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HOWARD

UNIVERSITY

The Howard University

Financial Statements and Schedule of
Expenditures of Federal Awards and Reports
In Accordance with OMB Circular A-133 Thereon
For the year ended June 30, 2012
EIN 53-0204707

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Report of Independent Auditors

To the Board of Trustees
The Howard University:

In our opinion, the accompanying statements of financial position and the related statements of activities and statements of cash flows present fairly, in all material respects, the financial position of The Howard University (Howard) at June 30, 2012, 2011, and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Howard's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012 on our consideration of Howard'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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. 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. The 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 Schedule of Expenditures of Federal Awards 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 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 taken as a whole.

PricewaterhouseCoopers LLP

October 29, 2012

Statements of Financial Position As of June 30, 2012, 2011 and 2010 (in thousands)	FY 2012	FY 2011	FY 2010
Assets:			
Cash and cash equivalents	\$ 35,146	\$ 27,280	\$ 31,568
Operating investments	34,425	43,812	33,955
Deposits with trustees	38,150	48,622	37,321
Receivables, net	111,218	109,048	119,092
Inventories, prepaids and other assets	30,545	16,556	12,435
Unexpended bond proceeds	87,207	102,429	42
Restricted Investments	32,402	33,392	25,413
Endowment investments	460,712	473,100	399,678
Property, plant and equipment, net	608,441	604,352	589,358
Total Assets	\$1,438,246	\$1,458,591	\$1,248,862
Liabilities:			
Accounts payable and accrued expenses	\$ 116,705	\$ 94,941	\$ 102,711
Deferred revenue	9,938	8,454	7,057
Other liabilities	31,727	32,096	29,858
Accrued post retirement benefits	189,430	185,017	183,192
Underfunded defined benefit pension plan	168,208	74,560	133,625
Reserves for self-insured liabilities	80,595	79,799	83,154
Notes payable	38,569	30,770	45,553
Capital lease obligations	43,431	43,547	24,187
Bonds payable	293,785	294,057	152,151
Interest rate swap	21	104	5,582
Refundable advances under Federal Student Loan Program	6,852	7,343	7,871
Total Liabilities	979,261	850,688	774,941
Net Assets: Unrestricted			
Temporarily restricted	143,977	284,160	191,474
Permanently restricted	200,463	209,045	178,539
	114,545	114,698	103,908
Total net assets	458,985	607,903	473,921
Total liabilities and net assets	\$1,438,246	\$1,458,591	\$1,248,862

The accompanying notes are an integral part of these financial statements

Statements of Activities For Fiscal Years Ended June 30, 2012, 2011 and 2010 (in thousands)	FY 2012	FY 2011	FY 2010
Academic services:			
Tuition and fees, net	\$ 146,908	\$ 143,376	\$ 123,186
Grants and contracts	59,766	61,422	61,192
Auxiliary services	60,109	61,135	62,151
Clinical services:			
Patient service - Hospital	265,714	255,641	245,478
Patient service - Faculty medical practice	31,871	32,518	28,540
Patient service - Dental clinic	1,970	1,764	1,935
Public support:			
Federal Appropriation	230,567	231,073	231,411
Contributions	3,895	4,702	6,654
Endowment transfer	5,985	6,779	7,112
Operating investment income	211	8,856	5,395
Net assets released from restrictions	14,606	12,909	13,936
Other income	27,819	13,409	16,811
Total unrestricted operating revenue	849,421	833,584	803,801
Total temporarily restricted operating revenue	1,021	1,804	1,748
Total permanently restricted operating revenue	882	2,045	3,087
Total operating revenues	851,324	837,433	808,636
Salaries and wages	383,764	381,243	369,277
Employee benefits other than retirement plans	78,069	73,099	73,198
Retirement plans excluding amortization	32,783	31,655	30,079
Total employment expenses	494,616	485,997	472,554
Utilities and telecommunications	30,370	33,812	30,685
Medical and office supplies	45,523	49,787	42,406
Repairs and maintenance	18,321	18,933	18,994
Food service costs	11,988	11,582	12,848
Grant subcontracts	15,262	16,021	20,454
Insurance and risk management	19,722	21,287	23,695
Professional and administrative services	120,737	115,218	114,052
Provision for bad debts	(11)	536	2,280
Total expenses before interest, depreciation and amortization	756,528	753,173	737,968
Interest expense	24,500	10,890	9,233
Depreciation	50,453	50,460	49,460
Amortization of retirement plan actuarial losses	10,120	9,792	7,720
Total operating expenses	841,601	824,315	804,381
Operating revenues over (under) operating expenses	9,723	13,118	4,255
Investment income/(loss) in excess of amount designated for operations	(6,810)	38,187	14,541
Restructuring costs	(24,462)	(516)	(3,025)
Change in funded status of defined benefit pension plan	(119,274)	61,424	(52,634)
Change in obligation for post-retirement benefit plan	2,731	5,953	(6,868)
Loss on extinguishment of debt	--	(11,695)	--
Change in value of interest rate swap, net	83	1,873	(1,621)
Gain on disposal of fixed assets	--	--	--
Other items, net	(270)	(11,809)	(7,619)
Total unrestricted non-operating income and expenses	(148,002)	83,417	(57,226)
Total temporarily restricted non-operating income and expenses, net	(9,603)	28,702	18,998
Total permanently restricted non-operating income and expenses, net	(1,035)	8,745	5,309
Total non-operating income and expenses	(158,640)	120,864	(32,919)
Unrestricted	(140,182)	92,686	(57,806)
Temporarily restricted	(8,582)	30,506	20,746
Permanently restricted	(153)	10,790	8,396
Change in net assets	\$ (148,917)	\$ 133,982	\$(28,664)

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows For Fiscal Years Ended June 30, 2012, 2011 and 2010 <i>(in thousands)</i>	FY 2012	FY 2011	FY 2010
Cash flows from operating activities			
Change in net assets	\$ (148,917)	\$ 133,982	\$ (28,664)
Adjustment to reconcile change in net assets to net cash and cash equivalents provided by operating activities:			
Non-operating activities	158,640	(120,864)	32,919
Non-cash operating items:			
Depreciation	50,453	50,460	49,460
Retirement plan amortization	10,120	9,792	7,720
Non-cash joint venture gain	(4,466)	--	--
Investment appreciation	(211)	(8,856)	(5,395)
Changes in net assets adjusted for non-cash and non-operating items	65,619	64,514	56,040
Change in receivables (excluding notes)	(1,743)	9,608	(7,570)
Change in inventory, prepaid expenses and other assets	(9,522)	(4,121)	424
Change in deposits with trustees	10,471	(11,301)	2,884
Change in accounts payable and accrued expenses	(38,148)	(21,180)	(36,204)
Change in deferred revenue	1,484	1,397	(2,423)
Change in reserve for self-insured liabilities	796	(3,355)	6,316
Change in other liabilities	(369)	2,238	(2,577)
Change in refundable advances under Federal Student Loan Program	(491)	(527)	(282)
Net cash and cash equivalents provided by operating activities	28,097	37,273	16,608
Cash flows from investing activities			
Proceeds from sale of investments	208,951	203,644	295,071
Purchases of investments	(198,182)	(210,583)	(281,312)
Change in unexpended bond proceeds	15,222	(102,387)	2,581
Purchases and renovations of property, plant and equipment	(49,363)	(39,651)	(36,399)
Proceeds from sales of property, plant and equipment	--	--	973
Net cash and cash equivalents used in investing activities	(23,372)	(148,977)	(19,086)
Cash flows from financing activities			
Proceeds from notes payable	110,000	79,913	81,720
Payment on notes payable	(102,201)	(94,696)	(77,722)
Proceeds from bonds payable	--	293,190	--
Payment on bonds payable	(489)	(163,364)	(7,185)
Payment on interest rate swap	--	(3,606)	--
Capital leases (payments) receipts, net	(4,818)	(6,012)	1,070
Student loans issued	(1,918)	(1,016)	(621)
Student loans collected	1,491	1,452	1,316
Proceeds from restricted contributions	1,076	1,555	2,603
Net cash and cash equivalents used in financing activities	3,141	107,416	1,181
Net increase (decrease) in cash and cash equivalents	7,866	(4,288)	(1,297)
Cash and cash equivalents at beginning of year	27,280	31,568	32,865
Cash and cash equivalents at end of period	\$ 35,146	\$ 27,280	\$ 31,568
Supplemental cash flow information:			
Cash paid for interest, net of capitalized portion	\$ 22,400	\$ 9,819	\$ 8,882
Supplemental non-cash investing activities:			
Acquisition of equipment under capital leases	4,702	25,372	10,127
Supplemental non-cash financing activities:			
Donated securities	30	691	197

The accompanying notes are an integral part of these financial statements

The Howard University

Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

Note 1 **Summary of Significant Accounting Policies**

(a) ***General***

The Howard University (Howard) is a private, nonprofit institution of higher education (the University) which also operates Howard University Hospital (the Hospital) located in Washington, DC. The University provides academic services in the form of education and training, primarily for students at the undergraduate, graduate and postdoctoral levels, and performs research, training and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the United States government. Howard also provides patient healthcare services at the Hospital and by certain members of the University's faculty as part of its academic clinical activities. Howard is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

(b) ***Basis of Presentation***

The financial statements of Howard have been prepared in accordance with accounting principles generally accepted in the United States of America.

(c) ***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. These estimates also affect the 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 amounts realized or paid could differ significantly from the amounts reported for these assets and liabilities. Significant items subject to such estimates and assumptions include the carrying value of receivables, property, plant and equipment and investments whose fair values are not readily determinable; and the adequacy of reserves for professional liabilities, retirement benefits, self-insured health benefits, self-insured workers' compensation and asset retirement obligations.

(d) ***Net Assets***

Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions pursuant to those stipulations.

The Howard University

Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

Permanently restricted – Net assets subject to donor-imposed stipulations that do not expire with time. Generally, the donors of these assets permit Howard to use all or part of the income earned on related investments for general or specific purposes.

Contributions are reported in the appropriate category of revenue, except that contributions with donor-imposed restrictions met in the same fiscal year are included in unrestricted revenues. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from temporarily restricted net assets to unrestricted net assets. Donor restrictions on gifts to acquire long-lived assets are considered fulfilled in the period in which the assets are acquired or placed in service.

(e) ***Receivables and Revenue Recognition***

- (1) **Contributions**, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the gift date. Howard has elected not to recognize or capitalize contributions of works of art, historical treasures, and similar assets held as part of collections. Contributions revenue for the periods ended June 30, 2012, June 30, 2011 and June 30, 2010 are shown below:

Contribution Revenue	June 30, 2012	June 30, 2011	June 30, 2010
Unrestricted	\$ 3,895	\$ 4,702	\$ 6,654
Temporarily restricted	5,111	4,118	4,611
Permanently restricted	1,076	1,555	2,603
Total contribution revenue	\$ 10,082	\$ 10,375	\$ 13,868

Unconditional promises to give with payments to be received after one year from the date of the financial statements are discounted. Allowance is made for creditworthiness of the donors, past collection experience, and other relevant factors.

- (2) **Tuition and fees** from student services are recognized ratably over the academic time period to which they apply. Student receivables represent unpaid tuition and fees assessed in current and prior periods that are generated when a student registers for classes through the University's formal registration process. Howard maintains a policy of offering qualified applicants admission to the University without regard to financial circumstance. Student financial aid is generally fulfilled through a combination of scholarships, fellowships, loans, and employment during the academic year. Tuition and fees are recorded net of discounts for scholarships (merit, talent and need based), fellowships and graduate

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

remission. Funding for financial aid may come from donor designated sources or from unrestricted operations and assets. Financial aid for the fiscal years ended June 30, 2012, 2011 and 2010 was \$87,019, \$71,171 and \$64,117, respectively. Need-based financial aid in fiscal years 2012, 2011 and 2010 include \$5,461, \$22, and \$1,662, respectively, originally billed to students, but determined to be uncollectible and not pursued for collection within the fiscal year.

Net Tuition Revenue	June 30, 2012	June 30, 2011	June 30, 2010
Gross tuition and fees	\$ 233,927	\$ 214,547	\$ 187,303
Financial aid:			
Merit	60,959	52,226	44,596
Need	19,542	11,986	13,267
Talent	6,518	6,959	6,254
Total financial aid	87,019	71,171	64,117
Total net tuition	\$ 146,908	\$ 143,376	\$ 123,186

- (3) **Other income** represents income from activities other than normal business operations. During fiscal year 2012 the major components include a gain from Howard's joint venture with American Renal Association, LLC to form a dialysis center of \$9,056, FICA refund from the Internal Revenue Service of \$3,238 and prior year unrecorded receivables of \$2,188.
- (4) **Federal Appropriation** revenue is recognized ratably over the award period. Howard receives a Federal appropriation that can be used for support of the University's educational mission, a portion of which is held as a temporarily restricted term endowment. For fiscal years ended June 30, 2012, 2011 and 2010 Howard received 27%, 28% and 29%, respectively of its revenue support from the Federal appropriation. The \$3,593, \$3,595 and \$7,833, receivable as of June 30, 2012, June 30, 2011 and June 30, 2010, respectively, represents the portion to be collected on the term endowment.
- (5) **Net patient service revenue** is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and bad debt expense. The Hospital and University faculty physicians have arrangements with third-party payors that provide for payments at established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per-diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient and third party healthcare payor receivables are the amount due for patient care services rendered by the University's Faculty Practice Plan (FPP) and the Hospital. Effective July

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

1, 2010, Howard early adopted the applicable accounting standard for the presentation and disclosure for net patient service revenue, which requires patient revenue to be presented net of the provision for bad debts.

Net Patient Service Revenue	June 30, 2012	June 30, 2011	June 30, 2010
Gross Revenues	\$ 722,582	\$ 722,215	\$ 643,397
Third-party settlement revenue	43,315	35,940	36,165
Contractual allowances and adjustments	(384,762)	(386,197)	(343,863)
Charity services	(52,800)	(51,658)	(32,788)
Bad debt	(28,780)	(30,377)	(26,958)
Total net patient service revenue	\$ 299,555	\$ 289,923	\$ 275,953

- (6) **Grants and contracts** revenue is recognized when reimbursable expenses are incurred (for cost plus contracts) or when deliverables or milestones are met (for fixed price contracts). These revenues include recoveries of eligible direct expenses and indirect costs for facilities and administration, which are generally determined as a negotiated or agreed-upon percentage of direct costs. Receivables under research grants and development agreements represent amounts due from Federal, state, local, private grants, contracts and others.

Grants and contracts revenue	June 30, 2012	June 30, 2011	June 30, 2010
Reimbursement of direct expenses	\$ 51,421	\$ 52,019	\$ 54,230
Recovery of indirect costs	8,345	9,403	6,962
Total grants and contracts revenue	\$ 59,766	\$ 61,422	\$ 61,192

Grants and contracts revenue by type is detailed in the table below.

Grants and contracts revenue by type	June 30, 2012	June 30, 2011	June 30, 2010
Research	\$ 34,083	\$ 37,530	\$ 34,580
Training	15,801	18,659	17,471
Service/other	9,882	5,233	9,141
Total grants and contracts revenue by type	\$ 59,766	\$ 61,422	\$ 61,192

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

- (7) **Auxiliary services** revenue is generally recognized when services are rendered or as activities have been completed. Auxiliary receivables are comprised primarily of amounts due from advertisers on Howard's commercial radio station WHUR, bookstore vendors, and property rents.

Auxiliary services revenue	June 30, 2012	June 30, 2011	June 30, 2010
Student housing	\$ 25,708	\$ 23,860	\$ 22,863
Radio station	11,880	15,734	16,907
Meal plans	8,630	7,386	7,460
Bookstore	7,026	7,593	7,660
Property rentals	4,083	4,470	4,556
Other	2,782	2,092	2,705
Total auxiliary services revenue	\$ 60,109	\$ 61,135	\$ 62,151

- (8) **Notes receivable** represent loans the University extended to students from institutional resources and Federal Student Loan programs with outstanding balances approximating fair market value at the report date. The notes have stated interest rates and repayment terms. Management regularly assesses the adequacy of the allowance for credit losses on student loans by performing ongoing evaluations of the student loan portfolio, including the financial condition of specific borrowers, the economic environment in which the borrowers operate, and the level of delinquent loans.

Howard's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under this Program are able to be assigned to the Federal Government in certain non-repayment situations. In these situations, the Federal portion of the loan balance is guaranteed.

- (9) **Other receivables** includes checks pending deposit at period and year end, and certain vendor credit balances.

(f) ***Cash and Cash Equivalents***

Short-term investments with maturities at date of purchase of three months or less are classified as cash equivalents, except that any such investments purchased with funds on deposit with bond trustees, or with funds held in trusts or by external endowment investment managers are classified as Deposits with Trustees or Investments, respectively. Cash equivalents include repurchase agreements, certificates of deposit, short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at fair value. Howard's practice is to enter into repurchase agreements only when collateralized by government or other agency securities held in safekeeping by a bank. These transactions are recorded on the balance sheet, with any earnings recorded as interest income. Howard's repurchase arrangement was terminated in August 2011.

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

(g) ***Investments***

Investments are segregated between operating, restricted, and endowment investments and deposits with trustees on the Statements of Financial Position, all of which are stated at fair value and defined as follows:

Operating Investments – represent investments free of any donor or lender imposed restrictions. These investments are short-term in nature and can be liquidated as needed to meet operational demands.

Restricted Investments – represent non-endowed investments whose principal and or income are restricted by external sources, including liquidation restrictions. The use of the principal and interest of these investments is not subject to the discretion of the Board and as such they are not available to meet the operational needs of the University.

Endowment Investments – represent the pooled endowment and the Federal matching endowment investments. The endowment investments are spread across various asset categories with the use of the income from these investments restricted based on stated donor stipulations.

Deposits with Trustees – represent short-term investments in various operating trusts, designed to meet certain of Howard's obligations including professional liability, workers' compensation, health insurance, capitalized interest and the debt service reserve funds. Investment balances may include some cash and cash equivalents held by investment managers for a specific purpose.

Fair values are determined by the most relevant available and observable valuation inputs. Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Level 2 inputs utilize data points that are observable, such as quoted prices for comparable assets, interest rates and yield curves. Level 3 inputs are based on data points consistent with applicable valuation methodologies for similar assets and could include situations where there is little, if any, market activity for the asset.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based upon average historical value (cost of securities purchased or the fair market value at date of gift, if received by donation). Dividend and interest income are recorded on an accrual basis. Accrued but unpaid dividends, interest and proceeds from investment sales at the report date are recorded as investment receivables.

Realized and unrealized investment gains and losses are allocated in a manner consistent with interest and dividends, to either unrestricted, temporarily restricted or permanently restricted net assets (distinguished between operating and non-operating), based on donor intent. Such amounts may be expended for operations,

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For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

for specified donor purposes if temporarily restricted, or held in perpetuity at the donor's request. Realized and unrealized investment gains and losses on loan funds are accumulated in permanently restricted net assets.

Operating investment income includes interest, dividends and operating investment returns. Howard follows the total return concept, which combines interest and dividends with market appreciation to measure investment return.

(h) ***Inventories***

Inventories consist primarily of bookstore items and medical supplies, and are recorded at the lower of cost or realizable value on a first-in, first-out basis.

(i) ***Property, Plant and Equipment***

Property, plant and equipment are stated at cost or at estimated fair value if received by gift, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. A half year of depreciation is recorded in the year of acquisition. The useful lives for fiscal years reported are as follow:

Land and land improvements	0-25 years
Building and building improvements	5-40 years
Furniture and equipment	3-20 years
Software	3-10 years
Library books	10 years

Property, plant and equipment acquired under capital leases are amortized in a manner consistent with Howard's normal depreciation policy for owned assets. Lease obligations are amortized using the straight-line method, over the shorter period of the lease term or the estimated useful life.

Property held for expansion consists of land and buildings acquired for future use in carrying out educational, research and other activities in line with the overall mission of Howard. Depreciation for buildings commences when property is converted to use.

Title to certain equipment purchased using funds provided by government grants or contracting agencies is vested with Howard, and therefore is included in reported property balances. Interest costs eligible for capitalization are the costs of restricted borrowings, less any interest earned on temporary investment of the proceeds of those borrowings, from the date of borrowing until qualifying assets are intended for use.

The recorded values of certain properties include the fair value of any asset retirement obligation necessary to meet contractual or regulatory requirements for disposal or remediation of the property. This primarily pertains to the cost of removal and disposal of asbestos.

The Howard University

Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

(j) Refundable Advances under Federal Student Loan Program

Funds provided by the United States Government under the Federal Student Loan Programs are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the Government and are reported as liabilities in the Statements of Financial Position and as cash flows from financing activities in the Statements of Cash Flows. Loans issued to students are reported as receivables in the Statements of Financial Position.

(k) Functional Expenses

Howard allocates its expenses on a functional basis among its various programs and institutional support. Expenses that can be identified with a specific program are charged directly. Costs related to the operation and maintenance of physical plant including utilities, depreciation of fixed assets and interest expense, are allocated among programs and institutional support based upon square footage.

For the fiscal years ended June 30, 2012, 2011 and 2010, expenses were allocated across functions as follows:

Functional expenses	June 30, 2012	June 30, 2011	June 30, 2010
Program services:			
Instruction	\$ 214,254	\$ 214,949	\$ 211,611
Research	40,068	34,433	34,673
Public service	9,943	9,856	9,135
Academic support	38,625	38,827	28,586
Student services	26,872	23,525	23,009
Patient care	297,194	287,164	278,795
Total program services expenses	626,956	608,754	585,809
Supporting services:			
Institutional support	139,819	142,378	149,120
Auxiliary Enterprises	74,826	73,183	69,452
Total supporting services	214,645	215,561	218,572
Total program and supporting services expenses	\$ 841,601	\$ 824,315	\$ 804,381

(l) Reserves for Self-Insured Liabilities

The reserve for self-insured liabilities is comprised primarily of amounts accrued for asserted medical malpractice claims and includes estimates of the ultimate cost to resolve such claims. The reserve also includes an estimate of the cost to resolve unasserted claims that actuarial analyses indicate are probable of assertion in the future. Beginning in fiscal year 2010, medical malpractice claim reserves were stated at an undiscounted amount. The impact of this change was \$6,607 and reflected in the June 30, 2010 Statements of Activities as a non-operating expense.

