career/Scientist Development Awards	1K23MH082257-01A1	93.281	West Chester	145,961
Child Health and Human Development Extramural Research	1R15HD061796-01A1	93.865	West Chester	<u>79,201</u>
Total U.S. Department of Health and Human Services				<u>245,591</u>
<u>U.S. Department of Defense</u>				
Basic and Applied Scientific Research	N0014-06-1-046	12.300	Millersville	1,317
Basic and Applied Scientific Research	N00014-10-1-0569	12.300	Millersville	16,636
Pass-Through University of Virginia, Basic and Applied Scientific Research	08PR06821-00	12.300	West Chester	307,362
Pass-Through Lehigh University, Basic and Applied Scientific Research	542549-78004	12.300	Kutztown	10,691
Pass-Through IUP Research Institute, Basic and Scientific Research	W911NF-09-1-0066	12.431	Indiana	<u>466,376</u>
Total Basic and Applied Scientific Research				<u>802,382</u>
Information Security Grant Program	H9820-11-1-0478	12.902	East Stroudsburg	38,082
Information Security Grant Program	H98230-10-1-0409	12.902	East Stroudsburg	<u>70,156</u>
Total Information Security Grant Program				<u>108,238</u>
Mathematical Sciences Grants Program	H98230-11-1-0190	12.901	West Chester	17,149
Mathematical Sciences Grants Program	H98230-10-1-0216	12.901	Bloomsburg	<u>8,403</u>
Total Mathematical Sciences Grants Program				<u>25,552</u>
Pass-Through Penn State University, Military Medical Research and Development	W81XWH-10-2-0019	12.420	Millersville	<u>44,760</u>
Total U.S. Department of Defense				<u>980,932</u>
<u>U.S. Department of Justice</u>				
Pass-Through University of Massachusetts, Crime Victim Assistance/Discretionary Grants	2009-VF-GX-K006	16.582	West Chester	875
Public Safety Partnership and Community Policing Grants - ARRA Pass-Through IUP Research Institute,	2009CKWX0594	16.710	Bloomsburg	36,088
Congressionally Recommended Awards	2009-DI-BX-02007	16.753	Indiana	116,988
Recovery Act - Edward Byrne Memorial Competitive Grant Program - ARRA National Institute of Justice Research, Evaluation, and Development	2009-SC-B9-0022	16.808	Kutztown	28,166
Project Grants	2010-DD-BX-K039	16.560	East Stroudsburg	<u>345,390</u>
Total U.S. Department of Justice				<u>527,507</u>

**Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania**

Schedule of Expenditures of Federal Awards

Research and Development Cluster

For the Year Ended June 30, 2012

<u>Federal Grantor/Program or Cluster Title/ Pass-Through Grantor</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>University</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Energy</u>				
Pass-Through Tulane University, Office of Science Financial Assistance Program - ARRA	DE-FC02-06ER64298	81.049	West Chester	<u>\$ 6,499</u>
Total Research and Development Cluster				<u><u>\$ 4,663,460</u></u>

**Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania**

Schedule of Expenditures of Federal Awards

Other Federal Awards

For the Year Ended June 30, 2012

Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Child and Adult Care Food Program	6533100311	10.558	Shippensburg	\$ 3,384
Child and Adult Care Food Program	6533100312	10.558	Shippensburg	28,548
Total Child and Adult Care Food Program				<u>31,932</u>
Pass-Through PA Dept of Education:				
Summer Food Service Program for Children	AUN: 300191200	10.559	Bloomsburg	9,316
Summer Food Service Program for Children	AUN: 300191175	10.559	Bloomsburg	19,032
Summer Food Service Program for Children	401630950	10.559	California	2,020
Summer Food Service Program for Children	401630950	10.559	California	13,114
Summer Food Service Program for Children	4-06-16-140-0	10.559	Clarion	17,993
Total Summer Food Service Program for Children				<u>61,475</u>
Pass-Through SBDC,				
Rural Business Enterprise Grants	N/A	10.769	Lock Haven	8,525
National First and Wildlife Foundation	0603.12.033212	10.683	Lock Haven	675
Pass-Through U.S. Forest Service, Forestry Research	N/A	10.652	Clarion	50,218
Total U.S. Department of Agriculture				<u>152,825</u>
<u>U.S. Department of Commerce</u>				
Pass-Through Standards and Technology, Measurement and Engineering Research and Standards - ARRA	70NANB10H070	11.609	Millersville	11,926
<u>U.S. Department of Defense</u>				
Procurement Technical Assistance For Business Firms	SP4800-08-2-0834	12.002	California	42,025
Procurement Technical Assistance For Business Firms	SP4800-08-2-0834	12.002	California	136,672
Procurement Technical Assistance For Business Firms	SP48000-085-2-0835	12.002	Indiana	39,600
Procurement Technical Assistance For Business Firms	SP4800-085-2-0835	12.002	Indiana	111,751
Pass-Through University of Pennsylvania PASBDC:				
Procurement Technical Assistance For Business Firms	SP4800-08-2-0836	12.002	Kutztown	1,633
Procurement Technical Assistance For Business Firms	SP4800-11-2-1136	12.002	Kutztown	66,175
Total Procurement Technical Assistance for Business Firms				<u>397,856</u>
Pass-Through IUP Research Institute, Scientific Research - Combating Weapons of Mass Destruction	US001-0000270793	12.352	Indiana	78,650
Pass-Through IUP Research Institute, Congressionally Directed Assistance	W91WAN-09-D-0022	12.599	Indiana	39
Mathematical Sciences Grants Program	6533103012	12.901	Shippensburg	6,766
Total U.S. Department of Defense				<u>483,311</u>
<u>U.S. Department of Housing and Urban Development</u>				
Pass-Through PA Dept of Health, Housing Opportunities for Persons with AIDS	4100048081	14.241	Clarion	149,652
<u>U.S. Department of the Interior</u>				
Pass-Through Louisiana Department of Wildlife and Fisheries, State Wildlife Grants	CFMS 709104	15.634	California	3,373
Pass Through Commonwealth of Pennsylvania Fish and Boat Commission:				
State Wildlife Grants	4100049374	15.634	California	9,596
State Wildlife Grants	4100049374	15.634	California	11,619
State Wildlife Grants	4100049374	15.634	California	20,658
Total State Wildlife Grants				<u>45,246</u>

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Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
Pass-Through PA Dept of Environmental Protection, Science and Technology Projects Related to Coal Mining and Reclamation	S10AC20025	15.255	Indiana	\$ (15,661)
Science and Technology PProjects Related to Coal Mining and Reclamation	S11AC20040	15.255	Indiana	81,557
Pass-Through Montana State University, National Land Remote Sensing - Education Outreach and Research	08HQGR0157	15.815	California	25,816
Preservation of Historic Structures on the Campuses of Historically Black Colleges and Universities (HBCUs) - ARRA	HC4218105	15.932	Cheyney	<u>126,831</u>
Total U.S. Department of the Interior				<u>263,789</u>
<u>U.S. Department of Justice</u>				
Pass-Through IUP Research Institute, Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	2009-WA-AX-0013	16.525	Indiana	31,768
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	2009-WA-AX-0015	16.525	Lock Haven	50,213
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	2009-WA-AX-0030	16.525	Slippery Rock	<u>40,097</u>
Total Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus				<u>122,098</u>
Pass-Through IUP Research Institute, Law Enforcement Assistance - FBI Field Police Training	A1A103821	16.302	Indiana	73,327
Pass-Through PA Commission on Crime and Delinquency, Juvenile Justice and Delinquency Prevention - Allocation to States	6533100609	16.540	Shippensburg	392,526
National Institute of Justice Research, Evaluation, and Development Project Grants	2008-DN-BX-K376	16.560	Edinboro	3,210
Pass-Through PA Commission on Crime and Delinquency, Edward Byrne Memorial Formula Grant Program	6533101610	16.579	Shippensburg	277,267
Pass-Through IUP Research Institute, Congressionally Recommended Awards	2009-DI-BX-02007	16.753	Indiana	129,332
Pass-Through Juvenile Court Judges' Commission, Edward Byrne Memorial Justice Assistance Grant Program	6533100712	16.738	Shippensburg	<u>161,622</u>
Total U.S. Department of Justice				<u>1,159,382</u>
<u>U.S. Department of Labor</u>				
Pass-Through PA Bureau of Employment Services & Training:				
Trade Adjustment Assistance	TAA-0098--08/1	17.245	Indiana	1,995
Trade Adjustment Assistance	TAA-0098--08/2	17.245	Indiana	13,461
Trade Adjustment Assistance	TAA-0098--08/4	17.245	Indiana	60,539
Trade Adjustment Assistance	TAA-0098--08/5	17.245	Indiana	25,407
Trade Adjustment Assistance	TAA-0098--08/6	17.245	Indiana	6,465
Trade Adjustment Assistance	TAA-0098-11/7	17.245	Indiana	18,471
Trade Adjustment Assistance	TAA-0098--08/9	17.245	Indiana	62,049
Trade Adjustment Assistance	TAA-0098--08/3	17.245	Indiana	8,536
Pass-Through PA Dept of Labor:				
Trade Adjustment Assistance	N/A	17.245	Mansfield	936
Trade Adjustment Assistance	N/A	17.245	Mansfield	<u>11,554</u>
Total Trade Adjustment Assistance				<u>209,413</u>
Pass-Through Pittsburgh Catholic Education Program, Inc., WIA Dislocated Workers - ARRA	005-10-415.1	17.260	Indiana	4,001
Pass-Through Career T.R.A.C.K. Inc. WIA Dislocated Workers - ARRA	ARM-WIA/RR4-004-11	17.260	Indiana	<u>2,736</u>
Total WIA Dislocated Workers				<u>6,737</u>

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Pass-Through City of Pittsburgh, WIA Adult Program - ARRA	49340-C	17.258	Indiana	\$ 8,000
Pass-Through South Central Workforce Investment Board, WIA Adult Program - ARRA	3073319	17.258	Indiana	5,500
Total WIA Adult Program				13,500
Consultation Agreements	CS20931CS1	17.504	Indiana	432,139
Consultation Agreements	CS-22423-CS2	17.504	Indiana	1,241,590
Total Consultation Agreements				1,673,729
H-B Job Training Grants		17.268	Lock Haven	24,406
Pass-Through Private Industry Council of Westmoreland/Fayette Incorporated, Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors - ARRA	GJ-19942-10-60-A-42	17.275	California	29,120
Pass-Through PA Dept of Environmental Protection, Mine Health and Safety Education and Training	400016307	17.602	Indiana	26,114
Total U.S. Department of Labor				1,983,019
<u>U.S. Department of Transportation</u>				
Pass-Through PA Department of Transportation, Highway Planning and Construction - ARRA	DTH61-99R-0035	20.205	Cheyney	54,143
State and Community Highway Safety	MOU-471072	20.600	Indiana	30,278
State and Community Highway Safety	CP-2012-01	20.600	Indiana	73,887
Total State and Community Highway Safety				104,165
Total U.S. Department of Transportation				158,308
<u>National Aeronautics &amp; Space Administration</u>				
Pass-Through Pennsylvania State University, Science	NGT5-40064	43.001	Clarion	39
<u>National Endowment for the Arts</u>				
Pass-Through - MidAtlantic Arts Foundation, Promotion of the Arts-Partnership Agreements	22863	45.025	Edinboro	2,100
Promotion of the Arts-Partnership Agreements	11-6100-2035	45.025	Kutztown	1,740
Promotion of the Arts-Partnership Agreements	11-6100-2035	45.025	Kutztown	6,000
Promotion of the Arts-Partnership Agreements	6533100512	45.025	Shippensburg	6,400
Total National Endowment for the Arts				16,240
<u>National Endowment for the Humanities</u>				
Promotion of the Humanities - Division of Preservation and Access	P6-50988-10	45.149	Millersville	59
<u>Institute of Museum &amp; Library Services</u>				
Pass-Through PA Dept of Education - Office of Commonwealth Libraries, Conservation Project Support	LSTA202-100051	45.303	Indiana	17,292
Laura Bush 21st Century Librarian Program	RE-01-10-0011-10	45.313	Mansfield	270,953
Total Institute of Museum & Library Services				288,245