The Howard University

Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

(m) ***Other Liabilities***

Other liabilities are comprised primarily of asset retirement obligations, unclaimed property, student deposits, deposits held in custody for others, reserves for legal and other contingencies and miscellaneous items.

(n) ***Compensated Absences***

Howard records an amount due to employees for future absences, which are attributable to services performed in the current and prior periods and subject to a carryover cap. This obligation is recognized on the Statements of Financial Position as a liability.

(o) ***Pension and Post-Retirement Benefits***

The funded status of Howard's pension benefit is actuarially determined and recognized in the Statements of Financial Position as an asset to reflect an overfunded status, or as a liability to reflect an underfunded status.

Howard's actuarially determined post-retirement benefit obligation is recognized on the Statements of Financial Position as a liability.

Howard follows the Internal Revenue Service (IRS) guidelines in the administration of the Plan.

(p) ***Measure of Operations***

Howard includes in its measure of operations all revenue and expenses that are integral to its continuing core program services with the key objective being predictability of indicated results. Such measures include the amortization of actuarial gains and losses previously recorded as non-operating items. Howard uses a spending rate methodology to determine the amount of endowment assets allocated to operations in a given year. Non-operating income and expenses include realized and unrealized appreciation (depreciation), investments, changes in retirement plan liabilities due to market factors, restructuring costs, and (charges) credits that do not pertain to continuing core program services.

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

(q) Restricted Income and Expense

The table below details the items of restricted income and expense summarized in the Statements of Activities at June 30, 2012, 2011 and 2010.

Restricted income and expense	June 30, 2012	June 30, 2011	June 30, 2010
Federal appropriation	\$ 3,593	\$ 3,595	\$ 3,566
Contributions	5,111	4,118	4,611
Endowment transfer	6,923	7,000	7,507
Release from restrictions	(14,606)	(12,909)	(13,936)
Temporarily restricted operating revenues	1,021	1,804	1,748
Investment income (loss) in excess of amount designated for operations	(9,591)	24,016	14,855
Other items, net	(12)	4,686	4,143
Temporarily restricted non-operating income (expense)	(9,603)	28,702	18,998
Total temporarily restricted income (expense)	\$ (8,582)	\$ 30,506	\$ 20,746
Contributions	\$ 1,076	\$ 1,555	\$ 2,603
Endowment transfer	(194)	490	484
Permanently restricted operating revenues	882	2,045	3,087
Investment income (loss) in excess of amount designated for operations	(1,230)	7,416	2,893
Other items, net	195	1,329	2,416
Permanently restricted non-operating income (expense)	(1,035)	8,745	5,309
Total permanently restricted income (expense)	\$ (153)	\$ 10,790	\$ 8,396

(r) Reclassification

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Note 2 Fundraising Expenses

For the fiscal years ended June 30, 2012, 2011 and 2010, Howard incurred expenses of approximately \$6,276, \$6,598, and \$6,166, respectively, in connection with its fundraising activities. These amounts are reflected on the accompanying Statements of Activities within each respective expense category.

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

Note 3 Charity Care

The Hospital provides services to patients who meet the criteria of its charity care policy, without charge, or at amounts less than established rates. The criteria for charity services are comprised of family income, net worth and eligibility at time of application. In addition the Hospital provides services to patients under the District of Columbia charity care program, DC Alliance. The total of charges forgone for services furnished under the Hospital's charity care policy and the DC Alliance program were \$52,800, \$51,658 and \$32,788 for fiscal years ended June 30, 2012, 2011 and 2010, respectively. Total uncompensated care charges under all of Howard's clinical services which includes bad debt write offs as well as charity care, for fiscal years ended June 30, 2012, 2011 and 2010 were \$81,067, \$82,035, and \$59,746, respectively.

Note 4 Insurance and Risk Management

Howard, along with 15 other institutions of higher education, is a subscriber in Pinnacle Consortium of Higher Education, a Vermont Reciprocal Risk Retention Group. Pinnacle provides commercial general and certain specific liability coverage. Howard's annual payments to Pinnacle for insurance coverage are based on actuarial studies and are charged to expense. Pinnacle reinsures 95% of its risk to Genesis, Ltd. (Genesis), an affiliated reinsurer. Genesis, a Class 2 reinsurer under the Insurance Act of 1978 of Bermuda, was jointly formed by Howard and 15 other higher education institutions. Genesis reinsures general liability and automobile liability risks of its shareholders. At June 30, 2012, Howard had an approximate 6% interest of Genesis and Pinnacle, respectively. Howard's interest in Genesis and Pinnacle is included in restricted investments. Liability insurance coverage in excess of the primary coverage has been purchased by Howard, with limits of \$125,000 from commercial insurance companies.

Howard is self-insured for initial layers of medical malpractice, worker's compensation, and employee health benefits. The reserves for self-insured risks are actuarially determined and Howard has set aside assets in revocable trusts to partially fund these self-insured risks.

The self-insured program covers professional liability costs up to \$7,500 per occurrence depending on the cause. In addition, there are two layers of excess insurance coverage. The first layer of the excess insurance coverage is up to \$35,000 on a claims-made basis. This layer is purchased through a captive insurance company, Howard University Capitol Insurance Company Ltd. (HUCIC), organized under the laws of the Cayman Islands. HUCIC covers prior acts retroactive to two separate policy periods dating July 1, 1996 and January 1, 1986, and is completely reinsured. The second layer of excess liability insurance which also covers patient care related general liability and professional liability, is

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Notes to the Financial Statements

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up to \$50,000 on a claims-made basis. The second layer of excess coverage is provided by an independent excess insurance company.

Note 5 Restructuring Costs

Restructuring costs represent non-recurring expenses required to facilitate management, faculty and staff changes resulting from Howard's various renewal initiatives. In fiscal year 2012, Howard implemented a reduction-in-force to better align the number of administrative staff with expected needs and its financial capacity. Severance and other payments related thereto amounted to \$4,646. Additionally, Howard has implemented a Faculty Phased Retirement Program with incentive payments of \$19,816 payable between September 2012 and September 2017, which has been accrued as of June 30, 2012. In fiscal year 2011, a similar initiative resulted in a cost of \$516. In fiscal year 2010, Howard offered a voluntary retirement program which provided eligible staff with the opportunity to retire and receive severance pay in addition to regular retirement benefits, or separate by resigning and receive severance pay and limited free basic life insurance coverage with portability. The cost related to this restructuring initiative amounted to \$3,025. In virtually all cases, scheduled cash payments were made shortly after the separation events occurred.

Note 6 Concentration of Credit Risk

Financial instruments that potentially subject Howard to significant concentrations of credit risk consist principally of deposits of cash, cash equivalents, and investments in financial institutions in excess of the applicable government insurance limits.

Concentrations of credit risk with respect to receivables pertain mainly to self-pay patients of Howard's clinical services, and to students.

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Notes to the Financial Statements

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Note 7 Receivables

Accounts receivable, prior to adjustment for doubtful collections, is summarized as follows at June 30, 2012, 2011 and 2010:

Receivables	June 30, 2012	June 30, 2011	June 30, 2010
Student	\$ 11,663	\$ 8,404	\$ 9,097
Notes	11,490	11,063	11,499
Federal Appropriation	3,593	3,595	7,833
Patients and third-party payors - Hospital	83,011	78,927	73,090
Patients and third-party payors - FPP	10,271	8,923	9,324
Patients and third-party payors – Dental	2,186	1,001	673
Research grants and development agreements	18,956	19,822	23,871
Contributions	3,388	3,504	4,435
Insurance claims	16,254	14,397	12,863
Investments	763	773	5,454
Auxiliary Services	2,892	4,800	6,247
Other	1,597	1,859	3,441
Totals	\$ 166,064	\$ 157,068	\$ 167,827

Allowance for doubtful receivables is summarized as follows at June 30, 2012, 2011 and 2010:

Allowance for Doubtful Receivables	June 30, 2012	June 30, 2011	June 30, 2010
Student	\$ 6,760	\$ 2,295	\$ 4,594
Notes	3,287	2,516	2,446
Federal Appropriation	--	--	--
Patients and third-party payors - Hospital	31,984	29,078	25,794
Patients and third-party payors - FPP	4,178	4,915	4,302
Patients and third-party payors – Dental	996	151	104
Research grants and development agreements	3,918	3,918	5,016
Contributions	1,599	1,620	2,113
Insurance claims	1,615	2,856	2,403
Investments	--	--	--
Auxiliary services	266	671	884
Other	243	--	1,079
Totals	\$ 54,846	\$ 48,020	\$ 48,735

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

Provision for bad debt is summarized as follows at June 30, 2012, 2011 and 2010:

Provision for Bad Debt	June 30, 2012	June 30, 2011	June 30, 2010
<i>Non-clinical services:</i>			
Notes	\$ --	\$ (17)	\$ 40
Federal Appropriation	--	--	--
Research grants and development agreements	--	--	604
Contributions	--	--	--
Insurance claims	(985)	686	432
Investment income	--	--	--
Auxiliary services	347	(166)	730
Other	627	33	474
Total non-clinical and non-student services	(11)	536	2,280
Total student services	5,461	22	1,662
<i>Clinical services:</i>			
Patients and third-party payors - Hospital	20,677	22,092	19,808
Patients and third-party payors - FPP	7,590	8,285	7,150
Patients and third-party payors - Dental	513	--	--
Total clinical services	28,780	30,377	26,958
Total provision for bad debt	\$ 34,230	\$ 30,935	\$ 30,900

Bad debt expense of \$(11), \$536 and \$2,280 for fiscal years ended June 30, 2012, 2011 and 2010 reflected in total operating expenses on the Statements of Activities excludes bad debt expense related to clinical services and need based financial aid determined to be uncollectible. Clinical services bad debt expense, as shown in the table above, has been netted against patient service revenues and student services bad debt expense as shown in the table above, has been netted against tuition and fees on the Statements of Activities.

Contributions receivable at June 30, 2012, 2011 and 2010 are expected to be received as follows:

Contributions Receivable	June 30, 2012	June 30, 2011	June 30, 2010
Within one year	\$ 2,725	\$ 2,694	\$ 2,515
Between one and five years	725	855	1,211
Thereafter	13	49	1,219
Contributions receivable gross	3,463	3,598	4,945
Unamortized discount on contributions receivable (2%-5%)	(75)	(94)	(510)
Contributions receivable, net of discounts	3,388	3,504	4,435
Allowance for uncollectible contributions	(1,599)	(1,620)	(2,113)
Contributions receivable, net of discounts and allowance	\$ 1,789	\$ 1,884	\$ 2,322

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Notes to the Financial Statements

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Note 8 Accounts Payable and Accrued Expenses

Components of this liability account at June 30, 2012, 2011 and 2010 are as follows:

Accounts Payable and Accrued Expenses	June 30, 2012	June 30, 2011	June 30, 2010
Vendor invoices	\$ 48,334	\$ 44,503	\$ 47,941
Accrued salaries and wages	23,908	27,069	31,995
Accrued employee benefits	19,661	19,435	20,350
Accrued faculty retirement incentive payments	19,816	--	--
Accrued interest	4,430	2,786	1,439
Other	556	1,148	986
Total	\$ 116,705	\$ 94,941	\$ 102,711

Note 9 Other Liabilities and Deferred Revenue

These obligations include the following at June 30, 2012, 2011 and 2010:

Other liabilities	June 30, 2012	June 30, 2011	June 30, 2010
Asset retirement obligation	\$ 12,247	\$ 11,806	\$ 11,343
Environmental remediation	3,000	3,000	3,000
Unclaimed property	2,582	3,026	2,954
Student deposits and refunds	5,051	3,944	6,434
Reserve for legal contingencies	4,974	6,663	1,224
Other	3,873	3,657	4,903
Total	\$ 31,727	\$ 32,096	\$ 29,858

Deferred revenue	June 30, 2012	June 30, 2011	June 30, 2010
Deferred tuition, room and board	\$ 2,864	\$ 2,114	\$ 3,839
Deferred grant revenue	6,410	4,573	3,218
Other	664	1,767	--
Total	\$ 9,938	\$ 8,454	\$ 7,057

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Note 10 Deposits with Trustees and Self-insured Liabilities

	Dedicated Assets			Liability		
	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2012	June 30, 2011	June 30, 2010
Debt service reserve	\$ 12,878	\$ 12,967	\$ 10,176	NA	NA	NA
Capitalized interest	12,061	19,782	--	NA	NA	NA
Professional liability	6,520	10,385	23,368	\$ 42,863	\$ 43,141	\$ 44,955
Workers' compensation	3,292	3,290	3,635	32,799	30,830	31,181
Health insurance trust	3,399	2,198	142	4,933	5,828	7,018
Total	\$ 38,150	\$ 48,622	\$ 37,321	\$ 80,595	\$ 79,799	\$ 83,154

NA = Not applicable

(a) Debt Service Reserve Fund

As required by the 2011 Revenue Bonds, Howard maintains a debt service reserve fund in an amount greater than or equal to the Debt Service Fund Requirement of \$12,634, \$12,634 and \$10,176 for fiscal years ended June 30, 2012, 2011 and 2010, respectively. The assets in the debt service reserve fund consist primarily of cash, fixed income and other short-term securities.

(b) Capitalized Interest Fund

As required by the 2011 Revenue Bonds, Howard established a capitalized interest fund of \$19,782 for the fiscal year ended June 30, 2011. These funds are intended to satisfy bond interest payments through June 30, 2014. As of June 30, 2012, the capitalized interest fund balance is \$12,061. This balance reflects interest payments of \$7,721 made during the year on the 2011 Revenue Bonds.

(c) Professional Liability

Howard is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and certain faculty physicians and are currently in various stages of litigation. Additional claims may be asserted arising from services provided to patients through June 30, 2012. It is the opinion of management based on the advice of actuaries and legal counsel that estimated malpractice costs accrued at the fiscal years ended June 30, 2012, 2011 and 2010 of approximately \$42,863, \$43,141 and \$44,955, respectively is adequate to provide for losses resulting from probable unasserted claims and pending or threatened litigation.

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(d) *Workers' Compensation*

Howard has established a revocable trust fund to partially provide for the satisfaction of its liability under applicable workers' compensation liability. The assets in the workers' compensation trust fund consists of U.S. Treasury Bills and obligations, as well as domestic and foreign corporate bonds. Howard also maintains \$9,860 in letters of credit, which serve as collateral for specific insurance carriers. These letters of credit are secured by Howard's principal lending bank. Howard is self-insured for workers' compensation claims up to per occurrence retention of \$500. The excess is covered through commercial insurance. For fiscal years ended June 30, 2012, 2011 and 2010 expenses related to workers' compensation were \$3,372, \$1,629 and \$4,510, respectively and are reflected in employee benefits.

The total liability for future workers' compensation liability claims was approximately \$32,799, \$30,830 and \$31,181 at June 30, 2012, June 30, 2011 and June 30, 2010, respectively, and includes liabilities for claims covered under existing insurance policies. Reserves reflect actuarially determined estimates for losses on asserted claims, as well as unasserted claims arising from reported and unreported incidents. This liability is recorded on the accompanying Statements of Financial Position in reserves for self-insured liabilities. Estimated claims for which payments will be covered under existing insurance policies were \$14,639, \$11,541 and \$10,460 at June 30, 2012, June 30, 2011 and June 30, 2010, respectively, net of allowances for uncollectible amounts and are reflected in other receivables.

(e) *Health Insurance*

Howard established a revocable self-insured trust fund for the purpose of partially funding group health benefits for its employees. The assets consist primarily of investments in money market funds. Deposits to the fund are amounts withheld from employees' salaries and wages and Howard's contributions based on estimates established by the claims administrator. Disbursements from the fund are made in accordance with the payment plan established with the claims administrator. The total estimated liability for asserted and unasserted probable claims at June 30, 2012, June 30, 2011 and June 30, 2010, is approximately \$4,933, \$5,828 and \$7,018, respectively.

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Notes to the Financial Statements

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Note 11 Fair Value Measurements

Effective July 1, 2008, Howard adopted the applicable accounting standards for fair value measurements, defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. These accounting standards establish three categories for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date as follows:

- Level 1 – quoted market prices for identical assets or liabilities in active markets.
- Level 2 – quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; or other than quoted prices in which all significant inputs and significant value drivers are observable in active markets either directly or indirectly.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are not observable.

Howard's financial assets and liabilities as of June 30, 2012, June 30, 2011 and June 30, 2010 are subject to fair value accounting.

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Fair value as of June 30, 2012 is as follows:

Fair Value as of June 30, 2012	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	\$ --	\$ 87,217	\$ --	\$ 87,217
Deposits with trustees (7)	4,701	33,449	--	38,150
Total Asset (non investment)	4,701	120,666	--	125,367
Operating investments				
Fixed Income-Government Bonds (2)	5,925	--	--	5,925
Common Stock (3)	28,500	--	--	28,500
Total operating investments	34,425	--	--	34,425
Restricted investments				
Money Market Instrument (1)	--	670	--	670
Common Stock (3)	29,075	--	--	29,075
Private Equity (4)	--	--	2,407	2,407
Real Estate (4)	--	--	250	250
Total restricted investments	29,075	670	2,657	32,402
Endowment Investments				
Money Market Instrument (1)	911	39,097	--	40,008
Commingled Funds				
Global Fixed Income (2)	--	28,870	--	28,870
International Equity (3)	--	38,165	--	38,165
US Common Stock (3)	--	15,190	--	15,190
Common Stock (3)	62,946	--	--	62,946
Fixed Income (2)				
Asset backed	--	2,662	--	2,662
Corporate Bonds	--	5,765	--	5,765
Hedge Funds (4)				
Distressed Debt	--	2,298	--	2,298
Equity Long/Short	--	4,488	--	4,488
Event Driven	--	2,353	3,261	5,614
Global Opportunities	--	3,950	--	3,950
Inflation hedge	--	15,172	--	15,172
Multi-strategy	--	24,610	2,260	26,870
Mutual Funds Investment				
Emerging Market Equity (3)	28,165	--	--	28,165
Domestic Common Stock (3)	16,513	--	--	16,513
Domestic Fixed Income (2)	61,898	--	--	61,898
Private Equity and Venture Capital (4)	--	--	93,138	93,138
Real Estate (4)	--	--	9,000	9,000
Total endowment investments	170,433	182,620	107,659	460,712
Liabilities:				
Interest rate swap (5)	--	21	--	21
Total assets and liabilities measured at fair value	\$ 238,634	\$ 303,977	\$ 110,316	\$ 652,927

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Fair value as of June 30, 2011 is as follows:

Fair Value as of June 30, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	\$ 102,429	\$ --	\$ --	\$ 102,429
Deposits with trustees (7)	26,069	22,553	--	48,622
Total Asset (non investment)	128,498	22,553	--	151,051
Operating investments				
Fixed Income-Government Bonds (2)	4,592	--	--	4,592
Common Stock (3)	39,220	--	--	39,220
Total operating investments	43,812	--	--	43,812
Restricted Investment				
Money Market Fund (1)	--	5,008	--	5,008
Common Stock (3)	25,038	--	--	25,038
Private Equity (4)	--	--	3,096	3,096
Real Estate (4)	--	--	250	250
Total restricted investments	25,038	5,008	3,346	33,392
Endowment Investments				
Money Market Instrument (1)	906	18,069	--	18,975
Commingled Funds				
Emerging Market Equity (3)	--	25,483	--	25,483
Global Fixed Income (2)	--	26,563	--	26,563
International Equity (3)	--	41,367	--	41,367
US Common Stock (3)	--	14,643	--	14,643
Common Stock (3)	55,958	--	--	55,958
Fixed Income (2)				
Government Bonds	25,189	--	--	25,189
Asset backed	--	2,022	--	2,022
Corporate Bonds	--	5,900	--	5,900
Hedge Funds (4)				
Distressed Debt	--	2,494	--	2,494
Equity Long/short	--	4,146	--	4,146
Event driven	--	2,846	3,277	6,123
Global opportunities	--	4,009	--	4,009
Inflation hedge	--	17,306	--	17,306
Multi-strategy	--	48,058	1,918	49,976
Mutual Funds Investment				
Domestic Common Stock (3)	21,110	--	--	21,110
Domestic Fixed Income (2)	57,872	--	--	57,872
Private Equity and Venture Capital (4)	--	--	85,324	85,324
Real Estate (4)	--	--	8,640	8,640
Total endowment investments	161,035	212,906	99,159	473,100
Liabilities:				
Interest rate swap (5)	--	104	--	104
Total assets and liabilities measured at fair value	\$ 358,383	\$ 240,571	\$ 102,505	\$ 701,459

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Fair value as of June 30, 2010 is as follows:

Fair Value as of June 30, 2010	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	\$ --	\$ 42	\$ --	\$ 42
Deposits with trustees (7)	26,992	10,329	--	37,321
Total Asset (non investment)	26,992	10,371	--	37,363
Operating investments				
Fixed Income-Government Bonds (2)	3,395	--	--	3,395
Common Stock (3)	30,560	--	--	30,560
Total operating investments	33,955	--	--	33,955
Restricted investments				
Money Market Instrument (1)	--	194	--	194
Common Stock (3)	22,868	--	--	22,868
Private Equity (4)	--	--	2,101	2,101
Real Estate (4)	--	--	250	250
Total restricted investments	22,868	194	2,351	25,413
Endowment Investments				
Money Market Instrument (1)	661	14,899	--	15,560
Commingled Funds				
Emerging Market Equity (3)	--	19,826	--	19,826
Global Fixed Income (2)	--	23,195	--	23,195
International Equity (3)	--	38,345	--	38,345
Common Stock (3)	51,258	--	300	51,558
Fixed Income (2)				
Government Bonds	25,175	--	--	25,175
Asset backed	--	3,200	287	3,487
Corporate Bonds	--	5,664	--	5,664
Hedge Funds (4)				
Distressed Debt	--	2,258	--	2,258
Equity Long/short	--	3,892	--	3,892
Event driven	--	2,753	2,849	5,602
Inflation hedge	--	4,324	--	4,324
Multi-Global opportunities	--	13,229	--	13,229
Multi-strategy	--	48,482	1,618	50,100
Mutual Funds Investment				
Domestic Common Stock (3)	14,525	--	--	14,525
Domestic Fixed Income (2)	47,179	--	--	47,179
Private Equity and Venture Capital (4)	--	--	68,386	68,386
Real Estate (4)	--	--	7,373	7,373
Total endowment investments	138,798	180,067	80,813	399,678
Liabilities:				
Interest rate swaps (5)	--	5,582	--	5,582
Total assets and liabilities measured at fair value	\$ 222,613	\$ 196,214	\$ 83,164	\$ 501,991

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Notes to the Financial Statements

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The following assumptions and estimates were used to determine fair value of each class of financial instruments listed above:

- (1) Money market instruments include investments in open ended mutual funds that invest in U.S. treasury securities, US agency bonds, certificates of deposit and corporate bonds. Funds that are quoted daily in active markets are classified as Level 1. Funds that are not quoted daily with prices based on amortized cost are classified as Level 2.
- (2) For investments in government securities and corporate bonds, fair value is based first upon quoted market prices for those securities that can be classified as Level 1. For securities where an active market is not available, fair value is determined with reference to similar securities using market prices and broker quotes for similar instruments and are classified as Level 2.
- (3) Common stocks are largely valued based on the last sales price for identical securities traded on a primary exchange. These investments are classified as Level 1. Securities that trade infrequently, or that have comparable traded assets – that trade in either active or inactive markets, are priced using available quotes and other market data that are observable as of the reporting date, and are classified as Level 2.
- (4) Alternative investments include Howard's limited partnership interests, hedge funds, private equity and real estate funds. Trading in this class of funds is infrequent and, as a result, market values are not readily determinable. The investments in privately held funds are valued based on valuation techniques that take into account each fund's underlying assets and include valuation methods such as market, cost and income approaches. In accordance with an accounting standard update governing the classification of certain investments which provide the option of NAV redemption value as Level 2, Howard has classified investments in Hedge Funds as Level 2. These investments can be redeemed on a quarterly basis with a 30 to 90 days redemption notice period. Hedge Funds with liquidation terms in excess of 90 days are classified as Level 3. Limited partnerships including private equity and real estate funds and other non-redeemable funds are categorized as Level 3. These investments cannot be redeemed or withdrawn prior to termination of the partnership. Instead, the distributions are received through liquidation of the underlying assets of the fund. No active market exists for these funds and their valuation is based on unobservable and/or significantly adjusted inputs using the best available information provided by the partnership, including management assumptions. Due diligence procedures performed by

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management indicate that the values reported are reasonable. These investments are classified as Level 3.

- (5) Interest rate swaps are valued using observable and unobservable inputs, such as quotations received from counterparty dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of the observed inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, pre-payment rates, assumptions for non-performance risk, and correlations of such inputs. Certain parts of the interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore, classified as Level 2 within the fair value hierarchy.
- (6) Unexpended bond proceeds include investments in government debt security funds. These funds are not quoted daily and are valued at amortized cost. These investments are classified as Level 2.
- (7) Deposits held with trustees, including workers' compensation, professional and general liability, health insurance and bond debt service deposits, are comprised primarily of money market instruments, US treasury securities, mortgage-backed securities and corporate bonds. Money market investments are classified as either Level 1 or Level 2 based on whether their prices are quoted daily. Investments in US treasury securities are classified as level 1 and other fixed income securities are classified as level 2.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while Howard believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

The following tables present the changes in amounts included in the Statements of Financial Position for financial instruments classified within Level 3 of the valuation hierarchy defined above.

Changes in Level 3 securities for the period ended June 30, 2012 is as follows:

Changes in Level 3 for the year ended June 30, 2012	Private Equity and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2011	\$ 88,420	\$ 5,195	\$ 8,890	\$ 102,505
Gain and Loss (Realized and unrealized)	4,424	33	610	5,067
Purchases	14,260	293	136	14,689
Sales	(11,559)	--	(386)	(11,945)
Balance June 30, 2012	\$ 95,545	\$ 5,521	\$ 9,250	\$ 110,316
Change in unrealized investments held	\$ 424	\$ 33	\$ 573	\$ 1,030

There were \$293 transfers into Level 3 during fiscal year ended June 30, 2012.

Changes in Level 3 for the year ended June 30, 2011	Private Equity and Venture Capital	Hedge Funds	Fixed Income	Common Stock	Real Estate	Total
Balance July 1, 2010	\$ 70,487	\$ 4,467	\$ 287	\$ 300	\$ 7,623	\$ 83,164
Gain and Loss (Realized and unrealized)	15,689	728	(50)	--	1,044	17,411
Purchases	17,117	--	--	--	432	17,549
Transfer out and Sales	(14,873)	--	(237)	(300)	(209)	(15,619)
Balance June 30, 2011	\$ 88,420	\$ 5,195	\$ --	\$ --	\$ 8,890	\$ 102,505

There were \$200 transfers out of Level 3 during fiscal year ended June 30, 2011.

Changes in Level 3 securities for the period ended June 30, 2010 is as follows:

Changes in Level 3 for the year ended June 30, 2010	Private Equity and Venture Capital	Fixed Income	Hedge Funds	Common Stock	Real Estate	Total
Balance July 1, 2009	\$ 54,716	\$ 2,034	\$ 64,853	\$ --	\$ 9,365	\$ 130,968
Gain and Loss (Realized and unrealized)	9,813	(89)	467	--	(2,392)	7,799
Purchases	11,873	--	4,000	300	650	16,823
Transfer out and Sales	(5,915)	(1,658)	(64,853)	--	--	(72,426)
Balance June 30, 2010	\$ 70,487	\$ 287	\$ 4,467	\$ 300	\$ 7,623	\$ 83,164

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

There were \$64,853 transfers out of Level 3 during fiscal year ended June 30, 2010. These transfers represent the reclassification of hedge funds to Level 2, from Level 3, in accordance with the applicable accounting standard update.

Net investment income (loss) is summarized as follows for fiscal years ended June 30, 2012, 2011 and 2010:

Net Investment Income (Loss)	June 30, 2012	June 30, 2011	June 30, 2010
Interest and dividends	\$ 7,870	\$ 7,433	\$ 8,263
Net realized gains (losses)	3,838	18,887	16,102
Net unrealized gains (losses)	(15,862)	64,740	29,959
Other investment income (expenses)	1,617	3,625	633
Investment expenses	(1,505)	(1,941)	(2,170)
Net investment income (loss)	\$ (4,042)	\$ 92,744	\$ 52,787
Unrestricted operating investment income	\$ 211	\$ 8,856	\$ 5,395
Unrestricted operating endowment transfer	5,985	6,779	7,112
Unrestricted non-operating investment income (loss)	(6,810)	38,187	14,541
Temporarily restricted investment income (loss)	(2,669)	31,016	22,362
Permanently restricted investment income (loss)	(759)	7,906	3,377
Net investment income (loss)	\$ (4,042)	\$ 92,744	\$ 52,787

Investment Commitments – Howard’s investment commitments as of June 30, 2012, 2011 and 2010, are summarized below. Some of these investments do not have readily ascertainable market values and may be subject to withdrawal restrictions.

Investment Commitments	June 30, 2012	June 30, 2011	June 30, 2010
Private Equity and Venture Capital Funds	\$ 136,703	\$ 136,703	\$ 134,203
Real Estate Funds	15,000	15,000	15,000
Total financial commitment	151,703	151,703	149,203
Amounts funded	124,554	109,833	95,169
Unfunded commitment	\$ 27,149	\$ 41,870	\$ 54,034

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

Note 12 Net Assets

Temporarily restricted net assets consist of the following at June 30:

Temporarily Restricted Net Assets	June 30, 2012	June 30, 2011	June 30, 2010
Scholarships	\$ 41,362	\$ 46,179	\$ 40,302
Professorships	24,815	27,093	22,949
Student loans	690	536	307
Federal term	104,718	104,403	92,918
General operations and other	28,878	30,834	22,063
Total	\$ 200,463	\$ 209,045	\$ 178,539

The Federal term restriction is for 20 years for each contribution beginning in 1985. Howard transfers the amount of the original contribution plus accumulated investment returns to unrestricted net assets at the end of each 20 year period. For the years ending June 30, 2012, 2011 and 2010, the transfer amounts were \$5,933, \$6,174 and \$6,663.

Permanently restricted net assets are held in perpetuity and the income therefrom is only expendable for the noted purposes at June 30.

Permanently Restricted Net Assets	June 30, 2012	June 30, 2011	June 30, 2010
Scholarships	\$ 51,694	\$ 50,700	\$ 49,332
Professorships	17,041	16,613	14,513
Student loans	35,346	35,692	34,186
General operations and other	10,464	11,693	5,877
Total	\$ 114,545	\$ 114,698	\$ 103,908

Net assets were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors as noted for fiscal years ended June 30, 2012, 2011 and 2010.

Net Assets Released from Restrictions	June 30, 2012	June 30, 2011	June 30, 2010
Federal term	\$ 5,933	\$ 6,174	\$ 6,663
Restrictions released based on time	--	--	576
Restrictions released based on purpose:			
Scholarships and fellowships	5,562	4,088	2,632
Professorships	720	846	924
Student loans	160	155	247
General operations and other	2,231	1,646	2,894
Total	\$ 14,606	\$ 12,909	\$ 13,936

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

Note 13 Endowment Fund

Howard's endowment includes approximately 800 individual accounts established to fund scholarships, professorships, student loans, general operations and other purposes. Effective July 1, 2008, Howard adopted Financial Accounting Standards Board Staff Position – Endowments of Not-for-profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds. Howard is subject to the District of Columbia Uniform Prudent Management of Institutional Funds Act of 2008 (DC UPMIFA).

Interpretation of Relevant Law

Net Asset Classification - The Board of Trustees of Howard has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift dates of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Howard classifies as permanently restricted net assets:

1. The original value of gifts with permanent donor-directed use restrictions.
2. The value of accumulations in accordance with the applicable donor gift instrument at the time the accumulation occurs.

Any portion of the donor-restricted gift that is not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending - In accordance with UPMIFA, Howard considers the following factors in making a determination to spend or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Howard and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of Howard
7. The investment policies of Howard

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

Management and Investment - In accordance with UPMIFA, Howard considers the following factors in making investment, as well as other management decisions regarding donor-restricted endowment funds:

1. General economic conditions
2. The possible effect of inflation and deflation
3. The expected tax consequences, if any
4. The role of an investment/action in context of the entire portfolio
5. The expected total income and appreciation
6. Other University resources
7. The needs to preserve capital and make distributions
8. An asset's special relationship or value to the University's charitable purpose.

As of June 30, 2012, 2011 and 2010, total endowment funds classified as permanently restricted and temporarily restricted net assets were:

Restricted Endowment	June 30, 2012	June 30, 2011	June 30, 2010
Permanently Restricted Net Assets The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 75,326	\$ 74,530	\$ 72,257
Temporarily Restricted Net Assets Time restricted funds	\$ 118,338	\$ 118,789	\$ 109,827
The portion of perpetual endowment Funds subject to a time restriction under DC UPMIFA:			
Without purpose restrictions	3,077	3,972	3,210
With purpose restrictions	45,627	56,094	44,371
Total endowment funds classified as temporarily restricted net assets	\$ 167,042	\$ 178,855	\$ 157,408

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

The change in value and the composition of amounts classified as endowment as of June 30, 2012 is as follows:

Endowment Change in Value For year ended June 30, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 223,310	\$ 178,855	\$ 74,530	\$ 476,695
Investment return:				
Investment income	4,067	3,508	167	7,742
Net depreciation (realized and unrealized)	(4,691)	(7,477)	(721)	(12,889)
Total investment return	(624)	(3,969)	(554)	(5,147)
Contributions	350	3,628	1,316	5,294
Appropriation of endowment assets for operations	(7,072)	(5,599)	(108)	(12,779)
Other changes:				
Match release	5,933	(5,933)	--	--
Transfer and other changes	40	60	142	242
Endowment net assets, end of year	\$ 221,937	\$ 167,042	\$ 75,326	\$ 464,305
Donor-restricted endowment funds	\$ (3,915)	\$ 167,042	\$ 75,326	\$ 238,453
Board-designated endowment funds	225,852	--	--	225,852
Endowment net assets, end of year	\$ 221,937	\$ 167,042	\$ 75,326	\$ 464,305

The change in value and the composition of amounts classified as endowment as of June 30, 2011 is as follows:

Endowment Change in Value For year ended June 30, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 177,846	\$ 157,408	\$ 72,257	\$ 407,511
Investment return:				
Investment income	4,276	2,221	129	6,626
Net appreciation (realized and unrealized)	39,090	31,419	537	71,046
Total investment return	43,366	33,640	666	77,672
Contributions	318	3,777	1,273	5,368
Appropriation of endowment assets for expenditure	(4,339)	(9,807)	(123)	(14,269)
Other changes:				
Match release	6,174	(6,174)	--	--
Transfer and other changes	(55)	11	457	413
Endowment net assets, end of year	\$ 223,310	\$ 178,855	\$ 74,530	\$ 476,695
Donor-restricted endowment funds	\$ (4,990)	\$ 178,855	\$ 74,530	\$ 248,395
Board-designated endowment funds	228,300	--	--	228,300
Endowment net assets, end of year	\$ 223,310	\$ 178,855	\$ 74,530	\$ 476,695

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

The change in value and the composition of amounts classified as endowment as of June 30, 2010 is as follows:

Endowment Change in Value year ended June 30, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 164,045	\$ 140,240	\$ 66,478	\$ 370,763
Investment return:				
Investment income	6,502	3,699	176	10,377
Net appreciation (realized and unrealized)	15,287	17,351	379	33,017
Total investment return	21,789	21,050	555	43,394
Contributions	--	4,816	2,902	7,718
Appropriation of endowment assets for operations	(7,575)	(7,402)	(124)	(15,101)
Other changes:				
Match release	6,663	(6,663)	--	--
Transfer and other changes	(7,076)	5,367	2,446	737
Endowment net assets, end of year	\$ 177,846	\$ 157,408	\$ 72,257	\$ 407,511
Donor-restricted endowment funds	\$ (9,409)	\$ 157,408	\$ 72,257	\$ 220,256
Board-designated endowment funds	187,255	--	--	187,255
Endowment net assets, end of year	\$ 177,846	\$ 157,408	\$ 72,257	\$ 407,511

Howard's endowment net assets include receivables related to the federal term endowment, which have not been received and therefore not included as part of endowment investments. For fiscal years ended June 30, 2012, 2011 and 2010 receivables of \$3,593, \$3,595 and \$7,833, respectively were recorded, and represent the difference between endowment investments reflected on Statements of Financial Position and endowment net assets reported above.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or the Trustees require Howard to retain as a fund of perpetual duration. Deficiencies of this nature, so called "underwater accounts", are reported in unrestricted net assets and totaled \$3,915, \$4,990 and \$9,409 as of June 30, 2012, 2011 and 2010, respectively. Howard has adopted a policy allowing spending in certain situations from underwater, donor-restricted endowment funds, absent overriding provisions in donor agreements. Howard's investment and spending policy is intended to conform with the UPMIFA which allows spending in underwater endowments, in support of an endowment's purpose.

Return Objectives and Risk Parameters - Howard has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to minimize the risk associated with obtaining such income streams. Endowment assets include those that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated endowment funds. Under these policies the endowment assets are invested through a well-diversified investment program designed to exceed the risk-adjusted performance of the market

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

benchmark representative of each asset class over rolling five to seven year periods. Howard's objective, over time, is to obtain an average total real rate of return (inflation adjusted) that exceeds its targeted distribution amount over rolling five to seven year periods. Howard's investment strategy aims for a low to moderate level of investment risk. Actual returns in any given year may significantly vary from this objective.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, Howard relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and yield (interest and dividends). Howard targets a diversified asset allocation which places greater emphasis on global public equity-based investments complimented by private markets, real estate and fixed income strategies to achieve its long-term return objectives within prudent risk constraints. The endowment's long-term target asset allocation is approved by the Investment Committee of the Board of Trustees.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Howard's spending policy allows for distribution each year of up to 5 percent of its endowment fund's market value, excluding Federal term and Islamic Funds, based upon a three-year moving average with the most recent year removed. In establishing this policy, Howard considered the long-term expected return on its endowment consistent with its general goal of facilitating the ability of endowments (specifically permanent and time specific endowments) to best fulfill the purposes for which they were designed.

Note 14 Estimated Third-Party Settlements

Certain services rendered by the Hospital and Faculty Practice Plan are reimbursed by third-party payors at cost, based upon cost reports filed after year-end. Contractual allowances are recorded based upon preliminary estimates of reimbursable costs. Net patient service revenue recorded under cost reimbursement agreements for the current and prior years is subject to audit and retroactive adjustments by significant third-party payors for the following years:

Medicare 2002-2012
Medicaid 2010-2012

Final settlements and changes in estimates related to Medicare and Medicaid third-party cost reports for prior years resulted in an increase in net patient service revenues of approximately \$5,179, \$1,382 and \$1,999 for fiscal years ended June 30, 2012, 2011 and 2010, respectively.

Note 15 Property, Plant and Equipment

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

Property, Plant and Equipment	June 30, 2012	June 30, 2011	June 30, 2010
Land and land improvements	\$ 27,911	\$ 27,711	\$ 27,711
Buildings and building improvements	816,208	775,547	758,091
Property held for expansion	57,013	57,007	56,872
Furniture and equipment	275,348	270,232	261,931
Library books	90,093	89,777	89,246
Equipment under capital leases	62,898	63,463	33,681
Software	97,429	94,416	91,203
Software in progress	3,635	3,222	357
Construction in progress	27,399	29,757	27,224
Property, plant and equipment, gross	1,457,934	1,411,132	1,346,316
Accumulated depreciation and amortization	(849,493)	(806,780)	(756,958)
Property, plant and equipment, net	\$ 608,441	\$ 604,352	\$ 589,358

Depreciation and amortization expenses for fiscal years ended June 30, 2012, 2011 and 2010 were \$50,453, \$50,460 and \$49,460, respectively. For fiscal years ended June 30, 2012, 2011 and 2010, respectively, net interest costs of \$1,069, \$360 and \$72, were incurred during construction and capitalized as part of the cost of capital projects.

Howard's asset retirement costs and obligations are reported in property, plant and equipment and other liabilities in the Statements of Financial Position, respectively. The asset retirement obligation has been discounted using a rate of 4.9%. Amounts for the reporting periods ended were as follows:

Asset Retirement Costs and Obligations	June 30, 2012	June 30, 2011	June 30, 2010
Asset retirement costs	\$ 4,565	\$ 4,565	\$ 4,565
Accumulated depreciation	2,091	2,033	1,966
Asset retirement obligation	12,247	11,806	11,343

Howard incurred costs related to asbestos abatement during the fiscal years ended June 30, 2012, 2011 and 2010 of \$356, \$16 and \$128, respectively.

Note 16 Leases***Lease Obligations***

Howard is obligated under capital leases for office and medical equipment that extend through 2017 and the chiller plant that extends through 2031 (see below) in the amounts of \$43,431, \$43,547 and \$24,187, respectively at June 30, 2012, June 30, 2011 and June 30, 2010. The assets are amortized over their estimated useful lives. Accumulated amortization related to the leased assets is \$27,641, \$26,165 and \$20,326, respectively.

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

At June 30, 2012, Howard has a remaining commitment to draw an additional \$29,066 under an existing lease financing arrangement primarily to finance medical and information technology equipment. The lease periods commence in future months and continue for a period of five years after the start date.

Howard entered into an agreement in March 2010, to construct an air conditioning system (or called "chiller plant") for a price of \$14,500. The construction was completed and the asset placed into service in May 2011. The purchase of the chiller plant will be paid over 20 years through a commodity supply agreement which requires Howard to purchase minimum quantities of output from the facility, which will be owned and operated by third parties. The facility is accounted for as a capital lease asset with a corresponding capital lease obligation. The minimum payments due under the commodity purchase agreement approximate \$21,000.

Howard has several non-cancelable operating leases for office space and equipment that expire by 2019. Rental payments are recognized on a straight-line basis and reflected in the Statements of Activities within professional and administrative services expense. Rent expense related to building space and equipment for fiscal years ended June 30, 2012, 2011 and 2010 was \$7,702, \$9,161 and \$10,016, respectively.

The minimum lease payments under capital leases and non-cancelable operating leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follow:

Lease Obligations	Capital Leases	Operating Leases
2013	9,623	3,305
2014	9,435	3,250
2015	8,471	2,850
2016	5,320	1,954
2017 and thereafter	34,965	2,113
Obligation, gross	67,814	13,472
Amounts representing interest rates from 4% to 8%	(24,383)	--
Total Lease Obligations, net	\$ 43,431	\$ 13,472

Lease Income

Howard leases property to several area businesses, non-profit organizations and individuals under non-cancelable operating leases. Howard receives monthly income under these lease agreements, which have termination dates through 2017 and thereafter.

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

The future minimum lease income for years ending at June 30 is as follow:

Future minimum lease income	June 30
2013	534
2014	490
2015	478
2016	439
2017 and thereafter	1,965
Total minimum lease income receipts	\$ 3,906

Note 17 Bonds and Notes Payable

(a) Bonds Payable

Howard is obligated with respect to the following bond issues at June 30:

Bonds Payable	June 30, 2012	June 30, 2011	June 30, 2010
<i>District of Columbia issues:</i>			
2006A Revenue Refunding bonds, 5.00% Serial due 2021 through 2031	\$ --	\$ --	\$ 53,490
2006B Revenue Refunding bonds, weekly rate, serial due 2007 through 2026	--	--	39,500
1998 Revenue Refunding bonds, 5.00% to 5.50% Serial due 2021 through 2031	--	--	56,080
2010 Revenue bonds, 5.05% Serial due 2010 through 2025	9,674	10,163	--
2011A Revenue bonds 5.00% to 6.50% Serial due 2020 through 2041	225,250	225,250	--
2011B Revenue bonds 4.31% to 7.63% Serial due 2015 through 2035	65,065	65,065	--
Total bonds payable, gross	\$ 299,989	\$ 300,478	\$ 149,070
Unamortized bond premium (discount)	(6,204)	(6,421)	3,081
Total bonds payable, net	\$ 293,785	\$ 294,057	\$ 152,151

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

(1) 1996 Revenue Refunding Bonds

In 1996 Howard issued the Series 1996 unsecured revenue refunding bonds. These bonds were defeased with the proceeds of the 2006 refunding bonds (see below).