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Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>National Science Foundation</u>				
Computer and Information Science and Engineering	DMR-1107667	47.070	East Stroudsburg	\$ 17,437
Mathematical and Physical Sciences	DMR-1107667	47.049	Clarion	23,430
Trans-NSF Recovery Act Reasearch Support - ARRA	DBI-0963296	47.082	Indiana	580,458
Trans-NSF Recovery Act Reasearch Support - ARRA	IIP0917466	47.082	Millersville	18,060
Pass-Through Pennsylvania Science Technology Engineering Math Girls Collaborative,				
Education and Human Resources	HRD-0631789	47.076	California	3,223
Pass-Through Drexel University,				
Education and Human Resources	HDR-0903924	47.076	Cheyney	12,551
Education and Human Resources	HRD-0506137	47.076	Cheyney	179,870
Education and Human Resources	HRD-1137523	47.076	Cheyney	130,469
Education and Human Resources	727732	47.076	Edinboro	146,322
Pass-Through Georgia State University,				
Education and Human Resources	DUE-0618678	47.076	Millersville	13,695
Education and Human Resources	DUE-07217177	47.076	Bloomsburg	98,726
Education and Human Resources	DUE-0966206	47.076	Indiana	210,478
Education and Human Resources	DUE-0806660	47.076	Lock Haven	130,282
Education and Human Resources	DUE-1058829	47.076	Lock Haven	60,989
Pass-Through Hofstra University/Husky Research Corporation,				
Education and Human Resources	DRL-0821965	47.076	Bloomsburg	31,939
Education and Human Resources	DUE-0122954	47.076	Millersville	112,772
Education and Human Resources	DRL-0929639	47.076	Millersville	1,411
Education and Human Resources	DUE-1136359	47.076	Millersville	21,953
Education and Human Resources	6533103312	47.076	Shippensburg	80,553
Education and Human Resources	6533103712	47.076	Indiana	600
Total Education and Human Resources				1,235,833
Total National Science Foundation				1,875,218
<u>U.S. Small Business Administration</u>				
Pass-Through The University of Pennsylvania:				
Small Business Development Centers	5-56756-Q	59.037	Indiana	30,902
Small Business Development Centers	5-58323Q	59.037	Indiana	45,651
Small Business Development Centers	0-603001-Z-0040-30	59.037	Clarion	270,527
Small Business Development Centers	1-603001-Z-0040-31	59.037	Indiana	74,684
Small Business Development Centers	555167-N	59.037	Lock Haven	45,483
Small Business Development Centers	556343-M	59.037	Lock Haven	32,070
Small Business Development Centers	554538-M	59.037	Lock Haven	7,165
Small Business Development Centers	1-603001-z-00146	59.037	Lock Haven	27,519
Small Business Development Centers	6533101111	59.037	Shippensburg	90,758
Small Business Development Centers	6533102912	59.037	Shippensburg	35,184
Small Business Development Centers	6533103212	59.037	Shippensburg	10,861
Small Business Development Centers	6533103612	59.037	Shippensburg	10,058
Small Business Development Centers	1-603001-Z-0146	59.037	Clarion	101,813
Small Business Development Centers	0-603001-Z-0040-31	59.037	Kutztown	174,521
Small Business Development Centers	SBAHQ-12-B-0056	59.037	Kutztown	136,223
Small Business Development Centers	SBAHQ-10-B-0005	59.037	Kutztown	65,000
Small Business Development Centers	SBAHQ-10-B-0005	59.037	Kutztown	5,475
Small Business Development Centers	0-603001-Z-0040-31	59.037	Kutztown	29,476
Small Business Development Centers	1-603001-Z-0146	59.037	Kutztown	108,844
Total U.S. Small Business Administration				1,302,214
<u>U.S. Department of Veterans Affairs</u>				
Post-9/11 Veterans Educational Assistance	N/A	64.028	Millersville	743,142
<u>U.S. Nuclear Regulatory Commission</u>				
U.S. Nuclear Regulatory Commission Nuclear Education Grant Program	N/A	77.006	Bloomsburg	8,000

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Federal Grantor/Program or Cluster Title/ Pass-Through Grantor	Grant Number	Federal CFDA Number	University	Federal Expenditures
<u>U.S. Department of Education</u>				
Pass-Through PA Dept of Education:				
Migrant Education - State Grant Program	017-100105	84.011	Millersville	\$ 442,066
Migrant Education - State Grant Program	017-100503	84.011	Millersville	15,420
Migrant Education - State Grant Program	017-100603	84.011	Millersville	5,927
Migrant Education - State Grant Program	017-11-0105	84.011	Millersville	961,195
Migrant Education - State Grant Program	017-100105	84.011	Millersville	<u>17,186</u>
Total Migrant Educations - Basic State Grant Program				<u>1,441,794</u>
Higher Education - Institutional Aid	P031B070075	84.031	Cheyney	1,849,523
Higher Education - Institutional Aid	P031B085075	84.031	Cheyney	385,381
Higher Education - Institutional Aid	P031B100095	84.031	Cheyney	<u>621,674</u>
Total Higher Education - Institutional Aid				<u>2,856,578</u>
Pass-Through PA Dept of Education:				
Career and Technical Education - Basic Grants to States	381-10-0051	84.048	Clarion	105,109
Career and Technical Education - Basic Grants to States	119-11-1002	84.048	Indiana	58,231
Career and Technical Education - Basic Grants to States	119-12-2001	84.048	Indiana	<u>1,283,740</u>
Total Career and Technical Education - Basic Grants to States				<u>1,447,080</u>
Fund for the Improvement of Postsecondary Education	P116Z090263	84.116Z	Bloomsburg	5,029
Fund for the Improvement of Postsecondary Education	P116Z090162	84.116Z	Edinboro	12,260
Fund for the Improvement of Postsecondary Education	P116Z100098	84.116	Cheyney	19,708
Fund for the Improvement of Postsecondary Education	N/A	84.116	Edinboro	15,000
Pass -Through State Higher Education Executive Officers (SHEEO), Fund for the Improvement of Postsecondary Education	P116B100154	84.116B	Office of the Chancellor	38,141
Pass-Through IUP Research Institute, Fund for the Improvement of Postsecondary Education	P116110036	84.116J	Indiana	<u>12,077</u>
Total Fund for the Improvement of Postsecondary Education				<u>102,215</u>
Rehabilitation Services - Service Projects	H128J100050	84.128J	Slippery Rock	<u>38,469</u>
Safe and Drug-Free Schools and Communities - National Programs	Q184Z090014	84.184Z	Office of the Chancellor	<u>123,283</u>
Pass-Through PA Higher Education Assistance Agency,				
Byrd Honors Scholarships	N/A	84.185A	Mansfield	525
Byrd Honors Scholarships	P116P10002	84.185	Indiana	5,000
Byrd Honors Scholarships	P116P11000	84.185	Indiana	<u>10,000</u>
Total Byrd Honors Scholarships				<u>15,525</u>
Pass-Through PA Department of Education, Twenty-First Century Community Learning Centers	FC4100043696	84.287	Office of the Chancellor	<u>27,722</u>
Pass-Through PA Department of Education, Special Education - State Personnel Development	G1011ED018	84.323A	California	<u>15,339</u>
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K080331-09	84.325K	Bloomsburg	1,364
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K080331-10	84.325K	Bloomsburg	37,798
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K080331-11	84.325K	Bloomsburg	168,027
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K090312	84.325K	Bloomsburg	1,307
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K090312-10	84.325K	Bloomsburg	34,218
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K090312-11	84.325K	Bloomsburg	71,332
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K090312-12	84.325K	Bloomsburg	1,851
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325T090007	84.325	California	81,736
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	H325K080320	84.325	Slippery Rock	<u>207,705</u>
Total Special Education - Personnel Development to Improve Services and Results for Children with Disabilities				<u>605,338</u>

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Pass-Through University of Missouri:				
Special Education - Technology and Media Services for Individuals with Disabilities	H327A080036	84.327	California	\$ 530
Special Education - Technology and Media Services for Individuals with Disabilities	H327A11069	84.327A	California	25,521
Total Special Education - Technology and Media Services for Individuals with Disabilities				26,051
Pass-Through Temple University:				
Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities	6533100811	84.333A	Shippensburg	8,784
Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities	P333A080018	84.333A	Shippensburg	10,000
Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities	P333A080018-10	84.333	Millersville	8,443
Total Demonstration Projects in Support Postsecondary Faculty, Staff and Administrations in Educating Students with Disabilities				27,227
Gaining Early Awareness and Readiness for Undergraduate Programs				
Pass-Through Pennsylvania Higher Education Assistance Agency:				
Gaining Early Awareness and Readiness for Undergraduate Programs	N/A	84.334	Bloomsburg	80,475
Gaining Early Awareness and Readiness for Undergraduate Programs	N/A	84.334	Indiana	133,896
Gaining Early Awareness and Readiness for Undergraduate Programs	N/A	84.334	Lock Haven	30,875
Gaining Early Awareness and Readiness for Undergraduate Programs	N/A	84.334	Shippensburg	135,975
Pass-Through School District of Lancaster,				
Gaining Early Awareness and Readiness for Undergraduate Programs	N/A	84.334A	Millersville	74,604
Gaining Early Awareness and Readiness for Undergraduate Programs	P334S080005	84.334S	Office of the Chancellor	2,951,634
Pass-Through Research Triangle Institute (RTI),				
Gaining Early Awareness and Readiness for Undergraduate Programs	0209234.002.016-21	84.334S	Office of the Chancellor	522
Total Gaining Early Awareness and Readiness for Undergraduate Programs				3,407,981
Childcare Access Means Parents in School				
Childcare Access Means Parents in School	P335A090102	84.335A	California	54,477
Childcare Access Means Parents in School	P335A100026	84.335A	Indiana	125,244
Childcare Access Means Parents in School	P335A090058	84.335A	Slippery Rock	10,063
Total Child Care Access Means Parents in School				189,784
Pass-Through Arts Council of Erie,				
Arts in Education	U351D100138	84.351D	Edinboro	19,226
Pass-Through PA Department of Education:				
Improving Teacher Quality State Grants	71-700003	84.367B	Office of the Chancellor	20,812
Improving Teacher Quality State Grants	71-800003	84.367B	Office of the Chancellor	196,279
Improving Teacher Quality State Grants	145-100005	84.367	Office of the Chancellor	87,373
Pass-Through University of Pittsburgh,				
Improving Teacher Quality State Grants		84.367	Mansfield	25,962
Total Improving Teacher Quality State Grants				330,426
Pass-Through Perseus House Charter School of Excellence,				
School Improvement Grants	K11040	84.377A	Edinboro	61,282
Pass-Through PA Higher Education Assistance Agency:				
College Access Challenge Grant Program	N/A	84.378	Mansfield	6,403
College Access Challenge Grant Program	CAPS 1112-567	84.378A	Indiana	310
College Access Challenge Grant Program	6533103812	84.378	Shippensburg	1,614
College Access Challenge Grant Program	6533102711	84.378	Shippensburg	2,597
Total College Access Challenge Grant Program				10,924
Pass-Through Ohio State University,				
Investing in Innovation (i3) Fund - ARRA	6533103112	84.411	Shippensburg	266,744
Total U.S. Department of Education				11,012,988