(2) 1998 Revenue Refunding Bonds

In March 1998 Howard issued \$109,425 of Series 1998 unsecured revenue refunding bonds with a premium of \$4,283. The bonds bear interest ranging from 5.00% to 5.50% and are repayable from 2021 through 2031. In a single previously issued series of transactions Howard has defeased \$94,325 of bonds through the establishment of an irrevocable trust. The 1998 Bonds provides for the maintenance of a debt service reserve fund. Howard had obtained an insurance policy which provided for the payment of regularly scheduled principal and interest obligations. These bonds were defeased with the proceeds of the 2011 Revenue Bonds (see below).

(3) 2006 Revenue Refunding Bonds

In July 2006, Howard issued \$53,490 of Series 2006A bonds and \$44,175 of Series 2006B bonds. A portion of the proceeds of the Series 2006B bonds were used to defease the Series 1996 bonds. The Series 2006A bonds bear interest at 5% are repayable from 2021 through 2031. The Series 2006B bonds bear interest at a rate which is reset weekly through a remarketing process. Payments on the 2006B bonds are due 2007 through 2026. These bonds were defeased with the proceeds of the 2011 Revenue Bonds (see below).

(4) 2010 Revenue Bonds

In August 2010, Howard issued \$10,400 of Series 2010 bonds. The bonds bear interest at 5.05% repayable from 2010 to 2025. A portion of the proceeds were used to retire an expiring equipment note. The remaining proceeds will be used to fund energy related projects.

(5) 2011 Revenue Bonds

In April 2011, Howard issued \$225,250 of tax exempt revenue bonds (Series 2011A) and \$65,065 of taxable revenue bonds (Series 2011B) to refund the Series 1998 and Series 2006 bonds and to finance new capital improvements. The interest rate on the tax exempt bonds range from 5.25% to 6.50% and the bonds are repayable from 2020 to 2041. The taxable bonds bear interest between 4.31% and 7.63% and are repayable from 2015 to 2035. The average coupon is 6.57%. The 2011 bonds

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

require Howard to maintain a debt service fund of \$12,634. For the period ended June 30, 2012, the fund balance was \$12,878.

The Series 2011A Bonds maturing on or after October 1, 2021 are subject to optional redemption by the District of Columbia, at the written direction of Howard, in its sole discretion, on or after April 1, 2021 in whole or in part at any time, at a redemption price equal to the principal amount of the Series 2011A Bonds being redeemed, plus accrued interest, if any, to the redemption date.

The Series 2011B Bonds are subject to optional redemption prior to maturity in whole or in part on any Business Day at the Make-Whole Redemption Price at the direction of Howard. 2011 Bond proceeds of \$12,061 have been used to create a deposit for capitalized interest. This amount is reflected in deposits with trustees on the Statements of Financial Position.

(6) Letter of Credit and Reimbursement Agreement

In June 2008 in connection with the conversion of the Series 2006B bonds to a weekly rate from an "auction rate" setting mechanism, Howard entered into a Letter of Credit and Reimbursement Agreement with the trustee of the bonds that expired June 19, 2011. As of June 30, 2011, the Letter of Credit Agreement has been terminated in conjunction with the 2011 Revenue Bond issuance.

(7) Fair Value of Bonds

The estimated fair value of Howard's bonds is determined based on quoted market prices. At June 30, 2012, June 30, 2011 and June 30, 2010, the estimated fair value was approximately \$344,872, \$297,806, and \$154,290, respectively. Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of judgment. Howard is not required to settle its debt obligations at fair value and settlement is not possible in most cases because of the terms under which the debt was issued and legal limitations on refunding tax-exempt debt.

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Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

(b) Notes Payable

Howard is obligated with respect to the following notes payable at June 30:

Notes Payable	June 30, 2012	June 30, 2011	June 30, 2010
Bank of America Commercial Loan Due monthly, July 2007 through March 31, 2013 fixed interest rate of 6.685%	\$ 780	\$ 1,833	\$ 2,982
Bank of America Property Loan Due monthly, through February 28, 2014 fixed interest rate of 5.01%	7,647	8,795	9,942
SunTrust Bank Secured Term Note Due August 31, 2011 variable interest rate at LIBOR plus 1.9% and secured with Board-designated endowment funds	--	--	20,000
Bank of America Unsecured Line of Credit Due January 31, 2012 variable interest rate at LIBOR plus 1.1%	--	--	9,285
Multi-bank Credit Agreement Due June 24, 2014, variable interest rate at one month LIBOR plus 1.25%	30,142	20,142	--
Bank of America Equipment Note Due October 6, 2010 fixed interest rate of 4.81% per annum	--	--	3,344
Total Notes Payable	\$ 38,569	\$ 30,770	\$ 45,553

In June 2011, Howard replaced its annually renewable revolving credit facilities that aggregated \$65,000 with a \$135,000 Multi-bank Credit Agreement that extends through June, 2014. Outstanding borrowings under that agreement were \$30,142 at June 30, 2012 and \$20,142 at June 30, 2011.

On July 21, 2011, Howard entered into an interest rate cap with SunTrust Bank to protect against one-month Libor rising above 2% over the next three years on a notional value of \$20,000.

(c) Compliance with Contractual Covenants

In May 2011, Howard's debt covenants were amended in conjunction with the 2011 Bond issuance and Multi-bank Credit Agreement execution.

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The 2011 Bond and Credit Agreement contain restrictive financial covenants as summarized in the table below as of June 30, 2012.

Covenant	Instrument	Measurement Date	Criteria
Debt Service Coverage Ratio	2011 Revenue Bonds	June 30 each year	1.10:1.00
Debt Service Coverage Ratio	Multi-bank Credit Agreement	June 30 each year	1.25:1.00
Liquidity Ratio	Multi-bank Credit Agreement	June 30 and December 31	0.35:1.00

At June 30, 2012 Howard was in compliance with the Debt Service Coverage Ratio and Liquidity Ratio.

(d) *Scheduled Bond and Note Repayments*

At June 30 the scheduled principal repayments of bonds and notes payable, including sinking fund requirements, is as follows:

Aggregate Annual Maturities	June 30, 2012	June 30, 2011	June 30, 2010
2011	\$ --	\$ --	\$ 42,471
2012	--	2,786	10,241
2013	2,444	2,349	10,195
2014	37,182	27,181	12,238
2015	569	569	4,545
2016	1,998	1,998	4,765
Thereafter	296,365	296,365	110,168
Subtotal	338,558	331,248	194,623
Bond premiums/(discounts)	(6,204)	(6,421)	3,081
Total	\$ 332,354	\$ 324,827	\$ 197,704

(e) *Interest Rate Swaps*

Howard uses variable rate debt to finance certain activities. These debt obligations expose Howard to variability in interest payments, due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense also decreases.

In April 1998, Howard entered into an interest rate swap agreement, a derivative instrument, with Bank of America, N.A., whereby Howard agreed to pay Bank of America a 6.7% fixed rate of interest on \$17,233 in exchange for the receipt of a floating interest payment based on the 30-day London Interbank Offered Rate (LIBOR) plus 75 basis points. (LIBOR at June 30, 2012 was 0.25%). This agreement is to continue in effect until March 31, 2013.

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In December 2004, Howard entered into an interest rate swap agreement, a derivative instrument with Goldman Sachs, whereby Howard agreed to pay Goldman Sachs a 3.5% fixed rate of interest on \$42,675, subject to an annual adjustment which began October 1, 2007, in exchange for the receipt of a floating interest payment based on sixty-seven percent of the 30-day LIBOR rate. This agreement, previously tied to the 2006B Bonds, was terminated in May 2011.

The gains and losses recognized under the interest rate swap agreements for fiscal years ended June 30, 2012, 2011 and 2010 were as follows:

Interest Rate Swaps	June 30, 2012	June 30, 2011	June 30, 2010
Cumulative gain (loss) at beginning of year	\$ (104)	\$ (5,582)	\$ (3,961)
Gain (loss) during the year	83	1,873	(1,621)
Extinguishment of interest rate swap	--	3,605	--
Cumulative gain (loss) at end of year	\$ (21)	\$ (104)	\$ (5,582)

In 2010, Howard was subject to margin call payments on the Goldman Sachs swap when unrealized losses exceeded \$5,000.

Note 18 Retirement Plans

Pension Plan - Howard has a noncontributory defined benefit pension plan (the Plan) available to substantially all full-time employees. In accordance with government funding regulations, Howard's policy is to make annual contributions to the Plan at least equal to the minimum contribution. Based upon years of service and other factors, the Plan's benefit formula provides that eligible retirees receive a percentage of their final annual pay, based upon years of service and other factors. Plan assets consist primarily of common equity securities, U.S. Treasury securities, corporate bonds, and private investment funds. Effective July 1, 2010 the Plan no longer accrues benefits.

Post-retirement Plan - Howard provides post-retirement medical benefits and life insurance to employees who, at the time they retire, meet specified eligibility and service requirements. Howard pays a portion of the cost of such benefits depending on various factors, including employment start date, age, years of service and either the date of actual retirement or the retirement eligibility date of the participant. The post-retirement benefit plan is unfunded and has no plan assets.

Supplemental Retirement Plan - Howard also has a supplemental retirement plan available to certain retired executives. The plan is noncontributory, unfunded and has a June 30 measurement date. The projected benefit obligation is \$2,192 at

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June 30, 2012, \$2,235 at June 30, 2011 and \$2,191 at June 30, 2010. The amounts not yet reflected in operating expenses, but included in unrestricted net assets pertain to accumulated losses of \$1,345 as of June 30, 2012, \$1,193 as of June 30, 2011 and \$1,167 as of June 30, 2010. The actuarial cost method and the assumption on discount rate used to determine the benefit obligation and net periodic cost in the actuarial valuation for the year ended June 30, 2012 are consistent with the method and assumptions used for the defined benefit pension plan.

Savings Plan – Howard supplements its pension plan by offering employees a defined contribution plan under Section 403(b) of the Internal Revenue Code. Eligible employees received a contribution of 6% of base salary and are also permitted to contribute up to 15% of their base pay to the plan. The administration of the plan is provided by three financial administrators: Teachers Insurance and Annuity Association/College Retirement Equities Fund, American International Group – Variable Annuity Life Insurance Company, and Lincoln Financial. Effective July 1, 2011 Lincoln Financial has been replaced as a financial administrator by ING Financial Advisors. These administered plans provide additional retirement benefits including the purchase of annuity contracts for eligible employees. Total costs recognized in the Statements of Activities were \$23,528, \$22,118 and \$12,402, for fiscal years ended June 30, 2012, 2011 and 2010, respectively. The fair value of plan assets for the savings plan for fiscal years ended June 30, 2012, 2011 and 2010 were \$810,202, \$812,031 and \$792,000, respectively. These investments are held by Howard on behalf of its employees and excluded from the Statements of Financial Position.

Effective July 1, 2010, the Savings Plan was modified such that Howard will automatically, upon hire, contribute 6% of any eligible employee's base pay, regardless of tenure or election into the Savings Plan. Howard will contribute a matching contribution of up to 2% of employee elected self contributions.

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Howard recognizes a plan's overfunded or underfunded status as an asset or liability, with an offsetting adjustment to unrestricted net assets. The reconciliation of the Plan's funded status to amounts recognized in the financial statements at June 30, 2012, June 30, 2011 and June 30, 2010 are as follows:

Retirement Benefits	Pension			Medical and Life Insurance			Savings Plan and Supplemental			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Change in benefit obligation:												
Projected benefit obligation at beginning of year	\$ 537,993	\$ 544,255	\$ 462,854	\$ 185,017	\$ 183,192	\$ 165,924	\$ 2,235	\$ 2,191	\$ 2,152	\$ 725,245	\$ 729,638	\$ 630,930
Service cost Interest	-	-	7,424	473	487	392	-	-	-	473	487	7,816
cost Actuarial	29,980	30,299	31,818	10,163	10,186	11,343	118	117	142	40,261	40,602	43,303
(gain)/loss Benefits	88,935	(10,140)	82,327	3,408	137	13,581	252	115	193	92,595	(9,888)	96,101
paid	(27,745)	(26,421)	(23,960)	(14,978)	(12,993)	(13,207)	(413)	(188)	(296)	(43,136)	(39,602)	(37,463)
Special termination benefits	-	-	-	-	-	181	-	-	-	-	-	181
Medicare Part D subsidy	-	-	-	420	-	-	-	-	-	420	-	-
Employee contributions	-	-	-	4,927	4,008	4,978	-	-	-	4,927	4,008	4,978
Prior service amendment	-	-	-	-	-	-	-	-	-	-	-	-
Curtailment	-	-	(16,208)	-	-	-	-	-	-	-	-	(16,208)
Projected benefit obligation at end of the period	\$ 629,163	\$ 537,993	\$ 544,255	\$ 189,430	\$ 185,017	\$ 183,192	\$ 2,192	\$ 2,235	\$ 2,191	\$ 820,785	\$ 725,245	\$ 729,638
Change in plan assets:												
Fair value of plan assets at beginning of year	463,433	410,630	389,095	-	-	-	-	-	-	463,433	410,630	389,095
Actual return on plan assets	(2,733)	79,224	45,495	-	-	-	-	-	-	(2,733)	79,224	45,495
Employer contributions	28,000	-	-	9,631	8,985	8,229	23,941	22,306	12,698	61,572	31,291	20,927
Employee contributions	-	-	-	4,927	4,008	4,978	-	-	-	4,927	4,008	4,978
Medicare Part D subsidy	-	-	-	420	-	-	-	-	-	420	-	-
Benefits paid	(27,745)	(26,421)	(23,960)	(14,978)	(12,993)	(13,207)	(413)	(188)	(296)	(43,136)	(39,602)	(37,463)
Fair value at end of the period	\$ 460,955	\$ 463,433	\$ 410,630	\$ -	\$ -	\$ -	NA	NA	NA	NA	NA	NA
Total	\$ (168,208)	\$ (74,560)	\$ (133,625)	\$ (189,430)	\$ (185,017)	\$ (183,192)	NA	NA	NA	NA	NA	NA

Components of net periodic benefit cost and other amounts recognized in unrestricted net assets at June 30, 2012, June 30, 2011 and June 30, 2010:

Retirement Benefits	Pension			Medical and Life Insurance			Savings Plan and Supplemental			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Recognized in Statements of Activities :												
Amortization of transition obligation	\$ -	\$ -	\$ -	\$ 3,774	\$ 3,774	\$ 3,774	\$ -	\$ -	\$ -	\$ 3,774	\$ 3,774	\$ 3,774
Amortization of prior service cost	-	-	3	2,137	2,253	2,254	-	-	-	2,137	2,253	2,257
Amortization of net actuarial loss	3,892	3,613	1,612	228	63	-	89	89	77	4,209	3,765	1,689
Total amortization	3,892	3,613	1,615	6,139	6,090	6,028	89	89	77	10,120	9,792	7,720
Service cost	-	-	7,424	473	487	392	23,528	22,118	12,402	24,001	22,605	20,218
Interest cost	29,980	30,299	31,818	10,163	10,186	11,343	118	118	142	40,261	40,603	43,303
Expected return on plan assets	(31,479)	(31,553)	(33,627)	-	-	-	-	-	-	(31,479)	(31,553)	(33,627)
Curtailment loss	-	-	4	-	-	-	-	-	-	-	-	4
Special termination benefit recognized	-	-	-	-	-	181	-	-	-	-	-	181
Recognized in operating expenses	\$ 2,393	\$ 2,359	\$ 7,234	\$ 16,775	\$ 16,763	\$ 17,944	\$ 23,735	\$ 22,325	\$ 12,621	\$ 42,903	\$ 41,447	\$ 37,799
Amortization of transition obligation	-	-	-	(3,774)	(3,774)	(3,774)	-	-	-	(3,774)	(3,774)	(3,774)
Amortization of prior service cost	-	-	(3)	(2,137)	(2,253)	(2,254)	-	-	-	(2,137)	(2,253)	(2,257)
Amortization of actuarial loss	(3,892)	(3,613)	(1,612)	(228)	(63)	-	(89)	(89)	(77)	(4,209)	(3,765)	(1,689)
Total amortization	(3,892)	(3,613)	(1,615)	(6,139)	(6,090)	(6,028)	(89)	(89)	(77)	(10,120)	(9,792)	(7,720)
Net actuarial (gain) loss during the year	123,166	(57,811)	54,249	3,408	137	12,896	89	115	193	126,663	(57,559)	67,338
Prior service cost arising during period	-	-	-	-	-	-	-	-	-	-	-	-
Curtailment loss	-	-	-	-	-	-	-	-	-	-	-	-
Total recognized in other changes in unrestricted net assets	\$ 119,274	\$ (61,424)	\$ 52,634	\$ (2,731)	\$ (5,953)	\$ 6,868	\$ -	\$ 26	\$ 116	\$ 116,543	\$ (67,351)	\$ 59,618
Total recognized in Statements of Activities	\$ 121,667	\$ (59,065)	\$ 59,868	\$ 14,044	\$ 10,810	\$ 24,812	\$ 23,735	\$ 22,351	\$ 12,737	\$ 159,446	\$ (25,904)	\$ 97,417

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Amounts included in unrestricted net assets at June 30, 2012, June 30, 2011 and June 30, 2010:

Retirement Benefits	Pension			Medical and Life Insurance		
	2012	2011	2010	2012	2011	2010
Net actuarial loss	\$ (277,589)	\$ (158,315)	\$ (219,739)	\$ (19,757)	\$ (16,577)	\$ (16,503)
Prior service cost	--	--	--	(39,663)	(41,800)	(44,053)
Transition obligation	--	--	--	(3,787)	(7,561)	(11,335)
Total	\$ (277,589)	\$ (158,315)	\$ (219,739)	\$ (63,207)	\$ (65,938)	\$ (71,891)

The estimated net actuarial loss, prior service cost, and transition obligation for the pension and post-retirement plans that will be accounted for as a part of net periodic benefit cost over the next fiscal year are \$8,503, \$2,084 and \$3,787, respectively. A contribution of \$28,000 was made in fiscal year 2012. A similar contribution is expected to be made in fiscal year 2013.

The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for the periods ended June 30, 2012, June 30, 2011 and June 30, 2010 were as follows:

Actuarial Assumptions	Pension Benefits			Post-retirement Benefits		
	2012	2011	2010	2012	2011	2010
Discount rate	4.29%	5.76%	5.75%	4.25%	5.69%	5.75%
Expected return on plan assets	7.50%	7.50%	7.50%	0.00%	0.00%	0.00%
Rate of compensation increase	--	--	--	3.50%	3.50%	3.50%

The weighted average assumptions used to determine net periodic cost in the actuarial valuations for the periods ended June 30, 2012, June 30, 2011 and June 30, 2010 were as follows:

Actuarial Assumptions	Pension Benefits			Post-retirement Benefits		
	2012	2011	2010	2012	2011	2010
Discount rate	5.76%	5.75%	7.10%	5.69%	5.75%	7.10%
Expected return on plan assets	7.50%	7.50%	7.50%	0.00%	0.00%	0.00%
Rate of compensation increase						
To age 35	--	--	3.50%	3.50%	3.50%	3.50%
Thereafter	--	--	3.50%	3.50%	3.50%	3.50%

The overall long-term rate of return for the pension plan assets was developed by estimating the expected long-term real return for each asset class within the portfolio. An average weighted real rate of return was computed for the portfolio which reflects the Plan's targeted asset allocation. Consideration was given to the correlation between asset classes and the anticipated real rate of return and was added to the anticipated long-term rate of inflation.

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Pension plan investments as of June 30, 2012 were as follows:

Pension Plan Investments as of June 30, 2012	Level 1	Level 2	Level 3	Total
Pension Plan Investments				
Money Market Instrument (1)	\$ 821	\$ 13,151	\$ --	\$ 13,972
Commingled Funds (3)				
Emerging market equity	--	37,839	--	37,839
US Common Stock	--	22,785	--	22,785
Common Stock (3)	103,138	--	--	103,138
Fixed Income (2)				
Asset backed	--	3,783	--	3,783
Corporate Bonds	17	1,370	--	1,387
Government Bond	45,128	--	--	45,128
Hedge Funds (4)				
Distressed Debt	--	2,298	--	2,298
Equity Long/short	--	4,488	--	4,488
Event driven	--	1,861	2,629	4,490
Inflation hedge	--	13,741	--	13,741
Multi-Global opportunities	--	3,389	--	3,389
Multi-strategy	--	23,030	1,988	25,018
Mutual Funds Investment				
Domestic common stock (3)	13,508	--	--	13,508
Emerging market equity (3)	10,198	--	--	10,198
Domestic Fixed Income (2)	53,307	--	--	53,307
Private Equity and Venture Capital (4)	--	--	93,070	93,070
Real Estate (4)	--	--	9,000	9,000
Total pension plan investments	\$ 226,117	\$ 127,735	\$ 106,687	\$ 460,539
Assets not subject to fair value reporting	1,593	--	--	1,593
Liabilities not subject to fair value	(1,176)	--	--	(1,176)
Total plan assets	\$ 226,534	\$ 127,735	\$ 106,687	\$ 460,956

Refer to Note 11 – Fair Value Measurements for explanation of financial instrument classifications.