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<u>U.S. Department of Energy</u>				
Pass-Through Office of Science, Office of Science Financial Assistance Program - ARRA	DE-SC0002013	81.049	Cheyney	\$ 87,072
Pass-Through PA Department of Environmental Protection, State Energy Program - ARRA	4100051919	81.041	Edinboro	97,026
Renewable Energy Research and Development	DE-EE0004499	81.087	West Chester	2,591,403
Renewable Energy Research and Development - ARRA	DE-EE0004348	81.087	West Chester	353,103
Total Renewable Energy Research and Development				2,944,506
Total U.S. Department of Energy				3,128,604
<u>U.S. Department of Health and Human Services</u>				
Nurse Anesthetist Traineeships	A22HP17252	93.124	Bloomsburg	1,077
Occupational Safety and Health Program	5T02OH008622-07	93.262	Millersville	32,381
Affordable Care Act (ACA) - Centers for Disease Control and Prevention - Investigations and Technical Assistance	N/A	93.283	Lock Haven	4,354
Advanced Nursing Education Traineeships	A10HP18255	93.358	Bloomsburg	11,201
Advanced Nursing Education Traineeships	A10HP18219	93.358	West Chester	5,962
Pass-Through Health Resources and Services Administration, Advanced Nursing Education Traineeships	A10HP22075-01-00	93.358	Indiana	10,388
Advanced Nursing Education Traineeships	A10HP22142-01-00	93.358	Millersville	8,652
Total Advanced Nursing Education Traineeships				36,403
Pass-Through Drexel University, Nurse Education, Practice Quality and Retention Grants	HRSA 5 U1KHP09542-04-00	93.359	Bloomsburg	20,719
Pass-Through PHEAA, Chafee Education and Training Vouchers Program (ETV)		93.599	Shippensburg	8,750
Chafee Education and Training Vouchers Program (ETV)	N/A	93.599	Millersville	8,750
Total Chafee Education and Training Vouchers Program (ETV)				17,500
Head Start	6533100110	93.600	Shippensburg	20,414
Head Start	6533100111	93.600	Shippensburg	765,261
Head Start	6533100112	93.600	Shippensburg	102,278
Head Start	6533100211	93.600	Shippensburg	14,720
Head Start	6533100212	93.600	Shippensburg	8,439
Pass-Through Head Start Body Start, Head Start	6533100412	93.600	Shippensburg	4,998
Total Head Start				916,110
Chafee Foster Care Independence Program	410047664	93.674	Bloomsburg	23,750
Pass-Through PHEAA, Chafee Foster Care Independence Program	N/A	93.674	Lock Haven	3,750
Total Chafee Foster Care Independence Program				27,500
Pass-Through Health Resources & Services Administration, Health Careers Opportunity Program	1D1SHP19982-01-00/2313	93.822	East Stroudsburg	24,916
Pass-Through PA Department of Health, HIV Care Formula Grants	4100048817	93.917	Clarion	753,191
Pass-Through Health Resource Services, Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	H76HA00756	93.918	Clarion	364,188
Scholarships for Health Professions Students from Disadvantaged Backgrounds	T08HP22323	93.925	Mansfield	15,348
Pass-Through Health Resource Services, Special Projects of National Significance	H97HA19769	93.928	Clarion	91,746
Total U.S. Department of Health and Human Services				2,305,433

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<u>Corporation for National and Community Service</u>				
Pass-Through Corporation for National and Community Service, Learn and Serve America School and Community Based Programs	WCU0420204	94.004	West Chester	\$ 8,724
<u>U.S. Department of Homeland Security</u>				
Pass-Through PA Emergency Management Agency:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4030-DR-PA-000-U287K-00	97.036	Bloomsburg	1,934
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4030-DR-PA-000-U287K-00	97.036	Bloomsburg	99,189
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4030-DR-PA-000-U287K-00	97.036	Cheyney	44,191
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4025-DR-PA-000-U287K-00	97.036	Office of the Chancellor	28,513
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4025-DR-PA-000-U28K-00	97.036	West Chester	7,729
Total Disaster Grants				<u>181,556</u>
Assistance to Firefighters Grant	EMW-2010-FP-00400	97.044	West Chester	<u>213,719</u>
Pass-Through PA Emergency Management Agency (PEMA):				
Homeland Security Grant Program	4100049475	97.067	Office of the Chancellor	222,983
Homeland Security Grant Program	4100053808	97.067	Office of the Chancellor	106,760
Homeland Security Grant Program	4100056014	97.067	Office of the Chancellor	<u>34,655</u>
Total Homeland Security Grant Program				<u>364,398</u>
Total U.S. Department of Homeland Security				<u>759,673</u>
<u>U.S. Election Assistance Commission</u>				
Help America Vote College Program	E4064552G	90.400	Kutztown	<u>28,477</u>
<u>Other</u>				
Teaching Primary Sources Program	N/A	unknown	California	209,324
Pass-Through US Dept of Education:				
National Writing Project	05PA-11 (06)	unknown	East Stroudsburg	12,218
National Writing Project	05PA-11 (07)	unknown	East Stroudsburg	16,811
Pass-through National Writing Project Corporation:				
National Writing Project		unknown	Mansfield	28,338
National Writing Project	U928A080001	unknown	Edinboro	5,822
Pass-Through The Pennsylvania State University:				
PA Space Grant Consortium	NNX10AK74H	unknown	California	3,422
NASA Awards	4179-WCU-NASA-K74H	unknown	West Chester	9,671
National Center for Robotics Engineering Technology Education	EOIR PO P40020088	unknown	California	6,765
Pass-Through University of California,				
National Writing Project	92-PA05	unknown	West Chester	36,343
Pass-Through US Dept of Justice,				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	2011-WA-AX-0018	unknown	East Stroudsburg	11,041
Pass-Through NASA:				
NASA Student Launch	NNX10AJ10A	unknown	East Stroudsburg	255,250
NASA Student Launch	6532100511	unknown	Shippensburg	18
Equitable Share Agreement	PA0154600	unknown	West Chester	1,449
Federal Virtual Worlds Challenge SciEthics Award	0V870	unknown	West Chester	397
Forest Service Northern Research Station	11-JV-11242306-095	unknown	West Chester	<u>12,621</u>
Total Other				<u>609,490</u>
TOTAL				<u>\$ 26,448,758</u>

**Pennsylvania State System of Higher Education,  
Commonwealth of Pennsylvania**

**Notes to Schedule of Expenditures of Federal Awards  
For The Year ended June 30, 2012**

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**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") represents a summary of federal awards expended by the Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania ("PASSHE"), and its member universities, for the year ended June 30, 2012. For purposes of the Schedule, federal awards include all U.S. government financial assistance, procurement relationships between PASSHE and its member universities and the federal government, and subawards made under federally sponsored agreements that are received from nonfederal organizations.

The Schedule classifies the expenditures of federal awards into four categories: Student Financial Assistance Cluster, TRIO Cluster, Research and Development Cluster, and Other Federal Awards. Within each category, federal awards have been classified as either direct (awards received directly from a federal agency) or pass through (subawards received from nonfederal organizations that were made under federally sponsored agreements). PASSHE recognizes expenditures of federal program funds on the accrual basis of accounting. Federal award expenditures shown on the Schedule in parenthesis represent adjustments to disbursements made in prior years.

**(2) Relationship to Basic Financial Statements**

The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget 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.

Notes to Schedule of Expenditures of Federal Awards  
For The Year Ended June 30, 2012

(3) Student Financial Assistance

The following table shows certain information concerning student financial assistance programs detailed by University for the year ended June 30, 2012:

University	Federal Pell	Federal Supplemental Educational Opportunity Grant	Federal Work Study	Federal Perkins Cancellations	Academic Competitive Grant	National Science & Mathematics Access To Retain Talent Grant	Teacher Education Assistance For College And Higher Education Grant	Post-secondary Education Scholarships for Veteran's Dependents
Bloomsburg	\$ 11,898,765	\$ 205,333	\$ 687,079	\$ 17,674	\$ -	\$ -	\$ -	\$ -
California	12,300,030	284,130	378,232	-	-	-	56,000	-
Cheyney	4,677,400	373,550	112,360	-	-	-	12,000	-
Clarion	9,682,310	175,869	234,793	-	1,712	13,468	55,000	-
East Stroudsburg	8,329,186	156,025	275,874	16,488	(1,500)	-	-	-
Edinboro	12,335,812	261,475	327,429	-	-	-	164,000	-
Indiana	21,099,013	736,991	1,426,757	-	4,145	2,000	-	-
Kutztown	11,728,226	183,439	275,134	26,661	-	-	20,000	-
Lock Haven	7,865,001	277,292	223,906	3,553	(2,600)	-	70,000	-
Mansfield	5,618,180	101,342	136,704	-	(375)	-	27,000	-
Millersville	8,989,762	150,821	194,144	16,444	325	12,431	-	-
Shippensburg	8,156,264	159,998	172,216	22,975	-	-	60,000	-
Slippery Rock	10,193,765	195,309	318,203	13,265	-	-	6,500	-
West Chester	<u>12,846,804</u>	<u>256,920</u>	<u>311,622</u>	<u>1,918,147</u>	<u>813</u>	<u>1,000</u>	<u>35,500</u>	<u>1,054,904</u>
	<u>\$145,720,518</u>	<u>\$3,518,494</u>	<u>\$5,074,453</u>	<u>\$2,035,207</u>	<u>\$2,520</u>	<u>\$28,899</u>	<u>\$506,000</u>	<u>\$1,054,904</u>

The above amounts awarded to students include certain administrative allowances.