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Pension plan investments as of June 30, 2011 were as follows:

Pension Plan Investments as of June 30, 2011	Level 1	Level 2	Level 3	Total
Pension Plan Investments				
Money Market Instrument (1)	\$ 401	\$ 11,919	\$ --	\$ 12,320
Commingled Funds				
International Equity (3)	--	42,782	--	42,782
US Common Stock (3)	--	21,965	--	21,965
Common Stock (3)	102,604	--	--	102,604
Fixed Income (2)				
Asset backed	--	8,639	--	8,639
Corporate Bonds	--	4,999	--	4,999
Government Bond	4,432	--	--	4,432
Hedge Funds (4)				
Distressed Debt	--	2,494	--	2,494
Equity Long/short	--	4,146	--	4,146
Event driven	--	2,276	2,622	4,898
Inflation hedge	--	15,671	--	15,671
Multi-Global opportunities	--	3,432	--	3,432
Multi-strategy	--	45,240	1,919	47,159
Mutual Funds Investment				
Domestic common stock (3)	17,192	--	--	17,192
Domestic Fixed Income (2)	75,773	--	--	75,773
Private Equity and Venture Capital (4)	--	--	85,327	85,327
Real Estate (4)	--	--	8,640	8,640
Total pension plan investments	\$ 200,402	\$ 163,563	\$ 98,508	\$ 462,473
Assets not subject to fair value reporting	1,386	--	--	1,386
Liabilities not subject to fair value	(426)	--	--	(426)
Total plan assets	\$ 201,362	\$ 163,563	\$ 98,508	\$ 463,433

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Pension plan investments as of June 30, 2010 were as follows:

Pension Plan Investments as of June 30, 2010	Level 1	Level 2	Level 3	Total
Pension Plan Investments Money Market				
Instrument (1) Commingled Funds- International Equity	\$ --	\$ 5,370	\$ --	\$ 5,370
Security (3)	--	37,366	--	37,366
Common Stock (3)	78,425	14,049	310	92,784
Fixed Income (2)				
Asset backed	--	9,954	232	10,186
Corporate Bonds	--	5,326	--	5,326
Government Bond	2,490	--	--	2,490
Hedge Funds (4)				
Distressed Debt	--	2,258	--	2,258
Equity Long/short	--	3,892	--	3,892
Event driven	--	2,202	2,279	4,481
Inflation hedge	--	11,980	--	11,980
Multi-Global opportunities	--	3,768	--	3,768
Multi-strategy	--	47,038	1,618	48,656
Mutual Funds Investment				
Domestic common stock (3)	11,951	--	--	11,951
Domestic Fixed Income (2)	78,064	--	--	78,064
Private Equity and Venture Capital (4)	--	--	68,392	68,392
Real Estate (4)	--	--	7,373	7,373
Total pension plan investments	\$ 170,930	\$ 143,203	\$ 80,204	\$ 394,337
Assets not subject to fair value reporting	16,681	--	--	16,681
Liabilities not subject to fair value	(388)	--	--	(388)
Total plan assets	\$ 187,223	\$ 143,203	\$ 80,204	\$ 410,630

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy previously defined, at June 30, 2012.

Changes in Level 3 for the year ended June 30, 2012	Equity – Private and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2011	\$ 85,327	\$ 4,541	\$ 8,640	\$ 98,508
Gain and Loss (Realized and Unrealized)	5,183	76	701	5,960
Purchases	14,046	--	136	14,182
Transfer out and Sales	(11,486)	--	(477)	(11,963)
Balance at June 30, 2012	\$ 93,070	\$ 4,617	\$ 9,000	\$ 106,687
Change in unrealized investments held	\$ 424	\$ 76	\$ 573	\$ 1,073

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The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy previously defined, at June 30, 2011.

Changes in Level 3 for Fiscal Year Ended June 30, 2011	Equity – Private and Venture Capital	Hedge Funds	Fixed Income	Common Stock	Real Estate	Total
Balance July 1, 2010	\$ 68,392	\$ 3,897	\$ 232	\$ 310	\$ 7,373	\$ 80,204
Gain and Loss (Realized and Unrealized)	15,950	644	(41)	--	1,113	17,666
Purchases	17,275	--	--	--	432	17,707
Transfer out and Sales	(16,290)	--	(191)	(310)	(278)	(17,069)
Balance at June 30, 2011	\$ 85,327	\$ 4,541	\$ --	\$ --	\$ 8,640	\$ 98,508

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy previously defined, at June 30, 2010.

Changes in Level 3 for Fiscal Year Ended June 30, 2010	Equity – Private and Venture Capital	Hedge Funds	Fixed Income	Common Stock	Real Estate	Total
Balance July 1, 2009	\$ 51,354	\$ --	\$ 2,034	\$ --	\$ 10,562	\$ 63,950
Gain and Loss (Realized and Unrealized)	11,301	397	(8)	--	(3,992)	7,698
Purchases	12,672	3,500	--	310	978	17,460
Transfer out and Sales	(6,935)	--	(1,794)	--	(175)	(8,904)
Balance June 30, 2010	\$ 68,392	\$ 3,897	\$ 232	\$ 310	\$ 7,373	\$ 80,204

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Pension Plan Investment Commitments – Howard’s investment commitments as of June 30, 2012, June 30, 2011 and June 30, 2010 are summarized below. Additionally, some of these investments do not have readily ascertainable market values and may be subject to withdrawal restrictions and are less liquid than Howard’s other investments.

Pension Plan Investment Commitments	June 30, 2012	June 30, 2011	June 30, 2010
Private Equity Funds	\$ 136,703	\$ 136,703	\$ 134,203
Real Estate Funds	15,000	15,000	15,000
Total financial commitment	151,703	151,703	149,203
Amounts funded	124,554	109,833	95,169
Unfunded commitment	\$ 27,149	\$ 41,870	\$ 54,034

The asset allocation of the Plan is analyzed annually to determine the need for rebalancing to maintain an allocation that is within the allowable ranges. The investment strategy is to invest in asset classes that are negatively correlated to minimize overall risk in the portfolio. Interim targets outside of the allowable ranges were set to allow for flexibility in reaching the long-term targets in the private equity and real estate categories. The actual allocation of the plan for the period ended June 30, and the allowable range is as follows:

Pension Plan Asset Allocation	June 30, 2012	June 30, 2011	June 30, 2010	Allowable Range
Mid-Large Cap U.S. Equity	18.0%	16.6%	12.3%	10-20%
Small Cap U.S. Equity	4.5%	4.8%	6.5%	0-10%
International Equity - Developed	13.1%	15.8%	14.1%	10-20%
Private Equity/Venture Capital Hedge	20.0%	16.3%	15.2%	5-15%
Funds Inflation	8.7%	13.8%	14.7%	5-10%
Hedging	7.9%	9.3%	7.7%	10-15%
Emerging Markets Equity	2.2%	0.0%	4.4%	0-10%
U.S. Core Bonds	22.6%	20.8%	13.2%	25-35%
Global Bonds	0.0%	0.0%	5.2%	0-0%
Cash and Cash Equivalents	3.0%	2.6%	6.7%	0-5%
Total	100%	100%	100%	

The trend rate for growth in health care costs, excluding dental, used in the calculation for fiscal year 2012 is 8.4%. This growth rate was assumed to decrease gradually to 4.5% in 2030 and to remain at this level thereafter. The growth rate in the trend rate dental care costs used in the calculations for fiscal year 2012 is 5.7%. The growth rate was assumed to decrease gradually to 4.5% by 2030 and to remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the obligations reported for the health care plans.

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A one-percentage change in assumed annual health care cost trend rate would change the service and interest components of retiree medical expense by approximately \$200 - \$300, and the post retirement obligation by approximately \$4,000 - \$5,000 in each year presented.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid over the next ten years as follows:

Expected Future Benefit Payments	Pension Benefits	Post-retirement Benefits		
		Excluding Subsidy	Subsidy Payments	Net of Subsidy
Year ending June 30:				
2013	\$ 37,846	\$ 12,607	\$ (646)	\$ 11,961
2014	36,929	13,194	(710)	12,484
2015	37,980	13,742	(774)	12,968
2016	38,773	13,566	(520)	13,046
2017	39,463	13,267	(203)	13,064
Years 2018-2022	201,863	63,784	(934)	62,850
Total	\$ 392,854	\$ 130,160	\$ (3,787)	\$ 126,373

Note 19 Commitments and Contingencies

(a) ***Federal Awards***

Howard receives substantial revenues from government grants, contracts, and Federal student financial assistance programs authorized by Title IV and Title VII of the Higher Education Act of 1965. Previous compliance audits have reported certain deficiencies in the administration of both the University's Title IV and Title VII programs and its federal grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government or its designees.

(b) ***Litigation and Other Claims***

During the ordinary course of business, Howard is a party to various litigation and other claims in the ordinary course of business including claims of malpractice by the Hospital and faculty physicians. It is also subject to potential future claims based on findings or accusations arising from past practices under governmental programs and regulations and tort law. In the opinion of management and Howard's general counsel, an appropriate monetary provision has been made to account for probable losses and the ultimate resolution of these matters.

(c) ***Collective Bargaining Agreements***

Howard has several collective bargaining agreements currently in effect with unions representing approximately 1,800 employees. Certain of these agreements are in negotiations and have been extended beyond the stated expiration date.

The Howard University

Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

Note 20 Related Party Transactions

(a) *Howard University Charter Middle School*

Howard University Board of Trustees founded Howard University Charter Middle School of Mathematics and Science, which operates from premises owned by Howard. For fiscal years ended June 30, 2012, 2011 and 2010, Howard has contributed to the Middle School as follows:

Related Party Transactions	June 30, 2012	June 30, 2011	June 30, 2010
Cash operating support	\$ 500	\$ 769	\$ 492
Donated computer equipment	204	231	258
Facility leased (market value)	1,009	1,009	946
Total	\$ 1,713	\$ 2,009	\$ 1,696

(b) *The Howard Dialysis Center*

Howard and American Renal Associates, LLC (ARA) entered into a joint venture to form and operate Howard University Dialysis Center LLC (LLC). The member interests of the LLC are 51% for ARA and 49% for Howard. In conjunction with the creation of the joint venture, the LLC was capitalized with \$4,590 from ARA and the LLC purchased from Howard: 1) the assets and contracts associated with the Hospital outpatient dialysis services which had a book value of \$40, 2) entered into an agreement for Howard not to compete, 3) obtained a guarantee from Howard to jointly back the LLC's debt arrangements. In May 2012, the LLC entered into a term loan to finance construction for \$1,699 and a working capital revolving loan for \$300 with ARA. The value of the initial investment in the LLC at the date of the transaction is reflected at the fair value of the LLC at the creation of the joint venture. A gain of \$9,056 has been recognized on this transaction reflecting cash received of \$4,590 and a 49% equity interest in the LLC of \$4,466. Howard will account for its interest in the LLC using the equity method which requires Howard to record a proportional share of the LLC's net income (loss) as increase (decrease) to the initial investment received (after adjusting for the LLC's fair value accounting). On March 1, 2012, the LLC commenced a lease with Howard for the current space, employees, and Medical Director associated with its Hospital outpatient dialysis services which will result in monthly rental income for Howard in addition to its proportionate share of earnings (losses) of the LLC.

The Howard University

Notes to the Financial Statements

For Fiscal Years Ended June 30, 2012, 2011 and 2010 (amounts in thousands)

As of June 30, 2012 the Statement of Financial Position for the LLC is as follows:

Howard Dialysis Center, LLC Statement of Financial Position As of June 30, 2012	Total
Total Assets	\$ 11,119
Total Liabilities	2,066
Equity	
Partner	9,000
Retained earning	53
Total Equity	9,053
ARA interest	\$ 4,617
Howard interest	\$ 4,436

Note 21 Subsequent Events

Howard performed an evaluation of subsequent events through October 29, 2012, which is the date the financial statements were issued, noting no additional events which affect the financial statements as of June 30, 2012.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Howard University
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<u>ANNUAL APPROPRIATION</u>			
DEPARTMENT OF EDUCATION			
Annual Appropriation		84.915A	234,160,624
TOTAL ANNUAL APPROPRIATION			<u>234,160,624</u>
<u>FEDERAL ENDOWMENTS</u>			
DEPARTMENT OF JUSTICE			
Constitutional Law Chair Endowment		16	4,481,173
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			<u>4,481,173</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Excellence in Health Professional Education Endowment		93.375	4,232,692
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>4,232,692</u>
DEPARTMENT OF EDUCATION			
Matching Endowment		84	110,135,973
Law School Clinical Endowment		84.998D	8,753,557
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			<u>118,889,530</u>
TOTAL FEDERAL ENDOWMENTS			<u>127,603,395</u>
<u>STUDENT FINANCIAL AID CLUSTER</u>			
DEPARTMENT OF EDUCATION			
Federal Supplemental Educational Opportunity Grants		84.007	490,067
Federal Work Study		84.033	1,578,836
Federal Perkins Loan (FPL) Federal Capital Contribution		84.038	66,633
Federal Pell Grant Program		84.063	13,827,449
Federal Direct Loans		84.268	174,173,601
Teacher Education Assistance for College and Higher Education Grants (TEACH)		84.379	54,000
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			<u>190,190,586</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Scholarship for Disadvantaged Students		93.925	829,610
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>829,610</u>
TOTAL FOR THE STUDENT FINANCIAL AID CLUSTER			<u>191,020,196</u>

The Howard University
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<u>TRIO CLUSTER</u>			
DEPARTMENT OF EDUCATION			
TRIO - Student Support Service		84.042	348,566
McNair Post - Baccalaureate Achievement		84.217	203,533
Office of Postsecondary Education			
Upward Bound Program		84.047A	411,833
Upward Bound Program		84.047A	78,729
Upward Bound Program Math and Science		84.047	278,348
Subtotal for the Office of Postsecondary Education			<u>768,910</u>
TOTAL FOR THE TRIO CLUSTER			<u>1,321,009</u>
 <u>RESEARCH AND DEVELOPMENT CLUSTER</u>			
<i>Direct Research and Development Awards</i>			
DEPARTMENT OF AGRICULTURE			
Collaborative Archaeology		10	21,800
SUBTOTAL FOR THE DEPARTMENT OF AGRICULTURE			<u>21,800</u>
DEPARTMENT OF COMMERCE			
Nanometrology Green Electronics for Research and Education		11.609	62,318
National Oceanic and Atmospheric Administration			
NOAA Center for Atmospheric Sciences at Howard University		11.481	1,308,719
NOAA Center for Atmospheric Sciences at Howard University		11.481	1,140,844
NOAA Center for Atmospheric Sciences at Howard University		11.481	93,742
NOAA Center for Atmospheric Sciences at Howard University		11.481	35
Subtotal for the National Oceanic and Atmospheric Administration			<u>2,543,340</u>
SUBTOTAL FOR THE DEPARTMENT OF COMMERCE			<u>2,605,658</u>
DEPARTMENT OF DEFENSE			
Modeling and Analysis of Rocket Plumerf - Line Emissions		12	37,479
Howard University C41 Language Engineering for Army Research (HUCLEAR)		12.630	51,174
Ag-Si Nanocomposite Films for Infrared and Photovoltaic Applications		12.800	718
US Army Medical Command			
A Partnership Training Program: Studying Targeted Drug Delivery Using Nanoparticles in Breast Cancer Diagnosis and Therapy		12.420	205,703
Breast Cancer Protein Markers in African Americans		12.420	101,745
Global Epigenetic Changes May Underlie Ethnic Differences and Susceptibility to Prostate Cancer		12.420	104,371
Analysis of Serine Protease Inhibitor Kazal Type 1 (SPINK1) in Prostate Cancer in African American Men		12.420	31,453
Subtotal for the US Army Medical Command			<u>443,272</u>

The Howard University
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
US Army Materiel Command			
Extracting Social Meaning From Linguistic Structures in African Languages		12.431	391,558
Microstructure-Sensitive Fatigue Design of Notched Components		12.431	244,339
Bayesian Imaging and Advanced Signal Processing for Landmine and IED Detection		12.431	222,126
Dynamic Failure of Aluminum-Based and Polymer Matrix Composites at High Strain Rates		12.431	123,825
Ultrafine Nanostructured Composites for Energy Applications		12.431	98,474
Probing of Fast Chemical Dynamics at High Pressures and Temperature Using Pulsed Laser Techniques		12.431	92,283
Analysis of Risk Information Derived from Geospatial Data		12.431	43,403
Subtotal for the US Army Materiel Command			1,216,008
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			1,748,651
DEPARTMENT OF THE INTERIOR			
African Burial Ground		15.904	4,345
SUBTOTAL FOR THE DEPARTMENT OF THE INTERIOR			4,345
DEPARTMENT OF TRANSPORTATION			
Identity Management for Interoperable PTC Systems in Bandwidth-Limited Environments		20.313	361,308
The Dwight David Eisenhower Transportation Fellowship Program 2011 Eisenhower Summer Exchange Fellowship		20.762	4,186
SUBTOTAL FOR THE DEPARTMENT OF TRANSPORTATION			365,494
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Howard University Beltsville Center for Climate System Observation		43.AAA	1,140,614
A Multi-Year Direct Detection Doppler Lidar Tropospheric Wind Measurement Program to Assess Instrument Performance in a Wide Variety of Atmospheric Conditions		43.002	55,537
Science			
NFR/Research Opportunities in Space and Earth Sciences - 2007 (ROSES 2007)		43.001	112,800
Lidar Support, Analysis and Collaboration Studies Using Raman Lidar		43.001	14,655
GSFC/Howard University Fellowship in Atmospheric Science		43.001	1,910
Subtotal for the Science			129,365
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			1,325,516
NATIONAL ENDOWMENT FOR THE HUMANITIES			
NEH Challenge Grants		45.130	57,032
SUBTOTAL FOR THE NATIONAL ENDOWMENT FOR THE HUMANITIES			57,032
NATIONAL SCIENCE FOUNDATION			
URM: Howard University Environment Biology Scholars		47.074	187,386
SBES Alliance Collaborative Research: Atlantic Coast		47.075	166,382
Howard University - Karolinska		47.079	4,870
Socially Relevant Computing		47.080	8,575

The Howard University
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
Engineering Grants			
Efficient Operation and Control of Power System Networks with Increased DG Penetration		47.041	126,361
Collaborative Research: PSERC: Collaborative Proposal for Phase III Industry University Cooperative Research Center Program		47.041	68,957
Collaborative Research: EAGER: Evaluation Methodology for Sustainability and Resiliency of Complex Networks		47.041	43,375
Workshop: Sustainable Energy		47.041	23,815
Partnership for Reduced Dimensional Materials		47.041	20,000
A Pre-College for Engineering Systems (PCES) Outreach Program		47.041	6,018
Collaborative Research: Nitrate (NO3) Induced Nighttime Air Chemistry		47.041	2,809
Subtotal for the Engineering Grants			291,335
Mathematical and Physical Sciences			
HU/JHU/PGCC - Partnership for Research and Education in Materials		47.049	339,319
MRI: Acquisition of an Electrospray Mass Spectrometer for Chemical Research and Training		47.049	216,039
Collaborative Research Carbon Nanohorns: Adsorption Kinetic and Equilibrium Experiments and Simulations		47.049	112,583
ARRA - Algebra in Stone - Cech Compactifications and its Combinatorial Applications		47.082	76,104
2012 Dr. David Blackwell Memorial Conference		47.049	11,540
Subtotal for the Mathematical and Physical Sciences			755,585
Geosciences			
Collaborative Research: Understanding Continental/Oceanic Transition of Meoscale Convective Systems and Tropical Cyclogenesis during the African Multidisciplinary Analysis		47.050	118,815
Local, National, and International Research Field Experiences in the Atmospheric Sciences for Underrepresented Groups		47.050	107,066
Understanding Northern Hemisphere (NH) Summer Season Tropospheric Ozone Variability Across the Northern Tropical Atlantic Through Focused Upstream/Downstream Campaigns		47.050	49,837
Fossil Sirenians from Mexico and Puerto Rico		47.050	10,215
Careers (Channeling Atmospheric Research into Educational Experiences Researching Students)		47.050	9,349
Collaborative Research: Evolutionary History of Holarctic and Ethiopian Horses		47.050	6,968
Troposphere OZO & Aerosols Over East Tropic Atlantic & W Africa During Summer 06/Winter 07		47.050	1,991
Collaborative Proposal: Track 1 Increasing Diversity in the Geosciences through Experimental Learning		47.050	1,714
EAGER: Evolutionary History and Paleoecology of the Last Old World Hipparion Superlineage		47.050	566
Subtotal for the Geosciences			306,521
Computer and Information Science and Engineering			
Career: A Complete System for Protein Identification With Computational Approaches		47.070	130,048
XPLR: Scheduling and Routing in Pigeon Networks		47.070	78,743
Subtotal for the Computer and Information Science and Engineering			208,791

The Howard University
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
Education and Human Resources			
Crest Nanoscale Analytical Sciences Research and Education Center		47.076	1,062,876
LSAMP - Washington Baltimore Hampton Roads Alliance		47.076	772,502
HBCU Grant Writing Outreach		47.076	301,644
Global Education Awareness and Research Undergraduate Program		47.076	165,139
Howard University Science, Engineering and Mathematics Program		47.076	160,368
Education Research Grant - Understanding the Persistence of African American Male Engineering Students at HBCUs		47.076	155,170
Collaborative Proposal: Pathways of Blacks and Hispanics in Engineering Education		47.076	154,661
What Works in Producing African - American Science & Math Teachers at Black Colleges and Universities		47.076	145,653
Plant Science as Stem Education at HBCU		47.076	141,340
Graduating Engineers in the US: Genius Scholarship Program		47.076	91,000
Education Research Grant: Examining the Post - Baccalaureate Decisions on Stem Students		47.076	76,316
Graduate Research Fellowship		47.076	72,316
Collaborative Research: Expanding and Sustaining Research Capacity in Engineering and Technology Education		47.076	35,929
CCLI Phase 1: Increasing Student Design-Build Experience		47.076	18,491
Howard/UTEP Alliance for Graduate Education and the Professoriate (AGEP) Program		47.076	333
Baltimore Washington Alliance AGEP Planning Grant		47.076	74
Subtotal for the Education and Human Resources			<u>3,353,812</u>
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			<u>5,283,257</u>
ENVIRONMENTAL PROTECTION AGENCY			
A Study of Airborne Bacterial Diversity in Washington		66.513	1,906
SUBTOTAL FOR THE ENVIRONMENTAL PROTECTION AGENCY			<u>1,906</u>
NUCLEAR REGULATORY COMMISSION			
Development of a New Course on Nuclear Power with Emphasis on Safety Critical Application in Digital Instrumentation and Control		77.006	114,954
Develop and Conduct Teaching Workshops for Faculty at HBCUs/MIs in Nuclear Engineering and Health Physics		77.006	2,000
SUBTOTAL FOR THE NUCLEAR REGULATORY COMMISSION			<u>116,954</u>
DEPARTMENT OF ENERGY			
Utilization of Renewable Energy to Meet New National Challenges in Energy and Climate Change		81.087	32,663
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			<u>32,663</u>

The Howard University
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Role of Donor Genetics and Recipient Genetics in Kidney Transplant Outcomes		93	3,450
Early Disease Biomarkers of PCB-Exposed Human Population		93.113	101,454
Surface Initiated Polymerization		93.121	79,543
Center for Minority Health Services Research		93.226	127,960
Methylation Profiling and Risk of Colorectal Cancer		93.394	42,824
Talking Fotonovelas to Improve Health Knowledge, Attitudes and Practices Among Community Dwelling Older African Americans		93.779	74,314
Fine Mapping and Positional Cloning of Diabetes Genes		93.847	1,122
Phosphorylation of CDK9 by CDK2 in HIV-1 Replication		93.855	28,744
National Institutes of Health			
<i>Mental Health Research Grants</i>			
Using Olfactory Epithelial Tissue to Define Molecular Mediators of Lithium Action		93.242	434,099
Behavioral and Psychological Determinants of Behavior		93.242	168,619
Behavioral and Psychological Determinants of Behavior		93.242	158,650
Genetics of Early-onset Depression		93.242	91,629
Sleep and Processing Traumatic Memory		93.242	40,971
Behavioral and Psychological Determinants of Behavior		93.242	274
<i>Subtotal for the Mental Health Research Grants</i>			894,242
<i>Alcohol Research Programs</i>			
Efficacy of Novel Triple Uptake Inhibitors in Treating Alcoholism and Depression		93.273	129,035
Mechanism of Alcohol Induced Cardiomyopathy		93.273	56,561
Biological Determinants of Alcohol Action in Minorities		93.273	46,118
Developing Capacity for Biomedical Signal Processing and Integration of Cognitive and Behavioral Function Data in a Candidate Gene Study of Neurobehavioral Response to Alcohol Challenge at HU		93.273	19,228
<i>Subtotal for the Alcohol Research Programs</i>			250,942
<i>Drug Abuse and Addiction Research Programs</i>			
The Role of Orexin in the Co-Occurrence of Binge Eating and Drug Addiction		93.279	106,174
Research Training in the Prevention of Drug Abuse and AIDS in Communities of Color		93.279	73,241
Violence, Drug Use & AIDS in South African Youth: A U.S./South Africa Research Collaboration		93.279	71,028
Research Training in the Prevention of Drug Abuse and AIDS in Communities of Color		93.279	4,723
Research Training in the Prevention of Drug Abuse and AIDS in Communities of Color		93.279	1,385
<i>Subtotal for the Drug Abuse and Addiction Research Programs</i>			256,551
<i>Minority Health and Health Disparities Research</i>			
Loan Repayment for Health Disparities Research		93.307	1,052,606
DC-Baltimore Center to Improve Child Health Disparities		93.307	265,603
Scientific Conference R13		93.307	38,054
Minority Research Enhancement Through International Exchange		93.307	28,642
<i>Subtotal for the Minority Health and Health Disparities Research</i>			1,384,905

The Howard University
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<i>Trans-NIH Research Support</i>			
Research Training in the Prevention of Drug Abuse and AIDS in Communities of Color		93.310	211,385
Research Training in the Prevention of Drug Abuse and AIDS in Communities of Color		93.310	53,563
<i>Subtotal for the Trans-NIH Research Support</i>			264,948
<i>National Center for Research Resources</i>			
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.389	456,821
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.389	219,409
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.389	163,004
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.389	167,911
Computational Bioinformatics, Imaging and Proteomics - RCMI		93.389	60,250
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.389	96,674
Computational Bioinformatics, Imaging and Proteomics - RCMI		93.389	62,618
Computational Bioinformatics, Imaging and Proteomics - RCMI		93.389	2,870
Computational Biology, Bioinformatics, Imaging and Proteomics Research - RCMI		93.389	7,391
Biomedical Imaging and Molecular Structural Studies - RCMI		93.389	3,369
Biomedical Imaging and Molecular Structural Studies - RCMI		93.389	1,114
Biomedical Imaging and Molecular Structural Studies - RCMI		93.389	821
<i>Subtotal for the National Center for Research Resources</i>			1,242,252
<i>Cancer Centers Support Grants</i>			
Howard University Cancer Center - Johns Hopkins Cancer Center Partnership		93.397	723,063
HU/JHU Head and Neck Cancer Translational Research and Educational Programs		93.397	37,634
Howard/Hopkins Cancer Center Partnership		93.397	31,618
<i>Subtotal for the Cancer Centers Support Grants</i>			792,315
<i>Trans-NIH Recovery Act Research Support</i>			
ARRA - Effects of Standardized Aerobic Exercise - Training on Neurocognitive and Neurodege		93.701	331,325
ARRA - Howard University Cancer Center/Johns Hopkins Cancer Center Partnership		93.701	256,822
ARRA - Characterization and Engineering of Fused Chorismate UTI		93.701	47,514
ARRA - A Role for Glycosphingolipids in Regulatory Mechanisms		93.701	15,633
ARRA - Regulation of HIV-1 Transcription by CDK2-Supplement		93.701	15,005
ARRA - The Howard University Score Program - Administrative Supplement		93.701	2,696
ARRA - The Howard University Score Program-Administrative Supplement		93.701	199
<i>Subtotal for the Trans-NIH Recovery Act Research Support</i>			669,194
<i>Cardiovascular Diseases Research</i>			
Nocturnal Blood Pressure and Post Traumatic Stress Disorder		93.837	573,195
Howard University Research Scientist Award		93.837	107,503
NHLBI Research Center at Howard University		93.837	97,329
The Role of PPAR - Alpha During Angiotensin II Hypertension		93.837	118,182
Pediatric Hydroxyurea Phase III Clinical Trial		93.837	43,921
<i>Subtotal for the Cardiovascular Diseases Research</i>			940,130

The Howard University
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<i>Blood Diseases and Resources Research</i>			
Washington Area Comprehensive Sickle Cell Center		93.839	382,409
Pulmonary Hypertension and the Hypoxic Response in SCD		93.839	102,012
Phase II/III Trial of Sildenafil for Sickle Cell Disease		93.839	33,257
Washington Area Basic and Translation Research Program in Sickle Cell Disease		93.839	14,616
Effect of Iron Chelators on HIV-1 Transcription		93.839	10,090
<i>Subtotal for the Blood Diseases and Resources Research</i>			<u>542,384</u>
<i>Extramural Research Programs in the Neurosciences and Neurological Disorders</i>			
Central Autonomic Control - Aging and Oxidative Stress		93.853	152,223
RCMIA Role for Glycosphingolipids in Regulatory Mechanisms		93.853	97,232
<i>Subtotal for the Extramural Research Programs in the Neurosciences and Neurological Disorders</i>			<u>249,455</u>
<i>Biomedical Research and Research Training</i>			
Regulation of HIV-1 Transcription by CDK2		93.859	272,812
Molecular Analyses of RECQ1 Functions in Genome		93.859	229,222
The Howard University Score Program		93.859	145,816
The Howard University Score Program		93.859	117,522
The Howard University Score Program		93.859	97,812
The Howard University Score Program		93.859	90,112
The Howard University Score Program		93.859	72,606
Characterization and Engineering of Fused Chorismate Utilizing Enzymes		93.859	50,567
Molecular Analyses of RecQ1 Functions in Genome Maintenance		93.859	40,545
The Howard University Score Program		93.859	35,559
The Howard University Score Program		93.859	31,177
Biodegradable Polymeric Nanosphere Drug Delivery System for Cancer Chemotherapy		93.859	31,109
The Howard University Score Program		93.859	22,659
Mass Spectrometry of Proteome, Phosphoproteome and Phosphatase-targeted drug design		93.859	13,057
The Howard University Score Program		93.859	3,822
The Howard University Score Program		93.859	2,317
<i>Subtotal for the Biomedical Research and Research Training</i>			<u>1,256,714</u>
Subtotal for National Institutes of Health			<u>8,744,032</u>
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>9,203,443</u>
DEPARTMENT OF HOMELAND SECURITY			
The Graduating Engineers in the U.S. (GENIUS) Research Program: Infusing DHS Research into Undergraduate Education at Howard University		97.062	24,311
SUBTOTAL FOR THE DEPARTMENT OF HOMELAND SECURITY			<u>24,311</u>
<i>Subtotal for the Direct Research and Development Awards</i>			<u>20,791,030</u>

The Howard University
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<i>Federal Pass-Through Research and Development Awards</i>			
DEPARTMENT OF COMMERCE			
Implementation of the GCOS Reference Upper Air Network (University of Maryland at College Park)		11.440	37,093
SUBTOTAL FOR THE DEPARTMENT OF COMMERCE			37,093
DEPARTMENT OF DEFENSE			
An Investigation of the Structure-Property Relationship (Massachusetts Institute of Technology)	W911NF-07-D-004-0009	12	91,500
Micro-burner Based Flame Ionization Detectors for Micro Scale Gas Chromatographs (Cbana Labs, Inc.)	W911NF-10-C-0002	12	5,578
What Works in Producing African-American Science and Math Teachers at HBCUs (Thurgood Marshall College Fund)	TMC10000	12	367
Joint High Speed Vessel Mission Bay Flow Field Characterization (The Pennsylvania State University)	N0024-02-D-6604	12.107	81,773
Emerging Technologies Intelligence (Virginia Polytechnic Institute and State University)	425937-19782	12.630	220,778
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			399,996
DEPARTMENT OF JUSTICE			
Mobile Crime Scene Development and Demonstration Project Phase II (Delaware State University)	2010-D1-BX-K002	16.710	12,820
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			12,820
DEPARTMENT OF TRANSPORTATION			
Development of a PTC Security (ARINC)	DTFR5310C00006	20.313	58,560
SUBTOTAL FOR THE DEPARTMENT OF TRANSPORTATION			58,560
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Microphysical Observation in Support of the Genesis and Rapid Intensification Processes (University Corporation for Atmospheric Research)	NNX09AW04G	43.000	24,594
DC Space Grant Consortium (American University)	1154-Howard-11	43.001	20,154
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			44,748
NATIONAL SCIENCE FOUNDATION			
Computational Sustainability (Cornell University)	55633-8791	47.047	24,291
Materials Research Science and Engineering Center on Polymer (University of Massachusetts)	09-005233D00	47.049	67,272
Partnership for International Research and Education in Cognitive, Computational and Systems Neuroscience (Georgetown University)	RX 4235-404-HU	47.079	417,280

The Howard University
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
Engineering Grants			
NNIN National Nanotechnology Infrastructure Network (Cornell University)	44771-7480	47.041	1,033,668
NEESR-CR: Full-Scale Structural and Nonstructural Building System performance (University of California San Diego)	10302047	47.041	66,626
NSF Engineering Research Center for Smart Lighting (Rensselaer Polytechnic Institute)	EEC-0812056	47.041	52,714
NSF SBIR Phase IIA Award (Pixelligent Technologies, LLC)	724417	47.041	60,378
NEESR-CR - Innovative Seismic Retrofits for Resilient Reinforced Concrete Buildings (Georgia Institute of Technology)	CMM1-1041607 R8134G1	47.041	41,785
RET Site: National Nanotechnology Infrastructure Network RET Program (Georgia Institute of Technology)	R0848-G	47.041	25,000
Mini Wave Flume - Operation and Maintenance at Howard University (Purdue University)	CMMI-0927178	47.041	14,519
Subtotal for the Engineering Grants			1,294,690
Computer and Information Science and Engineering			
Emerging Frontiers of the Science of Information (Purdue University)	0939370-CCF	47.070	122,504
A Systems Biology Approach for the Fusion of Data Between Multiple 'Omics Platforms and the Conversation of Minimal Information for Utility (The Johns Hopkins University Applied Physics Laboratory)	101970	47.070	40,955
Subtotal for the Computer and Information Science and Engineering			163,459
Biological Sciences			
Center for the Environmental Implications of Nanotechnology (Duke University)	09-NSF-1051	47.074	160,582
Center for the Environmental Implications of Nanotechnology (Duke University)	EF-0830093	47.074	100,056
Subtotal for the Biological Sciences			260,638
Social, Behavioral, and Economic Sciences			
The National Professional and Research Ethics Portal (University of Illinois)	2010-06855-02	47.075	11,464
What is a Better Prediction System: Combining Statistical and Economic Metrics of Prediction Quality (The Pennsylvania State University)	3612-HU-NSF-9413	47.075	7,020
Subtotal for the Social, Behavioral, and Economic Sciences			18,484
Education and Human Resources			
IGERT: Educating and the Interface: Nanomaterial Environmental Impacts and Policy (Carnegie Mellon University)	DGE-0966227	47.076	99,025
Dynamics of Behavior Shifts in Human Evolution (George Washington University)	DGE-0801634	47.076	91,169
The CIRTL Network - Shaping, Connecting and Supporting the Future National Stem Faculty (University of Wisconsin)	X496241	47.076	64,197
Mobile Environments to Enhance Stem Education (Rensselaer Polytechnic Institute)	B10536	47.076	4,651
Subtotal for the Education and Human Resources			259,042
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			2,505,156
ENVIRONMENTAL PROTECTION AGENCY			
Nannie Helen Burroughs Green Highways Water (District of Columbia - District Department of Transportation)	PO372935	66.463	58,304
SUBTOTAL FOR THE ENVIRONMENTAL PROTECTION AGENCY			58,304

The Howard University
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Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
DEPARTMENT OF ENERGY			
Consortium Risk Evaluation with Stakeholder Participation III (Vanderbilt University)	19067-S1	81	93,862
ARRA - A Nation-Wide Consortium of Universities to Revitalize Electric Power Engineering Education by State-of-the-Art Laboratories (University of Minnesota)	DE-OE0000427	81.122	15,378
Office of Science Financial Assistance Program			
In-Situ Neutrib Scattering Determination of #D Phase-Morphology Correlations in Fullerene-Block Copolymer Systems (University of Akron)	DE-SC0005364	81.049	61,680
Superstrings and Quantum Superfields		81.049	45,939
Subtotal for the Office of Science Financial Assistance Program			107,619
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			216,859
DEPARTMENT OF EDUCATION			
Parent Involvement - Exploration of Effective Intervention to Improve Math (District of Columbia - State Education Office)	MCS102700	84.031	47
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			47
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TLC - PLUS: A Study to Evaluate the Feasibility of an Enhanced Test link to Care Plus Treatment for IV Prevention in the US Hospital and Care Site (Family Health International)	FCO-0080.0119/948	93	82,556
Expressions of MHC Class 1 Molecules and Complement Proteins in Two Distinct Regions of Postmortem Brain Patients with Schizophrenia (Johns Hopkins University)	JHU-PO#2000818533	93	8,030
Evaluation of Technologies to Control Odor and Corrosion in DCWASA's Sewer System (District of Columbia Water and Sewer Authority)	110832	93.007	34,559
Risk Evaluation and Education for Alzheimer's Disease (REVEAL IV) (Boston University)	2R01HG002213-10	93.172	23,447
Discrimination, Health Care attitudes and HIV Pilot Study to Assess the Impact of Yoga and Medicine (Charles Drew University)	10-11-KN-G007RN00NF	93.5-U54-RR022762-04	17,400
DC City-Wide Patient Navigator Network (George Washington University)	GWCI-CPN-2010-10-M47	93.397	87,272
Mechanism of Meditation in Hypertension in Blacks (Maharishi University)	1R01HL083944-01	93.837	113,323
New Approaches for Empowering Studies of Asthma in Populations of African Descent (Johns Hopkins University)	2001443920	93.838	7,268
African American Rheumatoid Arthritis Network (AARAN) (University of Alabama at Birmingham)	UAB-HU-2011	93.846	1,196
School Base Health Center - HUH Colts Wellness Center at Coolidge HS (District of Columbia Department of Health)	TCTH3/3109	93.847	325,992
Treatment of Preserved Cardiac Heart Failure With an Aldosterone Antagonist (TOPCAT) (New England Research Institutes)	1783	93.853	3,199
National Institutes of Health			
<i>Alcohol Research Programs</i>			
Novel Methods to Study Substance Use in College Students (University of Connecticut)	070632	93.273	81,794
Reducing Alcohol-Related HIV Risks in African American Females (Emory University)	5RO1AA018095-02	93.273	7,582
<i>Subtotal for the Alcohol Research Programs</i>			89,376

The Howard University
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Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<i>Allergy, Immunology and Transplantation Research</i>			
The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	11-MS7R	93.855	148,000
The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	11-M56R	93.855	117,737
The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	10-M27	93.855	6,652
<i>Subtotal for the Allergy, Immunology and Transplantation Research</i>			272,389
<i>Drug Abuse and Addiction Research Programs</i>			
Cocaine Use Reduction with Buprenorphine (Johns Hopkins University)	2001399166	93.279	247,912
HIV, Buprenorphine, and the Criminal Justice System (Yale University)	A08167 (M11A11068)	93.279	106,035
<i>Subtotal for the Drug Abuse and Addiction Research Programs</i>			353,947
<i>National Institutes of Health Loan Repayment Program for Clinical Researchers</i>			
District of Columbia Program for AIDS Progress (SAIC - Frederick, Inc.)	12XS339	93.280	104,863
District of Columbia Program for AIDS Progress (SAIC - Frederick, Inc.)	2970139S	93.280	3,418
<i>Subtotal for the National Institutes of Health Loan Repayment Program for Clinical Researchers</i>			108,281
<i>Minority Health and Health Disparities Research</i>			
RIMI: UDC and the McFarland Institute Teaming Agreement (University of District of Columbia)	GF-4136F90600	93.307	81,982
Low-Cost, Noninvasive Liver Iron Measurements in African American Iron Overload (Insight Magnetics)	INSMG56000	93.307	52,257
<i>Subtotal for the Minority Health and Health Disparities Research</i>			134,239
<i>National Center for Research Resources</i>			
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	ADV-RX4002-006-HU-PC	93.389	852,286
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	1UL1RR031975-01	93.389	174,093
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	RX4002-005-HU-CE	93.389	161,462
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	ADV-RX 4002-001-HU	93.389	194,382
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	ADV	93.389	102,642
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	ADV RX4002-12-HU-K12	93.389	129,274
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	RX4002-009-HU-PCSP	93.389	58,236
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	1UL1RR031975-01	93.389	51,086
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	ADV	93.389	46,778
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	ADV RX4002-011-HU-EV	93.389	45,198

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Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
Drew RCMI Research Transitional Network (RTRN) - Ultrastructural Immunohistochemical and Biochemical Analyses of Small Leiomyomas (Charles Drew University)	10-11-KN-G007RN00-HU	93.389	44,534
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	ADV-RX4002-009-HU-PC	93.389	41,129
Develop Bioresorbable Nanocomposites for Bone Fixation (Charles Drew University)	11-12-KN-G007RN00-HU-TW	93.389	40,041
Howard University Research Translation Research Network (RTRN) (Charles Drew University)	10-110KN-007RN00-HU	93.389	34,784
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	RX4002-003-HU-DB	93.389	32,868
Drew RCMI Research Transitional Network (RTRN) (Charles Drew University)	11-12-KN-G007RN00-HU	93.389	31,691
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	1ULIRR031975-01	93.389	29,930
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	1ULIRR031975-01	93.389	25,390
Summer Program for Women in Mathematics at George Washington University (George Washington University)	10-S14	93.389	24,074
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	1ULIRR031975-01	93.389	19,532
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	1ULIRR031975-01	93.389	18,464
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	1ULIRR031975-01	93.389	16,719
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	1ULIRR031975-01	93.389	13,477
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	1ULIRR031975-01	93.389	12,413
Drew RCMI Research Transitional Network (RTRN) (Charles Drew University)	10-11-KN-G007RNP3-HU	93.389	11,949
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	1ULIRR031975-01	93.389	10,260
Georgetown-Howard Universities Center for Clinical and Translational Science (Georgetown University)	1ULIRR031975-01	93.389	7,411
Clinical and Translational Science Institute at Children's National (Children's Research Institute)	248812-01	93.389	5,937
<i>Subtotal for the National Center for Research Resources</i>			2,236,040
<i>Trans-NIH Recovery Act Research Support</i>			
ARRA - Respect, Trust and Patient Outcomes in Sickle Cell Disease (Johns Hopkins University)	1R01HL088511-01A1	93.701	207,928
ARRA - Multifunctional Targeted Imaging Therapeutic Nanoparticles for Head and Neck Cancer Early Diagnosis and Treatment (Charles Drew University)	10-11-KN-GR020000-HU	93.701	15,988
ARRA- RTRN Community Engagement Supplement (Charles Drew University)	10-11-KN-GR021000HU-WS	93.701	2,447
ARRA - HTS for Discovery of Novel Anti-Trypanosomal Agents (The University of Texas at El Paso)	26-3511-00-63	93.701	1,934
<i>Subtotal for the Trans-NIH Recovery Act Research Support</i>			228,297

The Howard University
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Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<i>Aging Research</i>			
PACTTE: Partnership for Anemia: Clinical and Translational Trials in the Elderly (Duke University)	6H4AHA00060-09-01	93.866	42,581
Alzheimer's Disease Neuroimaging Initiative - Execution Phase (University of California, San Diego)	109-00-ADNI	93.866	43,646
<i>Subtotal for the Aging Research</i>			86,227
Subtotal for the National Institutes of Health			3,508,796
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			4,213,038
DEPARTMENT OF HOMELAND SECURITY			
Center of Excellence for Command, Control and Interoperability (Rutgers University)	3867	97.061	41,476
An Examination of Resilience and Role Conflict Among First Responders in the Midst of Crisis (Johns Hopkins University)	101970	97.061	60,358
A Web-Based Application for Estimation of Personal Vulnerability in Disasters (University of Southern California)	160007	97.061	22,075
Assessing Vulnerable and Resilience of Households in Disaster Prone Areas (University of Southern California)	151348	97.061	44,970
SUBTOTAL FOR THE DEPARTMENT OF HOMELAND SECURITY			168,879
<i>Subtotal for the Federal Pass-Through Research and Development Awards</i>			7,715,500
TOTAL FOR THE RESEARCH AND DEVELOPMENT CLUSTER			28,506,530
<u>WORKFORCE INVESTMENT ACT YOUTH ACTIVITY CLUSTER</u>			
DEPARTMENT OF LABOR			
Workforce Development		17.DCCF-2011-A-0042	15,041
Howard University Learning Academy		17.259	261
TOTAL FOR THE WORKFORCE INVESTMENT ACT YOUTH ACTIVITY CLUSTER			15,302
<u>AGING CLUSTER</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
DC Office on Aging Senior Services Network Continuing Professional Development (District of Columbia Office of Aging)	HOW 016-11	93.044	37,535
Senior Services Network Staff Development and Training FY 2010 (District of Columbia Office of Aging)	HOW-016-10	93.044	582
TOTAL FOR THE AGING CLUSTER			38,117