**Notes to Schedule of Expenditures of Federal Awards  
For The Year Ended June 30, 2012**

PASSHE participates in the following student loan programs: Federal Perkins Loan Program (CFDA No. 84.038); Nursing Student Loan Program (CFDA NO. 93.364); Federal Direct Loan Program (CFDA No. 84.268), which includes the Federal Stafford Loan Program, the Federal Supplemental Loan for Students Program ("SLS"), and the Federal Parent Loans for Undergraduate Students Program ("PLUS"). Loans awarded under these programs for the year ended June 30, 2012 are as follows:

<u>University</u>	<u>Federal Perkins Loans Awarded</u>	<u>Nursing Student Loans Awarded</u>	<u>Federal Direct Loans Awarded</u>
Bloomsburg	\$ 134,000	\$ -	\$ 61,244,935
California	-	-	68,280,609
Cheyney	-	-	12,166,066
Clarion	-	-	43,302,827
East Stroudsburg	225,950	-	43,800,759
Edinboro	257,131	50,395	58,469,193
Indiana	767,956	-	107,804,416
Kutztown	392,150	-	65,145,259
Lock Haven	152,400	-	37,075,352
Mansfield	315,108	-	23,100,025
Millersville	216,450	-	52,223,753
Shippensburg	335,672	-	46,144,896
Slippery Rock	302,308	-	60,096,680
West Chester	<u>763,955</u>	<u>62,000</u>	<u>83,694,257</u>
	<u>\$3,863,080</u>	<u>\$112,395</u>	<u>\$762,549,027</u>

Federal Perkins Loans and Nursing Student Loans awarded are included as part of Federal Perkins Loans and Nursing Student Loans outstanding on the schedule of expenditures of federal awards.

**Notes to Schedule of Expenditures of Federal Awards  
For The Year Ended June 30, 2012**

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Outstanding loans and administrative allowances under the programs administered by PASSHE for the year ended June 30, 2012 are as follows:

<u>University</u>	<u>Federal Perkins Loans Outstanding</u>	<u>Nursing Student Loans Outstanding</u>
Bloomsburg	\$ 1,927,576	\$ -
California	2,485,757	-
Cheyney	300,443	-
Clarion	646,899	-
East Stroudsburg	256,840	-
Edinboro	2,074,806	151,825
Indiana	8,458,482	-
Kutztown	3,147,657	-
Lock Haven	1,173,955	-
Mansfield	1,665,819	-
Millersville	1,527,580	-
Shippensburg	2,494,316	-
Slippery Rock	4,055,015	-
West Chester	<u>7,387,893</u>	<u>241,566</u>
	<u>\$37,603,038</u>	<u>\$393,391</u>

**(4) MAJOR PROGRAMS**

Major programs are identified on the schedule of findings and questioned costs and totaled approximately \$965,169,000, which is over 97% of total expenditures of federal awards for the year ended June 30, 2012. This amount includes loans administered under the Federal Direct Loan Program during the year ended June 30, 2012 and loans outstanding as of June 30, 2012 under the Federal Perkins Loan Program and the Nursing Student Loan Program.

**(5) AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS**

American Recovery and Reinvestment Act funds are identified separately on the schedule of federal awards.

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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**

Board of Governors  
Pennsylvania State System of Higher Education,  
Commonwealth of Pennsylvania

We have audited the financial statements of the Pennsylvania State System Of Higher Education, Commonwealth of Pennsylvania ("PASSHE") (a component unit of the Commonwealth of Pennsylvania) and its aggregate discretely presented component units as of and for the year ended June 30, 2012, which collectively comprise PASSHE's basic financial statements, and have issued our report thereon dated September 26, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with 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. Other auditors audited the financial statements of the aggregate discretely presented component units, as described in our report on PASSHE's financial statements. The financial statements of the various component units were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of PASSHE is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered PASSHE's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PASSHE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PASSHE's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether PASSHE'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*.

This report is intended solely for the information and use of the Board of Governors, management, others within PASSHE, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*ParenteBeard LLC*

Wilkes-Barre, Pennsylvania  
September 26, 2012

**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Governors  
Pennsylvania State System of Higher Education,  
Commonwealth of Pennsylvania:

COMPLIANCE

We have audited the Pennsylvania State System of Higher Education, Commonwealth of Pennsylvania's ("PASSHE") 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 PASSHE's major federal programs for the year ended June 30, 2012. PASSHE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of PASSHE's management. Our responsibility is to express an opinion on PASSHE's compliance based on our audit.

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 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 PASSHE'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. Our audit does not provide a legal determination of PASSHE's compliance with those requirements.

In our opinion, PASSHE complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 12-1 through 12-19.

## INTERNAL CONTROL OVER COMPLIANCE

Management of PASSHE is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered PASSHE's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance 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 PASSHE'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 12-1 and 12-3. 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.

PASSHE's response to the findings identified in our audit are described in the accompanying corrective action plans. We did not audit PASSHE's response and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Governors, management, others within PASSHE, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*ParenteBeard LLC*

Wilkes-Barre, Pennsylvania  
February 21, 2013

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,  
COMMONWEALTH OF PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued:				UNQUALIFIED
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	_____ X _____	no
Significant deficiency(ies) identified?	_____	yes	_____ X _____	none reported
Noncompliance material to financial statements noted?	_____	yes	_____ X _____	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	_____	yes	_____ X _____	no
Significant deficiency(ies) identified?	_____ X _____	yes	_____ _____	none reported
Type of auditors' report issued on compliance for major programs:				UNQUALIFIED
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____ X _____	yes	_____ _____	no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
See Schedule of Expenditures of Federal Awards for CFDA Numbers	Student Financial Assistance Cluster
81.087	Renewable Energy Research and Development
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs:				\$3,000,000
Auditee qualified as low-risk auditee?	_____	yes	_____ X _____	no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

NONE

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### Finding 12-1

Bloomsburg University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal Family Education Loans CFDA#84.032, Federal-Work Study Program CFDA#84.033, Federal Perkins Loans Outstanding CFDA#84.038, Federal Pell Grant Program CFDA#84.063, Federal Direct Student Loans CFDA#84.268, Federal Nursing Student Loans Outstanding CFDA#93.364)

#### Criteria:

In accordance with 34 CFR 682.610 and 685.309, unless the School expects to complete its next roster file within sixty days, the School must notify NSLDS within thirty days if it discovers a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis.

#### Condition:

The University did not submit student status changes in accordance with CFR 34.

#### Context:

Ten of fourteen students tested did not comply.

#### Cause:

The University implemented a new student information system in which the reports were not generated properly therefore they did not report student status changes in accordance with CFR 34.

#### Effect:

NSLDS is not aware of status changes within the required sixty day time period.

#### Questioned Costs:

No questioned costs noted.

#### Recommendation:

We recommend the University implement a system to generate the appropriate reports to ensure all status changes are reported within the required time period.

#### Management Response:

See the University's corrective action plan.

Finding 12-2

Office of the Chancellor - U.S Department of Education, Passed Through the Pennsylvania Department of Education, Improving Teacher Quality State Grant (CFDA #84.367)

**CRITERIA:**

As per the grant agreement, mentoring is designed to provide exceptional, experienced administrators who are either current practitioners or who have retired within the last five years to provide on-going support to and mentoring for up to 120 novice protégé administrators who are participating in the Pennsylvania Inspired Leaders (PIL) program offered by the Department.

**CONDITION:**

For six administrators selected for testing, there was no support that the administrator providing the mentoring was either a current practitioner or had retired within the past five years.

**CONTEXT:**

Condition was noted for six of eleven administrators tested.

**CAUSE:**

The documentation was stored within a website, however, the program manager no longer has access to the website.

**EFFECT:**

There is no evidence that the administrator met the requirements to participate under the grant as a mentor.

**QUESTIONED COSTS:**

Known questioned costs relating to this finding are \$5,043 representing the payments made to the six administrators.

**RECOMMENDATION:**

Proper documentation to support the administrator's qualification to serve as a mentor should be maintained.

**MANAGEMENT COMMENT:**

See the Office of the Chancellor's corrective action plan.

**FINDING 12-3**

Cheyney University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal Family Education Loans CFDA#84.032, Federal-Work Study Program CFDA#84.033, Federal Perkins Loans Outstanding CFDA#84.038, Federal Pell Grant Program CFDA#84.063, Federal Direct Student Loans CFDA#84.268, Federal Nursing Student Loans Outstanding CFDA#93.364)

**CRITERIA:**

In accordance with 34 CFR 668.22(a)(1), when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date.

**CONDITION:**

Sufficient documentation was not available at the time of review to conclude the University determined the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date.

**CONTEXT:**

The University was unable to provide adequate documentation that any returns of Title IV calculations were performed.

**CAUSE:**

There is a lack of controls in place to ensure refund calculations and any related refunds are being processed.

**EFFECT:**

The University may not have made a post-disbursement to a student and have not returned the appropriate funds to the Department of Education.

**QUESTIONED COSTS:**

Questioned costs could not be determined.

**RECOMMENDATION:**

The University should implement policies and procedures to ensure return of Title IV calculations are performed.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

**FINDING 12-4**

Cheyney University - U.S Department of Education, Student Financial Assistance Cluster (Federal Direct Student Loans CFDA#84.268)

**CRITERIA:**

In accordance with 34 CFR 685.203, in order for a dependent undergraduate student to receive an additional loan amount, the financial aid administrator must determine that the student's parent will likely be precluded by exceptional circumstances from borrowing under the Federal Direct PLUS Program or the Federal PLUS Program and the student's family is otherwise unable to provide the student's expected family contribution. The financial aid administrator shall base the determination on a review of the family financial information provided by the student and consideration of the student's debt burden and shall document the determination in the school's file.

**CONDITION:**

It was noted that 2 students received additional unsubsidized loan amounts with no support of exceptional circumstances.

**CONTEXT:**

Condition was noted for 2 students in the sample of 60 students tested.

**CAUSE:**

The University indicated the student was entitled to additional loan funds due to a PLUS denial, however, the University did not have support for the PLUS denial on file.

**EFFECT:**

The students received loans in excess of the maximum allowed.

**QUESTIONED COSTS:**

Questioned costs relating to this finding are \$9,000.

**RECOMMENDATION:**

The University should establish policies and procedures to ensure additional unsubsidized loans are only awarded to students who have documented denials of a parent PLUS loan.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

**FINDING 12-5**

Cheyney University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA #84.007, Federal Direct Student Loans CFDA #84.268, Federal-Work Study Program CFDA #84.033, Federal Perkins Loans Outstanding CFDA #84.038, Federal Pell Grant Program CFDA #84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA #84.379, Teacher Education Assistance for College and Higher Education Grants CFDA #84.379, Postsecondary Education Scholarships for Veteran’s Dependents CFDA #84.408, Federal Nursing Student Loans Outstanding CFDA #93.364)

**CRITERIA:**

In accordance with 34 CFR 675.9, 676.9, 674.9, 682.201, 685.200, and 691.62, the student’s aid package, including other awards, cannot exceed the student’s financial need.

**CONDITION:**

A student selected for testing was awarded total aid in excess of their need.