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Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<u>CHILD CARE AND DEVELOPMENT FUND</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pre-Kindergarten Enhancement a (District of Columbia State Education Office)	ECE-GD-11-0006-R1	93.575	540,319
Pre-Kindergarten Enhancement and Expansion Program (District of Columbia State Education Office)	ECE-GD-11-0006	93.596	287,642
TOTAL FOR THE CHILD CARE AND DEVELOPMENT FUND CLUSTER			827,961
<u>HEAD START</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
ARRA - Evaluation of Mentor-Teacher Pre-Kindergarten Program (United Planning Organization)		93.708	79,582
TOTAL FOR THE HEAD START CLUSTER			79,582
<u>INDIVIDUALS WITH DISABILITIES EDUCATION ACT CLUSTER</u>			
DEPARTMENT OF EDUCATION			
DC Pre-Kindergarten Incentive Program First Year Implementation (District of Columbia Department of Health)	JA-OECD-06-0063	84.181	1,211
TOTAL FOR THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT CLUSTER			1,211
<u>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</u>			
DEPARTMENT OF TRANSPORTATION			
Research Support and Administration (District of Columbia Department of Transportation)	DCKA-2011-R-0143	20.205	293,021
Traffic Data Center at Howard University (District of Columbia Department of Transportation)	PO338709	20.205	169,467
Support DDOT's Research Program (District of Columbia Department of Transportation)	DCKA-2008R-0129	20.205	137,796
2011 Internship Program (District of Columbia Department of Transportation)	DCKA-2008-R-0129	20.205	88,472
Document Management System - Phase 2 (District of Columbia Department of Transportation)	DCKA-2011-R-0143	20.205	86,023
Inventory and Evaluation of Transportation Historical Records (District of Columbia Department of Transportation)	DCKA-2008-R-0129	20.205	82,264
Inventory and Evaluation of Transportation Library Records - Phase 2 (District of Columbia Department of Transportation)	PO382864	20.205	71,718
Management for a Document Management System (District of Columbia Department of Transportation)	DCKA-2008-R-0129	20.205	67,190

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Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
Development of Crash Modification Factors for DC (District of Columbia Department of Transportation)	PO385461-Task/O#9-DC	20.205	64,697
Research Administrative Program Support (District of Columbia Department of Transportation)	DCKA-2008R-0129	20.205	56,387
Development Review Project Management (District of Columbia Department of Transportation)	PO385588-Task/O#1-DC	20.205	47,990
Development of DDOT Policy Toolbox - Phase 2 (District of Columbia Department of Transportation)	DCKA-2011-R-0143	20.205	46,715
Howard University Traffic Data Center (District of Columbia Department of Transportation)	PO338709	20.205	38,590
2012 Internship Program (District of Columbia Department of Transportation)	DCKA-2011-R-0143	20.205	36,796
Performance Measures of National Highway Systems in the District of Columbia (District of Columbia Department of Transportation)	PO332451	20.205	28,244
Development of Policy Toolbox for DDOT (DC - District Department of Transportation)	DCKA-2008-R-1029	20.205	27,768
2012 Summer Transportation Institute (District of Columbia Department of Transportation)	DCKA-2011-R-0143	20.205	23,198
2011 Summer Transportation Institute Program (District of Columbia Department of Transportation)	DCKA-2008-R-0129	20.205	23,035
Impact of Traffic Enforcement on Drivers, Pedestrians and Bicycles in DC (District of Columbia Department of Transportation)	DCK-2008-R-0129	20.205	18,512
Travel and Training (District of Columbia Department of Transportation)	DCKA-2011-R-0143	20.205	13,513
Evaluation of Saw-Cut Sealant Continuation (District of Columbia Department of Transportation)	RQ594976	20.205	6,720
District of Columbia Speed Study (District of Columbia Department of Transportation)	PO331330	20.205	6,560
Transportation Statistical Fact book for DC (District of Columbia Department of Transportation)	PO385460-Task/O#10-D	20.205	4,643
Assessment of Loading Zones in the District of Columbia (District of Columbia Department of Transportation)	DCKA-P0331416	20.205	1,347
TOTAL FOR THE HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			1,440,666

AIDS EDUCATION AWARDS

Direct AIDS Education Awards

DEPARTMENT OF HEALTH AND HUMAN SERVICES

AETC National Multicultural Center		93.145	262,689
AETC National Multicultural Center		93.145	229,242
AIDS Education Training Centers		93.145	144,357

Subtotal for the Direct AIDS Education Awards

636,288

The Howard University
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Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<i>Federal Pass-Through AIDS Education Awards</i>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pennsylvania Mid-Atlantic AIDS Education and Training Center (University of Pittsburgh)	19469	93.145	303,144
Pennsylvania Mid-Atlantic AIDS Education and Training Center (University of Pittsburgh)	110570-10	93.145	35,183
AIDS Education Training Center - CDC/HIV Testing Initiative (University of Pittsburgh)	9007968 (119946-3)	93.145	1,944
<i>Subtotal for the Federal Pass-Through AIDS Education Awards</i>			340,271
TOTAL FOR THE AIDS EDUCATION AWARDS			976,559
 <u>HIV AND RYAN WHITE AWARDS</u>			
<i>Direct HIV and Ryan White Awards</i>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Dental Reimbursement Program		93.924	244,481
Health Resources and Services Administration			
HU Hospital Center for Infectious Disease Management		93.918	242,478
HUH Center for Infectious Disease Management and Research (CIDMAR)		93.918	59,777
Ryan White Part C EIS Program		93.918	1,133
<i>Subtotal for the Health Resources and Services Administration</i>			303,388
<i>Subtotal for the Direct HIV and Ryan White Awards</i>			547,869
<i>Federal Pass-Through HIV and Ryan White Awards</i>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Laboratory Science Programs: Planning, Implementation and Assessment (American Society for Clinical Pathology)	ASCP-2012	93.918	510
Centers for Disease Control and Prevention			
Howard University Hospital Routine HIV Screening Program (District of Columbia Department of Health)	11U202	93.940	75,922
Routine HIV Screening Program (District of Columbia Department of Health)	11U202	93.940	37,167
<i>Subtotal for the Centers for Disease Control and Prevention</i>			113,089
Health Resources and Services Administration			
<i>Coordinated Services and Access to Research for Women, Infants, Children, and Youth</i>			
Ryan White Title IV Part D: Grants for Coordinated HIV Services and Access to Research for Women, Infants, Children and Youths (CSWICY) (Children's National Medical Center)	ADV1921-09-01	93.153	182,025
Ryan White Title IV: Grants for Coordinated HIV Services (Children's National Medical Center)	5H12HA00096-12-00	93.153	23,400
Ryan White Title IV Program (Children's Research Institute)	1921-09-01	93.153	1,288
<i>Subtotal for the Coordinated Services and Access to Research for Women, Infants, Children, and Youth</i>			206,713

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Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<i>HIV Emergency Relief Project Grants</i>			
Ryan White Care and Modernization Act Part A: An HSE/UMC Collaborative HIV/AIDS Care and Treatment Program (District of Columbia Department of Health)	11U011	93.914	667,134
Ryan White Care and Modernization Act Part A: An HSE/UMC Collaborative HIV/AIDS Care and Treatment Program (District of Columbia Department of Health)	12V011	93.914	263,980
<i>Subtotal for the HIV Care Formula Grants</i>			<u>931,114</u>
<i>HIV Care Formula Grants</i>			
Ryan White Part B (District of Columbia Department of Health)	12V409	93.917	19,894
Ryan White Part B (District of Columbia Department of Health)	11U408	93.917	125,028
<i>Subtotal for the HIV Care Formula Grants</i>			<u>144,922</u>
Subtotal for the Health Resources and Services Administration			<u>1,282,749</u>
<i>Subtotal for the Federal Pass-Through HIV & Ryan White Awards</i>			<u>1,396,348</u>
TOTAL FOR THE HIV AND RYAN WHITE AWARDS			<u>1,944,217</u>
 <u>OTHER FEDERAL AWARDS</u>			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Uplift		14.520	181,676
Community Development		14.520	115,898
University - Community Partnership for Advances in Community Revitalization		14.520	64,045
Enriching Communities		14.520	42,745
SUBTOTAL FOR THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>404,364</u>
DEPARTMENT OF JUSTICE			
Men of Faith Preventing Violence Against Women		16	143,961
Howard University Campus Safety First Program		16.525	111,583
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			<u>255,544</u>
DEPARTMENT OF LABOR			
Computer Training for Providence Hospital (The Catholic University of America)		17.268	58,773
SUBTOTAL FOR THE DEPARTMENT OF LABOR			<u>58,773</u>
U.S. DEPARTMENT OF STATE			
Preparing Minorities for Careers in International Affairs		19.unknown	497,187
Charles B. Rangel Foreign Affairs Fellowship and Summer Enrichment Program		19.020	1,569,760
2012 Rangel Fellowship and Summer Enrichment Programs		19.020	541,487
Preparing Minorities for International Service Careers		19.020	25,216
SUBTOTAL FOR THE U.S. DEPARTMENT OF STATE			<u>2,633,650</u>

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Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
DEPARTMENT OF TRANSPORTATION			
Eisenhower Transportation Fellowships 2011		20	7,500
Eisenhower Transportation Fellowships 2011		20	5,000
Tier 1 Transit-Focused University Transportation Center (San Jose State University)	21-1100-4903-HU	20.701	33,095
SUBTOTAL FOR THE DEPARTMENT OF TRANSPORTATION			45,595
OFFICE OF PERSONNEL MANAGEMENT			
Intergovernmental Personnel Act Assignment		27.011	47,335
SUBTOTAL FOR THE OFFICE OF PERSONNEL MANAGEMENT			47,335
GENERAL SERVICES ADMINISTRATION			
African Burial Ground Project		39.000	27,481
SUBTOTAL FOR THE GENERAL SERVICES ADMINISTRATION			27,481
SMALL BUSINESS ADMINISTRATION			
DC Small Business Development Center at School of Business		59.037	328,648
OSBDC Program Announcement for Calendar Year 2012		59.037	270,110
DC Small Business Development Center - FY 2010		59.037	61,546
Small Business Development Centers Small Business Jobs Act of 2010		59.037	4,610
SUBTOTAL FOR THE SMALL BUSINESS ADMINISTRATION			664,914
DEPARTMENT OF ENERGY			
DOE Chair of Excellence Professorship in Environmental Discipline		81.123	175,112
DOE Chair of Excellence Professorship in Environmental Discipline		81.123	130,183
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			305,295
DEPARTMENT OF EDUCATION			
Howard University Summer Research Institute (Educational Testing Services)	ETS77760	84	19,948
US - Brazil Higher Education Consortia Program		84.116	34,650
Enhancing the Teaching and Learning of Science and Engineering (TaSLE)		84.120	97,032
District of Columbia Area Writing Project		84.928	51,872
Building Knowledge and Capacity in the Rehabilitation and Recovery of African Americans Suffering from Severe Mental Illness (Dartmouth College)	545	84.133A	85,108
Office of Innovation and Improvement			
Ready to Teach		84.350	366,664
Ready to Teach		84.350	79,227
Subtotal for the Office of Innovation and Improvement			445,891
Office of Special Education and Rehabilitative Services			
Howard University / Prince Georges County Public Schools Partnership for Training Highly Qualified Speech-Language Pathologists with Cultural Competence		84.325	110,060
Education Administration Guided Leadership Experiences (EAGLES II)		84.325	7,832
Training High Quality Personnel with Cultural Competence in Speech-Language Pathology		84.325	4,472
Subtotal for the Office of Special Education and Rehabilitative Services			122,364
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			856,865

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Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
US PEACE CORPS			
Howard University Strategic Recruiter		91	651
SUBTOTAL FOR THE US PEACE CORPS			<u>651</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Sustained Comprehensive HIV/AIDS Response Through Partnerships (SCHARP) (Family Health International)	1U2GGH000551-01	93	46,187
Centers of Excellence		93.157	1,217,344
Pennsylvania / District of Columbia Nursing Education Collaborative (Drexel University)	U1KHP09542	93.359	12,450
ARRA - Training in Primary Care Medicine and Dentistry: Physician Assistant Training in Primary Care		93.403	196,673
ARRA - Communities Putting Prevention to Work (District of Columbia Department of Health)	CHA.CPPW.HU.082011	93.724	99,340
Howard University Health Careers Opportunity Program		93.822	123,828
Baby Hug Follow-up Study II: Clinical Sites		93.936	21,025
Strengthening Health Advocates to Prevent Exposure to HI/AIDS (SHAPE) (United Negro College Fund)	UNCFSP-1500	93.941	1,931
Howard University Hospital Routine HIV Screening Program (District of Columbia Department of Health)	12V202	93.943	66,899
HUH Daughters Influenced by the Intelligent Voices of Adults (DIVA) Family (District of Columbia Department of Health)	53-0204707	93.964	64,052
Geriatric Assessment Center (George Washington University)	10-M75R	93.969	9,997
Sickle Cell Adolescent Transition and Case Management (Children's Research Institute)	1591-11-01	93.994	23,276
Maternal and Child Health Block Grant (District of Columbia Department of Health)	RQ719935	93.unknown	52,700
Centers for Disease Control and Prevention			
Supporting the Scale-up of High Quality HIV Care and Treatment Programs		93.067	1,337,228
Supporting the Scale Up of High Quality HIV Care and Treatment Programs in Malawi Through a Strengthened Laboratory Infrastructure Under the President's Emergency Plan for AIDS Relief		93.067	1,094,286
Surveillance of HIV Positive Pre-Arts Persons by HU in Partnership with SANAC		93.067	264,466
Supporting the Scale Up of High Quality HIV Care and Treatment Programs		93.067	165,460
Subtotal for the Centers for Disease Control and Prevention			<u>2,861,440</u>
Health Resources and Services Administration			
<i>Maternal and Child Health Federal Consolidated Programs</i>			
MCH Pipeline Training Program		93.110	75,935
MCH Pipeline Training Program		93.110	149,171
<i>Subtotal for the Maternal and Child Health Federal Consolidated Programs</i>			<u>225,106</u>
<i>Grants for Training in Primary Care Medicine and Dentistry</i>			
Post-Doctoral Training in Pediatrics		93.884	904,746
Providing a Broad Range of Culturally Competent Mental Health Services		93.884	6,165
<i>Subtotal for the Grants for Training in Primary Care Medicine and Dentistry</i>			<u>910,911</u>
Subtotal for the Health Resources and Services Administration			<u>1,136,017</u>

The Howard University
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
Substance Abuse and Mental Health Services Administration			
<i>Substance Abuse and Mental Health Services Projects of Regional and National Significance</i>			
Howard University (SBIRT) Screening, Brief Intervention, Referral and Treatment Medical Residency Program		93.243	223,012
Howard University SBIRT Medical Residency Program		93.243	110,424
Enhancing the Continuum of Suicide Prevention Services at Howard University		93.243	83,257
Enhancing the Continuum of Suicide Prevention Services at Howard University		93.243	70,422
<i>Subtotal for the Substance Abuse and Mental Health Services Projects of Regional and National Significance</i>			487,115
<i>Drug-Free Communities Support Program Grants</i>			
University - Communities Drug Free Coalitions		93.276	71,483
University - Communities Drug Free Coalitions		93.276	39,148
University - Communities Drug Free Coalitions		93.276	3,617
<i>Subtotal for the Drug-Free Communities Support Program Grants</i>			114,248
Subtotal for Substance Abuse and Mental Health Services Administration			601,363
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			6,534,522
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Jumpstart for Children		94.003	40,674
Jumpstart for Young Children at Howard University 2012 (AmeriCorps)	4510100	94.006	84,942
Learn and Serve America Higher Education Program (DC Commission on National and Community Service)	9LHADC001004	94.unknown	90,746
SUBTOTAL FOR THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			216,362
AGENCY FOR INTERNATIONAL DEVELOPMENT			
HIV/AIDS Tuberculosis (Family Health International)	620-A-00-04-00122-00	98.001	1,103,687
Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) - Nigeria (Family Health International)	AID-620-A-11-00002	98.001	1,030,504
Road to a Healthy Future - Tanzania (Family Health International)	621-A-00-10-00001-00	98.001	98,882
Sudan HIV/AIDS Program (SHAP) (Family Health International)	GHH-1-02-07-00043-00	98.001	91,388
Road to a Healthy Future - Rwanda (Family Health International)	696-A-08-00062-00	98.001	43,934
Sudan HIV AIDS Project (SHAP) (Family Health International)	GHH-1-02-07-00043-00	98.001	47,995
Roads II (Family Health International)	623-A-00-08-0049-00	98.001	24,639
Roads II Rwanda (Family Health International)	696-A-00-08-00062-00	98.001	28,717
Roads II - Tanzania - Yr2 (Family Health International)	621-A-00-10-00001-00	98.001	42,694
Roads II - Uganda (Family Health International)	617-a-00-08-00066-00	98.001	13,563
Roads II Zambia - YR2 (Family Health International)	611-A-00-09-0003-00	98.001	20,423
Road to a Healthy Future - Zambia (Family Health International)	611-A-00090003-00	98.001	13,682
Road to a Healthy Future - Kenya (Family Health International)	Kenya	98.001	7,683
Roads II - DRC Congo (Family Health International)	660-A-00-08-00064-00	98.001	2,250
SUBTOTAL FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT			2,570,041
TOTAL FOR THE ALL OTHER FEDERAL AWARDS			14,621,392
TOTAL EXPENDITURES OF FEDERAL AWARDS			602,556,761

The Howard University
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the expenditures of The Howard University ("Howard") under programs of the federal government for the year ended June 30, 2012. Because the Schedule presents only a portion of the operations of Howard, it is not intended to and does not present the financial position, changes in net assets, and cash flows of Howard.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between Howard and agencies and departments of the federal government and all subawards made to Howard by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. CFDA numbers and pass through numbers are provided when available.

Howard was the recipient of federal funds awarded through the American Recovery and Reinvestment Act (ARRA). These funds were expended by the federal government with the intent to stimulate the American economy, supplement existing federal programs and create new programs. There are additional compliance and reporting matters associated with these awards. These awards are presented in bold print in the Schedule and the title "ARRA" precedes each award title.

(2) Summary of Significant Accounting Policies for Federal Award Expenditures

(a) Basis of Presentation

The accompanying Schedule has been prepared using the accrual basis of accounting.

(b) Expenditures

Expenditures for federal student financial aid programs are recognized as incurred and include Pell program grants to students, the federal share of students' Federal Supplemental Educational Opportunity Grant ("FSEOG") program grants and Federal Work-Study ("FWS") program wages paid, certain other federal financial assistance grants for students, administrative cost allowances, and loan disbursements.

Expenditures for other federal awards are determined using the cost accounting principles and procedures set forth in OMB Circular A-21, *Cost Principles for Educational Institutions*. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Federally Funded Assets

Preservation of the Miner Normal School Building

In October 2009, Howard received a non-R&D cluster award #11-09-HC-18112, CFDA #15.932 totaling approximately \$800,000 from the National Park Service of the Department of the Interior for the purposes of rehabilitating and renovating the Miner Normal School building. For the year ended June 30, 2012, Howard incurred \$351,797 in rehabilitation and renovation related costs. All costs incurred were capitalized in Howard's financial statements and therefore are not included on the accompanying Schedule.

(4) Facilities and Administrative Costs (F&A Costs)

Expenditures for non-financial aid awards include indirect costs, relating primarily to facilities operation and maintenance, general, divisional, and departmental administrative services, which are allocated to direct cost objectives (including federal award programs) based on negotiated formulas commonly referred to as indirect cost rates, which were negotiated with the Department of Health and Human Services. A portion of indirect costs allocated to some awards for the year ended June 30, 2012 were based on individual grantor rates.

Howard operates under predetermined F&A cost rates which are effective from July 1, 2007 to June 30, 2012 and provisional rates from July 1, 2012 until amended. The predetermined fixed rates are based on 2005 financial information. The base rate for off-campus research and on-campus research are respectively 26% and 48% for the year ended June 30, 2012. Base rates for other F&A cost recoveries ranged from 8% to 48% for the year ended June 30, 2012.

The Howard University
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

(5) Subrecipients

Of the federal expenditures presented in the Schedule, Howard provided federal awards to subrecipients as follows:

Agency	CFDA Numbers	HIV / Ryan White	Research & Development	Other	Total
Department of Health and Human Services	93.145, 93.243, 93.575, 93.708, 93.121, 93.914, 93.242, 93.307, 93.596, 93.701, 93.839	\$ 119,999	\$ 1,545,962	\$ 14,925	\$ 1,680,886
Department of Commerce	11.481	-	907,836	-	907,836
National Science Foundation	47.049, 47.050, 47.076	-	586,780	-	586,780
Department of Housing and Urban Development	14.520	-	-	34,182	34,182
Small Business Administration	59.037	-	-	232,642	232,642
National Aeronautic & Space Administration	43.001, 43.AAA	-	125,119	-	125,119
Department of Education	84.116	-	-	32,780	32,780
Department of Justice	16.710	-	113,000	-	113,000
Department of Defense	12.420, 12.431	-	231,548	-	231,548
Department of Transportation	20.205, 20,313	-	261,402	-	261,402
Grand Total		\$ 119,999	\$ 3,771,647	\$ 314,529	\$ 4,206,175

The Howard University
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

(6) Federal Student Loan Programs

Howard receives awards to make loans to eligible students under the Federal Perkins and William D. Ford Federal Direct Student Loan Programs of the Department of Education, and Health Professions and Nursing Student Loan Programs of the Department of Health and Human Services. Campus-based loan programs which include the Federal Perkins Loan Program are administered directly by Howard. Balances and transactions relating to these programs are included in Howard's basic financial statements. These administrative allowances related to these loan programs for the year ended June 30, 2012 was zero. Additional information regarding these programs for the year ended June 30, 2012 is summarized below:

Campus-Based Loan Programs	FY 2012 Loans Issued	FY 2012 Loans Cancelled	Outstanding June 30, 2012
Federal Perkins Loans	\$ 66,633	\$ 27,381	\$ 2,687,108
Health Professional and Disadvantaged Students	-	-	2,523,985
Nursing Student Loans	-	-	299,703
Total Campus-Based Loan Programs	\$ 66,633	\$ 27,381	\$ 5,510,796

Howard is responsible for the performance of certain administrative duties with respect to federal direct loans disbursed by the Department of Education on behalf of Howard's students under the direct loan programs (Federal Stafford, Federal Parents Loans for Undergraduate and Graduate Students, and Unsubsidized Federal Stafford Loans). These loan programs collectively are CFDA # 84.268 and disclosed on the Schedule in amount of \$174,173,601. It is not practical to determine the balance of loans outstanding to students and former students of the University under these federally guaranteed loan programs at June 30, 2012.