**CONTEXT:**

Condition was noted for 1 student in our sample of 60 students.

**CAUSE:**

Student was over awarded in error.

**EFFECT:**

The student received aid in excess of their cost of attendance.

**QUESTIONED COSTS:**

Questioned costs related to this finding are \$997.

**RECOMMENDATION:**

The University should implement policy and procedures to ensure students are not awarded amounts in excess of their cost of attendance.

**MANAGEMENT COMMENTS:**

See the University’s corrective action plan.

**FINDING 12-6**

Cheyney University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA #84.007, Federal Direct Student Loans CFDA #84.268, Federal-Work Study Program CFDA #84.033, Federal Perkins Loans Outstanding CFDA #84.038, Federal Pell Grant Program CFDA #84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA #84.379, Teacher Education Assistance for College and Higher Education Grants CFDA #84.379, Postsecondary Education Scholarships for Veteran’s Dependents CFDA #84.408, Federal Nursing Student Loans Outstanding CFDA #93.364)

**CRITERIA:**

In accordance with 34 CFR 668.33, if the Social Security Administration does not confirm the student’s citizenship assertion under the data match with the Secretary, the student can establish U.S. citizenship by submitting documentary evidence of that status to the institution. Before denying Title IV, HEA assistance to a student for failing to establish citizenship, an institution must give a student at least 30 days notice to produce evidence of U.S. citizenship.

**CONDITION:**

A student’s ISIR indicated a C code that the student’s citizenship had not been confirmed and the University did not have proper documentation on file to confirm citizenship.

**CONTEXT:**

Condition was noted for one student in our sample of 60 students.

**CAUSE:**

The University did not have a procedure in place to ensure C codes on the student’s ISIR were properly addressed and documented.

**EFFECT:**

An ineligible student may have received student financial assistance.

**QUESTIONED COSTS:**

Questioned costs related to this finding are \$8,875.

**RECOMMENDATION:**

The University should implement procedures to ensure C codes on student’s ISIR are properly addressed.

**MANAGEMENT COMMENTS:**

See the University’s corrective action plan.

**FINDING 12-7**

Cheyney University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Direct Student Loans CFDA #84.268)

**CRITERIA:**

In accordance with 34 CFR 668.32, a student is eligible to receive Title IV, HEA program assistance if the student has not obtained loan amounts that exceed annual or aggregate loan limits made under Title IV, HEA loan program.

**CONDITION:**

Two students were noted to have exceeded the aggregate loan limits for the Federal Direct Loan Program and received subsidized and unsubsidized loans in the current year.

**CONTEXT:**

Condition was noted for 3 students in our sample of 60 students.

**CAUSE:**

The University did not have procedures in place to review the student's aggregate loan amounts to ensure they didn't exceed the aggregate loan limits.

**EFFECT:**

The University awarded subsidized and unsubsidized loans in excess of the aggregate loan amounts.

**QUESTIONED COSTS:**

Questioned costs for students in excess of the subsidized aggregate loan limit totals \$6,125 and the total known questioned costs in excess of the total aggregate loan limit totals \$50,325.

**RECOMMENDATION:**

The University should establish procedures to ensure loans are not awarded in excess of aggregate loan limits.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

**FINDING 12-8**

Cheyney University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Work-Study Program CFDA #84.033)

**CRITERIA:**

In accordance with 34 CFR 675.18, an institution must use at least 7% of the sum of its initial and supplemental Federal Work-Study allocations for an award year to compensate students employed in community service activities.

**CONDITION:**

The University did not use 7% of its current year Federal Work-Study allocation to compensate students employed in community service activities.

**CONTEXT:**

The University allocated 6.55% of the current year Federal Work-Study allocation to compensate student employed in community service activities.

**CAUSE:**

The University did not properly monitor the allocation.

**EFFECT:**

The University is not in compliance with the federal requirement.

**QUESTIONED COSTS:**

Questioned costs related to this finding are \$508.

**RECOMMENDATION:**

The University should implement policies to ensure the proper amount of the Federal Work-Study allocation is earmarked for students employed in community service activities.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

**FINDING 12-9**

Cheyney University - U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA #84.007, Federal Direct Student Loans CFDA #84.268, Federal-Work Study Program CFDA #84.033, Federal Perkins Loans Outstanding CFDA #84.038, Federal Pell Grant Program CFDA #84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA #84.379, Teacher Education Assistance for College and Higher Education Grants CFDA #84.379, Postsecondary Education Scholarships for Veteran's Dependents CFDA #84.408, Federal Nursing Student Loans Outstanding CFDA #93.364)

**CRITERIA:**

In accordance with 34 CFR 685.301, a school participating in the Direct Loan Program shall ensure that any information it provides to the Secretary in connection with loan origination is complete and accurate. A school shall originate a Direct Loan while the student meets the borrower eligibility requirements.

**CONDITION:**

Disbursement dates indicated through the Common Origination and Disbursement (COD) reporting did not agree to the disbursement dates included on the students account history for 53 students, amounts reported as disbursed within COD did not agree to the student account histories for 3 students, and Direct Loans were disbursed to 6 students but were not reported to COD.

**CONTEXT:**

Condition was noted in a sample of 60 students.

**CAUSE:**

The University did not have procedures in place to ensure the disbursements were reported to the Secretary accurately and in a timely manner.

**EFFECT:**

The University did not report disbursements to the Secretary accurately and timely manner.

**QUESTIONED COSTS:**

There are no questioned costs associated with this finding.

**RECOMMENDATION:**

The University should implement procedures to ensure information is reported accurately and timely.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

**FINDING 12-10**

Cheyney University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Direct Student Loans CFDA #84.268)

**CRITERIA:**

In accordance with 34 CFR 685.303, if a student is enrolled in the first year of an undergraduate program of study and had not previously received a Federal Stafford, Federal Supplemental Loans for Students, Direct Subsidized, or Direct Unsubsidized Loan, a school may not disbursement the proceeds of a Direct Subsidized or Direct Unsubsidized Loan until 30 days after the first day of the student's program of study.

**CONDITION:**

The University disbursed Direct Subsidized and Direct Unsubsidized loan proceeds for first time borrowers before the student had completed 30 days of their program of study.

**CONTEXT:**

Condition was noted for 10 students in our sample of 60 students.

**CAUSE:**

The University did not have procedures in place to ensure proceeds to first time borrowers were not disbursed until the student had completed the first 30 days of their program of study.

**EFFECT:**

Loan proceeds were not disbursed within the required guidelines

**QUESTIONED COSTS:**

There are no questioned costs associated with this finding.

**RECOMMENDATION:**

The University should implement procedures to ensure loan proceeds are disbursed within the required timeframes.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

**FINDING 12-11**

Cheyney University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Pell Grant Program CFDA #84.375)

**CRITERIA:**

In accordance with 34 CFR 690.83, an institution shall report to the Secretary any change in the amount of a grant for which a student qualifies including any related Payment Data change by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in award for each student. The institution shall submit the student's Payment Data reporting any change to the Secretary by the reporting deadlines published by the Secretary in the Federal Register.

**CONDITION:**

The University did not report to the Secretary changes in the amount of Pell grants awarded and disbursed to students.

**CONTEXT:**

Condition was noted for 7 students in our sample of 60 students.

**CAUSE:**

The University did not have procedures in place to ensure payment data was reported timely to the Secretary.

**EFFECT:**

The University did not report changes in Pell grants awarded and disbursed to the Secretary.

**QUESTIONED COSTS:**

There are no questioned costs related to this finding.

**RECOMMENDATION:**

The University should implement policies and procedures to ensure accurate reporting to the Secretary.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

**FINDING 12-12**

Cheyney University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Pell Grant Program CFDA #84.375)

**CRITERIA:**

In accordance with 34 CFR 690.83, an institution shall submit, in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.

**CONDITION:**

It was noted for one student a disbursement was not reported to the Secretary within the 30 day timeframe as required through the Federal Register.

**CONTEXT:**

Condition was noted for one student in a sample of 60 students.

**CAUSE:**

The University did not have procedures in place to ensure disbursements were reported to the Secretary in a timely manner.

**EFFECT:**

The Secretary was not informed of the disbursement within the required timeframe.

**QUESTIONED COSTS:**

There are no questioned costs associated with this finding.

**RECOMMENDATION:**

The University should implement policies and procedures to ensure Pell Grant disbursements are reported to the Secretary in a timely manner.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

**FINDING 12-13**

Cheyney University – U.S, Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA #84.007, Federal Direct Student Loans CFDA #84.268, Federal-Work Study Program CFDA #84.033, Federal Perkins Loans Outstanding CFDA #84.038, Federal Pell Grant Program CFDA #84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA #84.379, Teacher Education Assistance for College and Higher Education Grants CFDA #84.379, Postsecondary Education Scholarships for Veteran's Dependents CFDA #84.408, Federal Nursing Student Loans Outstanding CFDA #93.364)

**CRITERIA:**

In accordance with 34 CFR 668.53, an institution must establish and use written policies and procedures for verifying an applicant's FAFSA information. These policies and procedures must include the period within which an applicant must provide any documentation requested by the institution.

**CONDITION:**

Although the University has written policies and procedures indicating the period within which the applicant must provide the documentation requested, it was noted 5 students that were selected for verification did not have the required verification information on file.

**CONTEXT:**

Condition was noted for 5 students in our sample of 60 students.

**CAUSE:**

The University did not have procedures in place to ensure all students selected for verification submitted required documentation to perform verification procedures.

**EFFECT:**

The University could not provide adequate documentation of verification procedures.

**QUESTIONED COSTS:**

There are no questioned costs related to this finding.

**RECOMMENDATION:**

The University should implement procedures to ensure verifications are performed for all students selected.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

**FINDING 12-14**

Cheyney University - U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA #84.007, Federal Direct Student Loans CFDA #84.268, Federal-Work Study Program CFDA #84.033, Federal Perkins Loans Outstanding CFDA #84.038, Federal Pell Grant Program CFDA #84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA #84.379, Teacher Education Assistance for College and Higher Education Grants CFDA #84.379, Postsecondary Education Scholarships for Veteran's Dependents CFDA #84.408, Federal Nursing Student Loans Outstanding CFDA #93.364)

**CRITERIA:**

In accordance with 34 CFR 668.59, for the subsidized student financial assistance programs, excluding the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, the institution must adjust the applicant's financial aid package on the basis of the EFC on the corrected valid SAR or valid ISIR and comply with the procedures specified in 34 CFR 668.61 for an interim disbursement if, as a result of verification, the financial aid package must be reduced.

**CONDITION:**

The University obtained the proper documentation to perform the verification procedures. However, it did not update the student's ISIR to reflect changes based on the documentation received. Consequently, the University did not adjust the student's financial aid package.

**CONTEXT:**

Condition was noted for 12 students in our sample of 60 students.

**CAUSE:**

The University did not have procedures in place to ensure the student's ISIR was updated based on the results of the verification procedures performed.

**EFFECT:**

The University did not update for changes to the students ISIR or financial assistance award package.

**QUESTIONED COSTS:**

There are no questioned costs related to this finding.

**RECOMMENDATION:**

The University should implement procedures to ensure changes are made to the student's ISIR and financial aid package as a result of the verification procedures performed.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

**FINDING 12-15**

Cheyney University - U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA #84.007, Federal Direct Student Loans CFDA #84.268, Federal-Work Study Program CFDA #84.033, Federal Perkins Loans Outstanding CFDA #84.038, Federal Pell Grant Program CFDA #84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA #84.379, Teacher Education Assistance for College and Higher Education Grants CFDA #84.379, Postsecondary Education Scholarships for Veteran's Dependents CFDA #84.408, Federal Nursing Student Loans Outstanding CFDA #93.364)

**CRITERIA:**

In accordance with 34 CFR 668.57, an institution must require an applicant selected for verification to submit a statement noting the number of family members in the household signed by both the applicant and one of the applicant's parents if the applicant is a dependent student, or only the applicant if the applicant is an independent student, listing the name and age of each family member in the household and the relationship of that household member to the applicant.

**CONDITION:**

The University did not obtain signed statements from the student.

**CONTEXT:**

Condition was noted for 2 students in our sample of 60 students.

**CAUSE:**

The University did not have procedures in place to ensure signed statements were received from students selected for verification.

**EFFECT:**

The proper documentation was not received for students selected for verification.

**QUESTIONED COSTS:**

There are no questioned costs associated with this finding.

**RECOMMENDATION:**

The University should implement procedures to ensure proper documentation is received from all students selected for verification.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

**FINDING 12-16**

Clarion University - U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA #84.007, Federal Direct Student Loans CFDA #84.268, Federal-Work Study Program CFDA #84.033, Federal Perkins Loans Outstanding CFDA #84.038, Federal Pell Grant Program CFDA #84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA #84.379, Teacher Education Assistance for College and Higher Education Grants CFDA #84.379, Postsecondary Education Scholarships for Veteran's Dependents CFDA #84.408, Federal Nursing Student Loans Outstanding CFDA #93.364)

**CRITERIA:**

In accordance with 34 CFR 668.22, any student that withdraws prior to sixty percent completion of semester must have a return of Title IV funds calculation performed and the unearned portion returned to the Title IV programs within 45 days.

**CONDITION:**

A return of Title IV funds calculation was not performed timely.

**CONTEXT:**

Four of five students tested did not comply.

**CAUSE:**

A return of title IV funds calculation was not done due to delays in system controls.

**EFFECT:**

The University may have kept unearned Title IV monies.

**QUESTIONED COSTS:**

There are no questioned costs related to this finding.

**RECOMMENDATION:**

We recommend the University implement a system to ensure all return of Title IV funds calculations are completed in accordance with 34 CFR 668.22.

**MANAGEMENT RESPONSE:**

See the University's corrective action plan.

**FINDING 12-17**

Mansfield University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA #84.007, Federal Direct Student Loans CFDA #84.268, Federal-Work Study Program CFDA #84.033, Federal Perkins Loans Outstanding CFDA #84.038, Federal Pell Grant Program CFDA #84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA #84.379, Teacher Education Assistance for College and Higher Education Grants CFDA #84.379, Postsecondary Education Scholarships for Veteran's Dependents CFDA #84.408, Federal Nursing Student Loans Outstanding CFDA #93.364)

**CRITERIA:**

In accordance with 34 CFR 668.59, for the subsidized student financial assistance programs, excluding the Federal Pell Grant Program, if an applicant's FAFSA information changes as a result of verification, the institution must adjust the applicant's financial aid package on the basis of the EFC on the corrected valid SAR or valid ISIR and comply with the procedures specified in 34 CFR 668.61 for an interim disbursement if, as a result of verification, the financial aid package must be reduced.

**CONDITION:**

The University obtained the proper documentation to perform the verification procedures. However, it did not update the student's ISIR to reflect changes based on the documentation received. Consequently, the University did not adjust the student's financial aid package.

**CONTEXT:**

Condition was noted for 1 student in our sample of 40 students.

**CAUSE:**

The University did not have procedures in place to ensure the student's ISIR was updated based on the results of the verification procedures performed.

**EFFECT:**

The University did not update for changes to the student's ISIR or financial assistance award package.

**QUESTIONED COSTS:**

There are no questioned costs related to this finding.

**RECOMMENDATION:**

The University should implement procedures to ensure changes are made to the student's ISIR and financial aid package as a result of the verification procedures performed.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

**FINDING 12-18**

Mansfield University - U.S. Department of Education, Student Financial Assistance Cluster (Federal Direct Student Loans CFDA #84.268)

**CRITERIA:**

In accordance with 34 CFR 685.309, a school shall, unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a subsidized, unsubsidized, or PLUS loan has been made to or on behalf of a student who enrolled at the school but has ceased to be enrolled on at least a half-time basis; has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended, or has changed his or her permanent address.

**CONDITION:**

The University did not submit student status changes in a timely manner.

**CONTEXT:**

Condition was noted for 2 students in our sample of 40 students.

**CAUSE:**

The University properly identified the students however, they were not reported due to the circumstances for the change in the students' status.

**EFFECT:**

The Secretary was not aware of the status changes within the required timeframe.

**QUESTIONED COSTS:**

There are no questioned costs related to this finding.

**RECOMMENDATION:**

The University should report all students to the Secretary within the prescribed timeframes as noted in the regulations.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,  
COMMONWEALTH OF PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

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**FINDING 12-19**

West Chester University - U.S. Department of Energy, Renewable Energy Research and Development  
(CFDA#81.087)

**CRITERION:**

In accordance with Section 1512 of the American Recovery and Reinvestment Act ("ARRA"), quarterly reports for ARRA funding are due within 10 days of the end of each quarter.

**CONDITION:**

The University did not file one quarterly report within the prescribed timeframes.

**CONTEXT:**

The December 2011 quarterly report was filed late.

**CAUSE:**

The late filing occurred during the time period when the University was in the process of hiring a replacement for its former grant accountant. During this process, the employee assigned to the responsibility of the former grant accountant missed the reporting deadline.

**EFFECT:**

The University did not file the report timely.

**QUESTIONED COSTS:**

No questioned costs relating to this finding.

**RECOMMENDATION:**

The University should review and revise existing policies and procedures related to timely submission of ARRA reports.

**MANAGEMENT COMMENTS:**

See the University's corrective action plan.

## Section IV- Summary Schedule of Prior Year Audit Findings

### FINDING 11-1

Cheyney University - U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal Family Education Loans CFDA#84.032, Federal-Work Study Program CFDA#84.033, Federal Perkins Loans Outstanding CFDA#84.038, Federal Pell Grant Program CFDA#84.063, Federal Direct Student Loans CFDA#84.268, Academic Competitiveness Grants CFDA#84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA#84.379, Federal Nursing Student Loans Outstanding CFDA#93.364)

#### CONDITION:

Untaxed income and benefits were verified verbally.

#### RECOMMENDATION:

The University should review the regulations regarding appropriate documentation for items verified and establish procedures to ensure compliance with the regulations.

#### STATUS:

No similar findings were noted in 2012.

### FINDING 11-2

Cheyney University - U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal Family Education Loans CFDA#84.032, Federal-Work Study Program CFDA#84.033, Federal Perkins Loans Outstanding CFDA#84.038, Federal Pell Grant Program CFDA#84.063, Federal Direct Student Loans CFDA#84.268, Academic Competitiveness Grants CFDA#84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA#84.379, Federal Nursing student Loans Outstanding CFDA#93.364)

#### CONDITION:

Sufficient documentation was not available at the time of review to conclude the University determined the amount of Title IV grant or loan assistance the student earned as of the student's withdrawal date.

#### RECOMMENDATION:

The University should implement procedures to ensure the return of Title IV calculations is performed.

#### STATUS:

See current year finding 12-3.

**FINDING 11-3**

Cheyney University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Family Education Loans CFDA#84.032 and Federal Direct Student Loans CFDA#84.268)

**CONDITION:**

The University did not have a process in place to ensure all withdrawing student were reported to the Secretary in a timely manner.

**RECOMMENDATION:**

The University should implement policies and procedures to ensure all withdrawing student are reported to the Secretary in a timely manner.

**STATUS:**

No similar findings were noted in 2012.

**FINDING 11-4**

Cheyney University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Family Education Loans CFDA#84.032 and Federal Direct Student Loans CFDA#84.268)

**CONDITION:**

A student received loans in excess of the maximum allowed.

**RECOMMENDATION:**

The University should established procedures to verify the student has not exceeded the aggregate loan limit prior to awarding the student a loan.

**STATUS:**

See current year finding 12-4.

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION,  
COMMONWEALTH OF PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

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FINDING 11-5

Clarion University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Family Education Loans CFDA#84.032 and Federal Direct Student Loans CFDA#84.268)

CONDITION:

The University did not submit student status changes in a timely manner.

RECOMMENDATION:

We recommend the University implement a system to ensure all status changes are reported within the required time period.

STATUS:

No similar findings noted in 2012.

FINDING 11-6

Clarion University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal Family Education Loans CFDA#84.032, Federal-Work Study Program CFDA#84.033, Federal Perkins Loans Outstanding CFDA#84.038, Federal Pell Grant Program CFDA#84.063, Federal Direct Student Loans CFDA#84.268, Academic Competitiveness Grants CFDA#84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA#84.379, Federal Nursing Student Loans Outstanding CFDA#93.364)

CONDITION:

A student selected for testing was awarded total aid above the financial need.

RECOMMENDATION:

We recommend the University implement a system to ensure students are not awarded more than the financial need.

STATUS:

No similar findings noted in 2012.

**FINDING 11-7**

Clarion University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal Family Education Loans CFDA#84.032, Federal-Work Study Program CFDA#84.033, Federal Perkins Loans Outstanding CFDA#84.038, Federal Pell Grant Program CFDA#84.063, Federal Direct Student Loans CFDA#84.268, Academic Competitiveness Grants CFDA#84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA#84.379, Federal Nursing Student Loans Outstanding CFDA#93.364)

**CONDITION:**

A return of Title IV funds calculation was not performed.

**RECOMMENDATION:**

We recommend the University implement a system to ensure all return of Title IV funds calculations are completed in accordance with 34 CFR 668.22.

**STATUS:**

See current year finding 12-16.

**FINDING 11-8**

Lock Haven University – U.S. Department of Education, Student Financial Assistance Cluster (Academic Competitiveness Grants CFDA#84.375)

**CONDITION:**

Students in their third-year were awarded ACG grants.

**RECOMMENDATION:**

The University should review its monitoring procedures in place to identify Academic Competitiveness Grant (ACG) recipients that would reach third-year status during the school year to avoid improperly awarding an ACG grant to a third year recipient.

**STATUS:**

The University no longer participates in this program.

**FINDING 11-9**

West Chester University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal Family Education Loans CFDA#84.032, Federal-Work Study Program CFDA#84.033, Federal Perkins Loans Outstanding CFDA#84.038, Federal Pell Grant Program CFDA#84.063, Federal Direct Student Loans CFDA#84.268, Academic Competitiveness Grants CFDA#84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA#84.379, Federal Nursing Student Loans Outstanding CFDA#93.364)

**CONDITION:**

The University did not return funds to the Department of Education within the prescribed timeframes.

**RECOMMENDATION:**

The University should review its monitoring procedures in place to identify both official and non-official withdrawals so that the calculation and return of Title IV funds is performed within required timeframes.

**STATUS:**

Monitoring procedures were revised; however, a similar finding was noted for one student selected for follow-up procedures. The University is continuing to monitor their procedures in place to identify official and unofficial withdrawals to ensure the calculation and return of Title IV funds is performed within the required timeframes.

**FINDING 11-10**

West Chester University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Family Education Loans CFDA#84.032 and Federal Direct Student Loans CFDA#84.268)

**CONDITION:**

The University reported the incorrect withdrawal date to the National Student Clearinghouse.

**RECOMMENDATION:**

The University should review its controls and procedures to ensure reporting of withdrawal dates to the Clearinghouse are performed within the required timeframes.

**STATUS:**

Controls and procedures were revised; however, a similar finding was noted for one student selected for follow-up procedures. The University will continue to review and revise controls and procedures to ensure reporting of withdrawal dates to the Clearinghouse are performed within the required timeframes.

**FINDING 11-11**

West Chester University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal-Work Study Program CFDA#84.033, Federal Perkins Loan – Federal Capital Contributions CFDA#84.038)

**CONDITION:**

The underlying support for the 2010-2011 FISAP did not agree to the information reported in the FISAP.

**RECOMMENDATION:**

The University should enhance its review procedures to ensure the amount reported on the FISAP are the same as the amounts reported on the schedule of expenditures of federal awards.

**STATUS:**

No similar findings noted in 2012.

**FINDING 11-12**

West Chester University – U.S. Department of Education, Student Financial Assistance Cluster (Federal Supplemental Education Opportunity Grants CFDA#84.007, Federal Family Education Loans CFDA#84.032, Federal-Work Study Program CFDA#84.033, Federal Perkins Loans Outstanding CFDA#84.038, Federal Pell Grant Program CFDA#84.063, Federal Direct Student Loans CFDA#84.268, Academic Competitiveness Grants CFDA#84.375, National Science and Mathematics Access to Retain Talent (SMART) Grants CFDA#84.379, Federal Nursing Student Loans Outstanding CFDA#93.364)

**CONDITION:**

The University discovered that the aid package was calculated incorrectly for students receiving tuition waivers.

**RECOMMENDATION:**

The University should review its current policies and controls to ensure students receiving tuition waivers have an appropriate financial aid package calculated.

**STATUS:**

No similar findings noted in 2012.



Comptroller/Business Office

**BLOOMSBURG UNIVERSITY  
CORRECTIVE ACTION PLAN**

September 5, 2012

U.S. Department of Education

Bloomsburg University respectfully submits the following corrective action plan for the year ended June 30, 2012.

Name and address of independent public accounting firm:

ParenteBeard LLC  
46 Public Square, Suite 400  
Wilkes-Barre, PA 18701

Audit period: June 30, 2012

The findings from the June 30, 2012 schedule of findings and questioned costs are discussed below.

**FINDING 12-1**

Bloomsburg University – Student Financial Assistance Cluster

Recommendation:

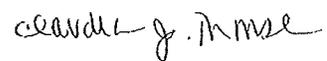
The University should implement a system to generate the appropriate reports to ensure all status changes are reported within the required time period.

Action Taken:

The University will improve on our reporting requirements to the National Student Loan Clearing House by increasing the number of submissions through the generation of accurate start-term, mid-term, and end-term reports.

If the U.S. Department of Education has questions regarding this plan, please call 570-389-4012.

Sincerely yours,

A handwritten signature in cursive script that reads "Claudia J. Thrush".

Claudia J. Thrush  
Assistant VP, Finance, Budget, and Business Services/Comptroller  
Bloomsburg University of Pennsylvania



**Pennsylvania State System of Higher Education**

Office of the Chancellor · 2300 Vartan Way, Suite 207 · Harrisburg, PA 17110-9771  
717-720-4000 · www.passhe.edu

**OFFICE OF THE CHANCELLOR  
CORRECTIVE ACTION PLAN**

February 1, 2013

U.S. Department of Education

Office of the Chancellor respectfully submits the following corrective action plan for the year ended June 30, 2012.

Name and address of independent public accounting firm:

ParenteBeard LLC  
46 Public Square, Suite 400  
Wilkes-Barre, PA 18701

Audit period: June 30, 2012

The findings from the June 30, 2012 schedule of findings and questioned costs are discussed below.

**FINDING 12-2**

Office of the Chancellor – Improving Teacher Quality State Grant

Recommendation:

Proper documentation to support the administrator's qualification to serve as a mentor should be maintained.

Action Taken: All mentors who performed work after January 1, 2012, were required to provide a copy of their administrators' certificates. In regard to the mentors who performed work between July 1, 2011, and December 30, 2011, we are working with the Pennsylvania Department of Education Certification Office to ensure that these mentors were certified and qualified to participate in the program.

The Pennsylvania State System of Higher education is no longer working with the Pennsylvania Principal's Mentoring Network Program that was funded by the Pennsylvania "Improving Teacher Quality State Grant. The program ended on August 31, 2012.

If the U.S. Department of Education has questions regarding this plan, please call 717-720-4202.

Sincerely yours,

Dr. Jim Moran  
Vice Chancellor for Academic and Student Affairs  
Pennsylvania State System of Higher Education



**CHEYNEY UNIVERSITY  
CORRECTIVE ACTION PLAN**

February 13, 2013

U.S. Department of Education

Cheyney University respectfully submits the following corrective action plan for the year ended June 30, 2012.

Name and address of independent public accounting firm:

ParenteBeard LLC  
46 Public Square, Suite 400  
Wilkes-Barre, PA 18701

Audit period: June 30, 2012

The findings from the June 30, 2012 schedule of findings and questioned costs are discussed below.

**FINDING 12-3**

Cheyney University – Student Financial Assistance Cluster

Recommendation:

The University should implement policies and procedures to ensure return of Title IV calculations are performed.

Action Taken:

Cheyney University (The University) will develop a written policy to address the timely return of federal funds to the proper funding source(s). The University will coordinate the appropriate offices to insure the process of returning federal funding is performed within the forty-five (45) day period permissible by law.

Academic Affairs will notify the Registrar, Bursar and Financial Aid Offices respectively via email. The email will contain all officially withdrawn students on a weekly basis. The aforementioned offices will begin the process to withdraw the student from the University making the appropriate adjustment to the student's academic, account and financial aid records.

The Financial Aid Office will use the FAA Access to CPS online to determine the amount of earned federal funding. The Financial Aid Administrator (FAA) will

make the appropriate adjust(s) in College Board's financial aid software; PowerFAIDS (the financial aid management system).

The FAA will enter the official withdrawal date in the academic profile for the withdrawn student based on the data provided by Academic Affairs. The FAA will create an annotation in the comment section in PowerFAIDS to explain the outcome of the recalculation of federal student aid and to confirm the federal return calculation has been performed.

#### **FINDING 12-4**

##### **Cheyney University – Student Financial Assistance Cluster**

#### **Recommendation:**

The University should establish policies and procedures to ensure additional unsubsidized loans are only awarded to student's who have documented denials of a parent PLUS loan.

#### **Action Taken:**

Cheyney University (The University) uses PowerFAIDS to manage all data imports from the Department of Education's student aid information gateway (SAIG). Federal Direct PLUS Loan denials are imported into the system through the data integration process which is a function in PowerFAIDS. All denial notifications are updated through system processing by importing the Common Origination and Disbursement (COD) response file (crsp12op file(s)) sent to the University by the use of SAIG data transmission.

Elements within PowerFAIDS are adjusted in response to the data import to reflect imported data. The FAA can see the Federal Direct PLUS Loan acknowledgement by viewing the parent data in the award year profile of a student record. PowerFAIDS has logic built into the software to prevent an additional unsubsidized loan from being awarded to a dependent student without a Direct PLUS Loan denial.

Please note: PowerAIDS was recently introduced to the Financial Aid staff in award year 2011-2012, therefore the staff is still learning the functionality of the software and the processes to perform various functions.

The University will continue to train the FAA(s) to insure the importing of data is properly entered into the software on a weekly basis. The Financial Aid Director will contact the PowerFAIDS technical support team to review and validate the software is performing the import properly.

#### **FINDING 12-5**

Cheyney University – Student Financial Assistance Cluster

Recommendation:

The University should implement policy and procedures to ensure students are not awarded amount above their cost of attendance.

Action Taken:

PowerFAIDS has built in logic which prevents over awarding of financial aid. However, the University will cross check with PowerFAIDS by running a report which shows any potential over awards for future processing of student financial aid.

Please note: PowerAIDS was recently introduced to the Financial Aid staff in award year 2011-2012, therefore the staff is still learning the functionality of the software and the processes to perform various functions.

The Financial Aid Director (the Director) will train the existing FAAs to identify, review and resolve potential over awards and overpayments.

**FINDING 12-6**

Cheyney University – Student Financial Assistance Cluster

Recommendation:

The University should implement policies and procedures to ensure C codes on student's ISIR are properly addressed.

Action Taken:

Cheyney University (The University) has recently trained staff to review comment codes issued by the CPS (Central Processing System). FAAs are required to review the ISIR comment codes listed within the student record in PowerFAIDS under the heading FM (Federal Methodology) Data. The FAA is required to resolve issues with the ISIR before issuing awards and/or disbursements to a student. Unresolved C codes will be placed on hold in PowerFAIDS until the issue is resolved.

FAAs have been recently trained to identify and review C codes by navigating the student aid report (SAR) comment codes and text document, published by the US Department of Education. Staff should reference the guide if they are unclear of the comment codes which exist on the Institutional Student Information Record

(ISIR). Staff is required to review all comment codes listed on the student ISIR before awarding aid.

If a C code is present on a later ISIR transaction; ie. generated by CPS, NSLDS the FAA should review the documentation to resolve issues related to the C code. PowerFAIDS will change the student's status to requires review (RR).

The University will establish written policy and procedures to address the C codes which effect Title IV eligibility.

#### **FINDING 12-7**

Cheyney University – Student Financial Assistance Cluster

##### **Recommendation:**

The University should establish procedures to ensure loans are not awarded in excess of aggregate loan limits.

##### **Action Taken:**

Cheyney University (the University) will establish policies and procedures to properly review the aggregate loan limit systematically. PowerFAIDS has logic built into the software to identify potential over-awards and over-payments of Federal Direct Loan funds. Upon awarding Federal Direct Stafford Loans the University's FAA staff should review the NSLDS (National Student Loan Data System) transcript provided which is an addendum to the ISIR. The FAA should review the information to calculate the remaining loan eligibility for each student.

If the FAA identifies an over-award or over-payment of Federal Stafford Loan funds the FAA should adjust the appropriate account by either performing a reallocation of funds Subsidized to Unsubsidized, partially or fully cancelling the loan funds and returning the excess back to Federal Direct Loan Program. All adjustments to student account records will be shared with the Bursar's Office to post to student information records.

Please note: PowerAIDS was recently introduced to the Financial Aid staff in award year 2011-2012, therefore the staff is still learning the functionality of the software and the processes to perform various functions.

#### **FINDING 12-8**

Cheyney University – Student Financial Assistance Cluster

##### **Recommendation:**

The University should implement policies to ensure the proper amount of the Federal Work-Study allocation is earmarked for students employed in community service activities.

**Action Taken:**

Cheyney University (The University) has established written procedures to address the federal work-study program. The Work-study Coordinator (The Coordinator) will closely monitor the spending in the area of community service and the overall program respectively.

Payroll reports are emailed by the Payroll Office to Financial Aid each pay period. These earnings are entered into PowerFAIDS each semester to monitor the level of spending per student. If it is deemed the expenditure is low with respect to community service activity the Coordinator will insure students earn the earmarked allocation by the end of the fiscal year.

**FINDING 12-9**

Cheyney University – Student Financial Assistance Cluster

**Recommendation:**

The University should implement policies and procedures to ensure information is reported accurately and timely to the Secretary.

**Action Taken:**

The Financial Aid Office will reconcile with the Bursar's Office every thirty (30) days in accordance with federal regulations. The FAA will request a reconciliation file from the Department of Education which will be imported into the financial aid management system (PowerFAIDS) in order to determine differences within the Common Origination and Disbursement (COD) records and authorized disbursements transferred to the Bursar's Office. The reconciliation process will address any untimely and inaccurate reporting to the Department of Education.

**FINDING 12-10**

Cheyney University – Student Financial Assistance Cluster

**Recommendation:**

The University should implement policies to ensure loan proceeds are disbursed within the required timeframes.

**Action Taken:**

The Financial Aid Office will reconcile with the Bursar's Office every thirty (30) days in accordance with federal regulations. The FAA will request a reconciliation file from the US Department of Education which will be imported into the financial aid management system (PowerFAIDS) in order to determine differences within the Common Origination and Disbursement (COD) records and authorized disbursements transferred to the Bursar's Office. The reconciliation process will address any untimely and inaccurate reporting to the Department of Education.

The University will work with the Department of Education to reconcile the Federal Direct Loan Program award year 2011-2012. The Financial Aid Director (the Director) has requested a year to date report of all disbursements generated to Cheyney University as a result of processing through the COD (Common Origination and Disbursement) website. The University will use this documentation to close out and reconcile FY 12 Federal Direct Loan expenditures by the published deadline June 30, 2013.

#### **FINDING 12-11**

Cheyney University – Student Financial Assistance Cluster

##### **Recommendation:**

The University should implement policies and procedures to ensure accurately reporting to the Secretary.

##### **Action Taken:**

The Financial Aid Office will reconcile with the Bursar's Office every thirty (30) days in accordance with federal regulations. The FAA will request a reconciliation file from the US Department of Education which will be imported into the financial aid management system (PowerFAIDS) in order to determine differences within the Common Origination and Disbursement (COD) records and authorized disbursements transferred to the Bursar's Office. The reconciliation process will address any untimely and inaccurate reporting to the Department of Education.

#### **FINDING 12-12**

Cheyney University – Student Financial Assistance Cluster

##### **Recommendation:**

The University should implement policies and procedures to ensure Pell Grant disbursements are reported to the Secretary in a timely manner.

##### **Action Taken:**

The Financial Aid Office will reconcile with the Bursar's Office every thirty (30) days in accordance with federal regulations. The FAA will request a reconciliation file from the Department of Education which will be imported into the financial aid management system (PowerFAIDS) in order to determine differences within the Common Origination and Disbursement (COD) records and authorized disbursements transferred to the Bursar's Office. The reconciliation process will address any untimely and inaccurate reporting to the Department of Education.

The University has requested post deadline/extended processing to reconcile Federal Pell grant expenditures in award year 2011-2012. The University has and will work with the US Department's reconciliation team to reconcile FY 12 expenditures.

## **FINDING 12-13**

Cheyney University – Student Financial Assistance Cluster

### **Recommendation:**

The University should implement policies and procedures to ensure verification procedures are performed for all students selected for verification.

### **Action Taken:**

Cheyney University (the University) established a verification policy whereas the FAA was responsible to review 30% of the enrolled students selected for verification by the CPS (Central Processing System) in award year 2011-2012. According to PowerFAIDS the University had 1,516 students cleared for matriculation in award year 2011-2012. Hence, the University was required to complete verification for at least 454 students. The FAA verified 539 students.

The University will adhere to the 100% verification regulation established by the Department of Education for processing federal student aid in the current award year 2012-2013.

The University will create a verification policy and procedure to insure the proper completion of the verification process using the financial aid management system (PowerFAIDS).

All corrections, updates and resolution of conflicting information will be processed systemically through the financial aid management system (PowerFAIDS). The student record will be appropriately adjusted within the FM (Federal Methodology) module. The changes will be locked and released for redetermination by the US Department of Education's central processing system (CPS).

## **FINDING 12-14**

Cheyney University – Student Financial Assistance Cluster

### **Recommendation:**

The University should implement policies and procedures to ensure changes are made to the student's ISIR and financial aid package as a result of the verification procedures performed.

### **Action Taken:**

The Financial Aid Director will create a verification policy, procedure and provide direction to insure the proper redetermination of the student's EFC (Expected Family Contribution) is properly calculated by the FAA. The University will use PowerFAIDS (the financial aid management system) to edit and correct errors made to student's completed FAFSA (Free Application for Federal Student Aid).

The corrections made to the FM (federal methodology) will be locked in the student's records and systemically released for transmission via Edconnect (the student aid information gateway).

The University will not award the student until an official record is returned in a response file from the Department of Education's central processing system (CPS) as a result of those corrections made to the students ISIR (Institutional Student Information Record).

The FAA will have the ability to identify all corrections imported in to the financial aid management system (PowerFAIDS). Upon importation of the data the FAA should lock all FM data which will allow for the new transactions to print in a single report for review. The FAA should review the system generated report to identify the latest correction made to the student record and compare the new ISIR (Institutional Student Information Record) and audit the record for a second time to insure accuracy of data changes made to the record before packaging the student.

#### **FINDING 12-15**

Cheyney University – Student Financial Assistance Cluster

#### **Recommendation:**

The University should implement policies and procedures to ensure proper documentation is received from all students selected for verification.

#### **Action Taken:**

Cheyney University's (the University) FAAs will review the application and verification guide available at the beginning of each award year which provides an overview of the changes to the verification process and procedures established by the Department of Education.

The FAAs will have continuous training on the updates and changes affecting the process from the US Department of Education's FSA (federal student aid) training, EASFAA (Eastern Association of Student Financial Aid Administrators) and PASFAA (Pennsylvania Association of Student Financial Aid Administrators).

Training will be a continuous process to resolve issues of noncompliance in the area of financial aid.

The University will establish policies and procedures outlining the appropriate documentation acceptable and required for verification.

If the U.S. Department of Education has questions regarding this plan, please call 610-399-2155.

Sincerely yours,



Michelle Burwell  
Director for Financial Aid Operations



Clarion University of Pennsylvania  
840 Wood Street  
Clarion, Pennsylvania 16214-1232  
Phone: 814-393-2000  
Text Telephone (TTY/TDD): 814-393-1601  
WWW.CLARION.EDU

## CORRECTIVE ACTION PLAN

November 28, 2012

U.S. Department of Education

Clarion University of Pennsylvania respectively submits the following corrective action plan for the year ending June 30, 2012.

Name and address of independent public accounting firm:

ParenteBeard, LLC  
220 Regent Court, Suite C  
State College, PA 16801

Audit period: June 30, 2012

The findings from June 30, 2012 schedule of findings and questioned costs are discussed below.

### Finding 12-16

Clarion University – Student Financial Aid Cluster

Recommendation:

The University should implement a system to ensure all return of Title IV funds calculations are completed in accordance with 34CFR 668.22.

Action Taken:

The Office of Financial Aid Director will communicate with the Accounts Receivable staff to ensure that the manual calculations and returns are done on more frequent basis to comply with the 45 day return period.

If the U.S. Department of Education has questions regarding this plan, please call (814)-393-2240.

Sincerely yours,

Peter Fackler  
Interim Vice President of Finance and Administration  
Clarion University of Pennsylvania

MANSFIELD UNIVERSITY  
CORRECTIVE ACTION PLAN

February 5, 2013

U.S. Department of Education

Mansfield University respectfully submits the following corrective action plan for the year ended June 30, 2012.

Name and address of independent public accounting firm:

ParenteBeard LLC  
46 Public Square, Suite 400  
Wilkes-Barre, PA 18701

Audit period: June 30, 2012

The findings from the June 30, 2012 schedule of findings and questioned costs are discussed below.

**FINDING 12-17**

Mansfield University – Student Financial Assistance Cluster

Recommendation:

The University should implement policies and procedures to ensure changes are made to the student's ISIR and financial aid package as a result of the verification procedures performed.

Action Taken:

New Financial Aid Office personnel have put in place new Financial Aid Office verification policy and procedure to ensure ISIR changes are made in a timely fashion.

**FINDING 12-18**

Mansfield University – Student Financial Assistance Cluster

Recommendation:

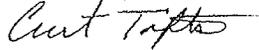
The University should report all students to the Secretary within the prescribed timeframes as noted in the regulations.

Action Taken:

The University has revised its policy regarding Clearinghouse submissions adding an additional date (June 1<sup>st</sup>) after the Academic Review Board has finalized Spring Term Academically Dismissed and withdrawn students.

If the U.S. Department of Education has questions regarding this plan, please call 570-662-4882.

Sincerely yours,

A handwritten signature in cursive script that reads "Curt Tofts".

Curt Tofts  
Controller



Finance and Business Services  
201 Carter Drive, Suite 200  
West Chester University  
West Chester, Pennsylvania 19383

610-436-3120  
fax: 610-436-1042  
www.wcupa.edu

## West Chester University Corrective Action Plan

January 29, 2013

West Chester University respectfully submits the following corrective action plan for the year ended June 30, 2012.

Name and address of independent accounting firm:

ParenteBeard LLC  
One Liberty Place  
1650 Market Street, Suite 4500  
Philadelphia, PA 19103

FINDING 12-19

West Chester University – Renewable Energy Research and Development CFDA#81.087

RECOMMENDATION:

The University should review and revise existing policies and procedures related to timely submission of ARRA reports.

ACTION TAKEN:

*The position of Grant and Contract Accountant has now been filled. This position is responsible for the filing of quarterly reports relating to all grants. With the filling of this position there is now a backup to the position who is aware of the deadlines. Also, a data base is now being utilized to track the due dates of various grant reporting requirements.*

If there are any questions regarding this plan, please call Kevin P. McCadden at (610) 436-2223.

Sincerely,

Kevin McCadden  
Director of Accounting and Financial Reporting  
West Chester University