Report of Independent Auditors 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*

To The Board of Trustees of
The Howard University:

We have audited the financial statements of The Howard University ("Howard") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 29, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Howard'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 Howard's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Howard'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 a 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 identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as findings 2012-1 and 2012-2, which we consider to be material weaknesses in internal control over financial reporting. A material weakness is a deficiency, or a 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. Additionally, we also identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as finding 2012-3, which we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Compliance and Other Matters

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

We noted certain matters that we reported to management of Howard in a separate letter, "Report to the Audit and Legal Committee on Internal Control Observations" dated October 29, 2012.

Howard's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Howard's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Howard's Board of Trustees, management, others within the entity, and 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.

PricewaterhouseCoopers LLP

October 29, 2012



**Report of Independent Auditors 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**

To the Board of Trustees of
The Howard University:

Compliance

We have audited the compliance of The Howard University ("Howard") 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 its major federal programs for the year ended June 30, 2012. Howard'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 Howard's management. Our responsibility is to express an opinion on Howard'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 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 Howard'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 Howard's compliance with those requirements.

We did not audit Howard's compliance with the billing, collection, and due diligence student loan repayment compliance requirements specified by the Federal Perkins Loan Program ("Perkins Loan") and described in the OMB *Circular A-133 Compliance Supplement*. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to Howard's compliance with those requirements, is based solely on the report of the other auditors.

As described in the findings in the accompanying schedule of findings and questioned costs, Howard did not comply with requirements regarding certain compliance requirements that are applicable to certain of the major programs. Compliance with such requirements is necessary, in our opinion, for Howard to comply with the requirements applicable to those programs. The following table summarizes the material noncompliance findings for each of the major programs:

Finding Number	Major Program	Compliance Requirement
2012-8	Research & Development Cluster	Special Tests and Provisions - Human Subjects
2012-10	USAID Foreign Assistance for Programs Overseas Program	Allowable Costs/Cost Principles and Special Tests and Provisions - Reporting



In our opinion, except for the noncompliance described in the preceding paragraph, based upon our audit and the report of other auditors for the Perkins Loan Program, Howard complied, in all material respects, with the 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. The results of our auditing procedures also disclosed other 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 2012-5, 2012-9, 2012-11, 2012-12, and 2012-13. The following table summarizes the immaterial noncompliance findings for each of the major programs.

Finding Number	Major Program	Compliance Requirement
2012-5	All programs except Matching Endowment	Allowable Costs/Cost Principles
2012-9	Charles B. Rangel International Affairs Program	Eligibility
2012-11	Research & Development Cluster	Reporting
2012-12	Student Financial Aid Cluster	Special Tests and Provisions - Return of Title IV
2012-13	Student Financial Aid Cluster	Special Tests and Provisions - Other

Internal Control Over Compliance

Management of Howard 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 Howard's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 Howard's internal control over compliance.

We did not consider Howard's internal control over compliance with the billing, collection, and due diligence student loan repayment compliance requirements specified by the Federal Perkins Loan Program and described in the OMB Circular A-133 *Compliance Supplement*. Internal control over these compliance requirements was considered by the other auditors referred to above; and our report, insofar as it relates to Howard's internal control over those compliance requirements, is based solely upon the report of the other auditors.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.



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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as findings 2012-5 and 2012-8 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as findings 2012-4, 2012-6, 2012-7, 2012-10, and 2012-13 to be significant deficiencies.

Howard's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned costs. We did not audit Howard's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Howard's Audit and Legal Committee, others within the entity, 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.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

March 28, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

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

Unqualified for the following major programs:

Highway Planning and Construction Cluster
 Matching Endowment
 Charles B. Rangel International Affairs Program
 Small Business Development Centers Program
 Student Financial Aid Cluster

Qualified for the following major programs:

Research and Development Cluster
 USAID Foreign Assistance for Programs Overseas Program

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of the Federal Program or Cluster</u>
98.001	USAID Foreign Assistance for Programs Overseas Program
20.205	Highway Planning and Construction Cluster
84	Matching Endowment
Various	Research and Development Cluster
59.037	Small Business Development Centers Program
Various	Student Financial Aid Cluster
19.020	Charles B. Rangel International Affairs Program

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

Section II – Financial Statement Findings

Finding 2012 - 1: Improve Grant Receivable Accounting and Analysis

Criteria:

The Committee of Sponsoring Organizations (COSO) framework describes that control activities “are policies and procedures, which are the actions of people to implement the policies, to help ensure that management directives identified as necessary to address risks are carried out.”

Condition/Effect/Cause/Recommendation:

Because of certain practices, Howard in essence performs its accounting and analysis of grant accounts receivable at the project/sponsor level as opposed to the grant level. The detailed grant receivable records include a combination of debit and credit balances, some of which have been carried forward for several fiscal years. While the debit balances representing current charge activity are generally correct, there are other debit and credit adjustments as well as incorrect cash application that causes errors in the grant detail. Several instances of the aforementioned errors were noted during the current year audit.

A secondary consequence to the current accounting processes for grant accounts receivable includes the difficulty to judge, on a grant by grant basis, amounts that are due to Howard from sponsoring agencies for specific grants. This impacts Howard’s ability not only to collect from sponsors but also to assess collection risk and establish an adequate allowance for bad debts.

The current detailed listing of grants should be thoroughly analyzed and all errors whether due to misapplication of cash or system generated postings should be corrected. This process may require working with sponsors so that they understand exactly the amounts owed to Howard or amounts that may need to be returned to them as a result of previous errors. Once the listing has been cleaned up, Howard should begin to account for all grant related activity at the grant level, timely matching all activity to a specific grant. Additionally, in the event credit balances arise, Howard should investigate and clear credit balances that appear unreasonable on a monthly basis.

Views of Responsible Official/Management Response:

We agree with the auditors’ findings and recommendations. While these items present challenges in managing the grants portfolio, the conditions did not result in a material error to Howard’s 2012 financial statements or incidences of non-compliance with federal awards.

Howard’s ERP, PeopleSoft (PS), is a project management tool which records and codes transactions at the project level. A project may equal a grant or a few projects may be combined to equal one grant award. Howard’s system tracks grant awards at the grant level or at one detailed level below the grant award, as mandated by the parameters of the PS system.

The Howard University
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Howard has implemented the following initiatives to cleanse grants data and resolve historical issues:

- Performed diagnostics on the grants billing system to assess the adequacy of the system configuration and to identify and resolve all historical system issues and to prevent them from reoccurring going forward;
- Facilitated staff training to improve the grants billing processes and to expedite the identification and resolution of system issues;
- Implemented standard monthly grant accounting reviews to identify and correct any anomalies in grant balances; and,
- Developed monthly and quarterly grant accountability reports for executive leadership.

We have prepared, and are executing, an action plan that we believe will provide a balanced environment that contains both preventive controls and detective controls to create an effective grants management process. In addition, we have implemented the following actions to address specific auditor concerns:

- Enhanced the monthly review and analysis of significant credits in the grants balance sheet accounts to determine if the amounts should be recorded as a liability or deferred revenue;
- Applied the system-fixes or adjusting entries to clear remaining credit balances in the receivables detailed listing so that only debit balances exist; and,
- Conducted a one-time detailed analysis of all credits in grants accounts (billed and unbilled receivables, on-account, deferred revenue) which will determine if a credit is receipt of payment on an invoice or deferred revenue/liability.

In FY 2012, we had a renewed focus on collecting all outstanding amounts due to Howard and plan to continue to refine our monthly collectability assessment. By continuing the existing initiatives plus the current work plan, Howard will resolve the auditors' concerns with the grants cash application process in FY 2013.

Finding 2012 - 2: Adhere to review policies

Criteria:

The Committee of Sponsoring Organizations (COSO) framework describes that control activities “are policies and procedures, which are the actions of people to implement the policies, to help ensure that management directives identified as necessary to address risks are carried out.”

Condition/Effect/Cause/Recommendation:

Howard's existing policies require supervisory review of detailed account analysis and/or reconciliations that support amounts in the financial statements. However, there does not appear to be strict adherence to this as part of the annual closing process. During this year's audit, a number of adjusting journal entries were identified either by PwC or by Howard as they investigated questions raised by PwC. Key areas that resulted in adjustments during the current year audit included: Grant Accounts Receivable, Loan Accounts Receivable, Faculty Practice Plan Receivable, Worker's Compensation Receivable, WHUR Receivable, and Property, Plant, and Equipment (Construction in Progress). Furthermore, while there were no audit adjustments related to Investments, it is one of the most significant areas within the financial statements that did not appear to have any evidence of an independent review of transactional activity recorded in the general ledger at year end, despite accounting policies in place requiring such a review.

The account review process as currently executed does not appear to be operating effectively such that an error or combination of errors in the financial statements will be detected prior to the finalization of the financial statements. An effective review of transactions and account analyses is essential in a control environment that is highly dependent on back end detective controls. While there are several high level

The Howard University
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

analyses that are performed on the financial results, these analyses are not performed with sufficient precision that would detect errors, intentional or unintentional, in the financial accounting records.

Howard should revisit its current supervisory and review practices so that the established policy is strictly adhered to. Reconciliations and analysis of amounts supporting the financial statements should include a detailed transaction review by the appropriate individuals. Accounts which present a greater level of risk, either due to dollar amount, estimates, or volume of transactions, should have multiple levels of review. Evidence of follow up and disposition of necessary adjustments and reconciling items should be formalized as part of the review process.

Views of Responsible Official/Management Response:

We agree with the auditors' findings and recommendations. We note, however, that despite the lack of evidence of review, audit adjustments, in the aggregate, did not result in a material misstatement of Howard's financial statements.

The month end close process requires that all reconciliations and analyses are reviewed at minimum by the responsible Director or Assistant Controller. Depending on the nature of the area, supervisory review may involve others within finance including the Chief Financial Officer, the Controller, the Associate Vice Presidents of the academic units, and the Director of Financial Planning and Analysis. We started the process of preparing an "Asset Liability Quality Review" report during FY 2012. This Quality Review report will continue to be utilized in FY 2013 and will evidence the review of the Chief Financial Officer and Controller. The report will be designed to document the assessment of the appropriateness of significant balance sheet accounts including significant accounting estimates and judgments.

Finding 2012 - 3: Revisit Project Plan and Establish Timeline for Implementing Internal Controls

Criteria:

The Committee of Sponsoring Organizations (COSO) framework describes that control activities "are policies and procedures, which are the actions of people to implement the policies, to help ensure that management directives identified as necessary to address risks are carried out."

Condition/Effect/Cause/Recommendation:

Howard continues to operate in an environment that relies heavily on back end detective controls rather than preventative controls. Organizations of this type require significant human capital investment to sustain operations at an acceptable level. While Howard has significantly improved its existing financial accounting resources through the addition of several finance/accounting professionals, the current financial reporting group appears to be stretched thin dealing with the many complex and unique operational and accounting issues that arise at Howard.

Howard should revisit its formal plan to implement a strong system of internal controls, including consideration of Information Technology as it relates to internal controls. Specifically, the timeline for implementing key controls by financial process should be re-established and the progress or lack thereof against the timeline should be monitored periodically. To implement internal controls over the entire financial process will require cooperation and buy-in from non-financial personnel who play a role in transaction processing. This will require the non-financial leaders of the University to be supportive of this important initiative.

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Views of Responsible Official/Management Response:

Howard agrees with the auditors' observations and recommendation. Howard also notes that the implementation and use of back-end controls has been an effective system for avoiding material adjustments to its reported financial statements. Nonetheless, Howard's President has formed a steering committee of responsible officers to facilitate and be accountable for creating a control environment that is based on clear expectations and accountabilities. Howard is committed to a strong internal control environment that ensures transactions are processed in accordance with management objectives as a matter of routine and does not require back-end controls to ensure accuracy and appropriateness. This control improvement initiative is being monitored by the Chairman of the Board of Trustees and the Chair of its Audit and Legal Committee.

Section III – Federal Award Findings and Questioned Costs

Part A - PwC Findings

Finding 2012-4: Special Tests and Provisions - Schedule of Expenditures of Federal Awards

Federal Agency: All Federal programs, including ARRA
Program: All programs
CFDA # Various
Award #: Various
Award year: Various
Pass-through: Various

Criteria:

OMB Circular A-133 - Section __.310 (b) sets forth that the auditee shall prepare a Schedule of Expenditures of Federal Awards ("the Schedule") for the period covered by the auditee's financial statements. At a minimum, the Schedule shall:

- (1) List individual Federal programs by federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency.
- (2) Include notes that describe the significant accounting policies used in preparing the schedule.

OMB Circular A-110 - Section __.21, which includes standards for financial management systems, notes recipients' financial management systems shall provide for the following:

- (1) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

OMB Circular A-133, Subpart B section __.205, states that the determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditure/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and, the period when insurance is in force.

OMB Circular A-110, Section __.28, set forth standards for use of funds within the period of availability. The Circular states, "Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency."

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To further clarify, OMB Circular A-110, Section __.71 (b) within its closeout procedures states that, "unless the Federal awarding agency authorizes an extension, a recipient shall liquidate all obligations incurred under the award not later than 90 calendar days after the funding period or the date of completion as specified in the terms and conditions of the award or in agency implementing instructions".

2 CFR part 215 __.21 (b) requires that Howard's financial management system shall provide for: accurate, current and complete disclosure of the financial results of each federal sponsored project or program in accordance with the reporting requirements set forth in __.52, along with effective control over and accountability for all funds, property and other assets.

OMB Circular A-21, sections C.1-9; D.1-2; J.1-54, OMB Circular A-110 sections 40 - 48, set forth standards for identifying allowable and unallowable costs. In addition, the specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

Condition:

Howard prepares the Schedule of Expenditure of Federal Awards (the "Schedule") on the accrual basis of accounting. The process used by Howard to prepare the Schedule uses data gathered from its General Ledger. We noted several items during our testing of the awards noted above relating to inappropriate identification of CFDA numbers, award numbers of pass-through awards, inappropriate classification between federal expenditures and non-federal expenditures or amongst different programs and/or clusters, unrecorded federal expenditures, impact of corrections relating to prior periods and supporting documentation confirming the appropriate inclusion of federal expenditures relating to expired grants.

CFDA Numbers

During the review for appropriate classification of the CFDA numbers, we noted that the CFDA number was incorrectly recorded in the Schedule for nine grants included in Schedule. For eight out of the nine exceptions, the two-digit agency number was properly identified, however the extension contained within the Schedule did not agree to the extension provided in the agency-approved award notification. For one out of the nine exceptions, the CFDA number was incorrect or unknown. In addition, for the awards within our major programs selected, management did not have supporting documentation on file to confirm the appropriate CFDA number to use. Through confirmation received from the sponsoring agency, an accurate and complete list of awards within the major program was obtained.

Project #	Agency	Award Description	CFDA #	Reference
6513	NIH - Mental Health	Discrimination, Health Care attitudes and HIV Pilot Study to Assess the Impact of Yoga and Medicine (Charles Drew University)	93.5-U54-RR022762-04	A
5728	Department of Education	Upward Bound Program	84.047A	A
6501	NASA	Howard University Beltsville Center for Climate System Observation	43.AAA	A
6297	Department of State	Preparing Minorities for Careers in International Affairs	19.UNKNOWN	A
6173	National Science Foundation	ARRA - Algebra in Stone - Cech Compactifications and its Combinatorial Applications	47.082	A
6598	NIH - Drug Abuse	Cocaine Use Reduction with Bup (John Hopkins University)	93.279	A
6573	Department of Labor	Workforce Development (DC - Department of Employment Services)	17.DCCF-2011-A-0042	A

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6230	NIH- Neurological Disorder & Stoke	ARRA - A Role for Glycosphingolipids in Regulatory Mechanisms	93.701	A
6500	NASA	Microphysical Observation in Support of the Genesis and Rapid Intensification Processes (University Corporation for Atmospheric Research)	43.000	A
6104	Pass-through from - Family Health International	ROADS II - DRC CONGO	98.001	B
6099	Pass-through from - Family Health International	ROADS II - UGANDA	98.001	B
6470	Pass-through from - Family Health International	HOWARD UNIVERSITY ROADS II-LOS	98.001	B
6860	DC-District Dept of Transportation	Development Review Project Man	20.205	B
6861	DC-District Dept of Transportation	Development of Crash Modification	20.205	B
6864	DC-District Dept of Transportation	Transportation Statistical Factor	20.205	B
6347	DC-District Dept of Transportation	Assessment of Loading Zones in the District of Columbia (DC - District Department of Transportation)	20.205	B
6349	DC-District Dept of Transportation	District of Columbia Speed Study (DC - District Department of Transportation)	20.205	B
6394	DC-District Dept of Transportation	Performance Measures of National Highway Systems in the District of Columbia (DC - District Department of Transportation)	20.205	B
6407	DC-District Dept of Transportation	Traffic Data Center at Howard University (DC - Department of Transportation)	20.205	B
6521	DC-District Dept of Transportation	Research Administrative Program Support (DC - District Department of Transportation)	20.205	B
6522	DC-District Dept of Transportation	Support DDOT's Research Program (DC - District Department of Transportation)	20.205	B
6545	DC-District Dept of Transportation	INVENTORY AND EVALUATION OF TRANSPORTATION HISTORICAL RECORDS	20.205	B
6563	DC-District Dept of Transportation	IMPACT OF TRAFFIC ENFORCEMENT ON DRIVERS, PEDESTRIANS AND BICYCLES IN DC	20.205	B
7669	DC-District Dept of Transportation	Howard University Traffic Data	20.205	B
6517	DC-District Dept of Transportation	2011 Internship Program (District of Columbia Department of Transportation)	20.205	B

A CFDA number was incorrect or unknown on the draft Schedule provided to the auditors based on the award agreements obtained and other supporting documentation from the federal agencies.

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B CFDA number confirmed with sponsoring agency as grant documentation was not conclusive as to the CFDA number to be used.

Accuracy of Award Numbers for Pass-through Awards

Based on our review we noted that for seven of the pass through awards selected as part of the CFDA accuracy procedures the award/contract number disclosed on the Schedule did not agree to the supporting award documentation obtained. Based on the award documentation, management updated the disclosure of the award/contract number associated with the pass-through awards on the Schedule. The table below provides the award/contact number as communicated to Howard from the respected federal agency.

Project #	Agency	Award Description	Award/Contract Number	CFDA Number
6500	NASA	Microphysical Observation in Support of the Genesis and Rapid Intensification Processes (University Corporation for Atmospheric Research)	NNX09AW04G	43.000
6513	NIH - Mental Health	Discrimination, Health Care attitudes and HIV Pilot Study to Assess the Impact of Yoga and Medicine (Charles Drew University)	10-11-KN-G007RN00NF	93-5-U54-RR022762-04
6429	NIH - General Medical Sciences	ARRA - Respect, Trust and Patient Outcomes in Sickle Cell Disease (Johns Hopkins University)	1R01HL088511-01A1	93.701
6553	Department of Homeland Security	An Examination of Resilience and Role Conflict Among First Responders in the Midst of Crisis (Johns Hopkins University)	101970	97.061
7559	Health and Human Resources Services	PENNSYLVANIA MIDATLANTIC AIDS (University of Pittsburgh)	19469	93.145
6127	DC State Education Office	Building Knowledge and Capacity in the Rehabilitation and Recovery of African Americans Suffering from Severe Mental Illness (Dartmouth College)	545	84.133A
6861	DC-District Dept of Transportation	Development of Crash Modification	PO385461-Task/O#9-DC	20.205

Classification of Expenditures

While testing the overall completeness of the Schedule through a review of a sample of reconciling items between the Schedule and the general ledger, we noted two awards were misclassified as non-federal awards and excluded from the Schedule. Additionally, we identified a portion of Student Financial Assistance loan amount (\$72,163) which was included in the prior year Schedule according to management. The total loan amount is comprised of the following CFDA #: 84.379 (\$650), 93.407 (\$6,371) and 93.925 (\$65,142). Management has not been able to show us where this item appeared in the prior year Schedule.

Management corrected the classification of the non-federal awards to ensure these federal awards are now appropriately included on the Schedule.

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Project #	Agency	Sponsor Name	Award #	CFDA #	Reference
6316	DHHS	DC-DEPT OF HEALTH	RQ719935	93.UNKNOWN	C
6546	Pass-through Serve DC - The Mayor's Office on Volunteerism Government of the District of Columbia	District of Columbia Commission on National and Community Service ("SERVE DC")	09LHADC001004	94.UNKNOWN	C

C Awards determined non-federal and excluded from the Schedule draft initially provided for testing.

While testing the classification of awards on the Schedule, we noted 16 awards were misclassified based on the description and purpose of the award. Management corrected these errors to ensure all awards are now appropriately classified in the appropriate cluster and/or program.

Project #	Agency	Description	CFDA	Reference
6860	DC-District Dept of Transportation	Development Review Project Man	20.205	D
6861	DC-District Dept of Transportation	Development of Crash Modification	20.205	D
6864	DC-District Dept of Transportation	Transportation Statistical Factor	20.205	D
6347	DC-District Dept of Transportation	Assessment of Loading Zones in the District of Columbia (DC - District Department of Transportation)	20.205	D
6349	DC-District Dept of Transportation	District of Columbia Speed Study (DC - District Department of Transportation)	20.205	D
6394	DC-District Dept of Transportation	Performance Measures of National Highway Systems in the District of Columbia (DC - District Department of Transportation)	20.205	D
6407	DC-District Dept of Transportation	Traffic Data Center at Howard University (DC - Department of Transportation)	20.205	D
6521	DC-District Dept of Transportation	Research Administrative Program Support (DC - District Department of Transportation)	20.205	D
6522	DC-District Dept of Transportation	Support DDOT's Research Program (DC - District Department of Transportation)	20.205	D
6545	DC-District Dept of Transportation	INVENTORY AND EVALUATION OF TRANSPORTATION HISTORICAL RECORDS	20.205	D
6563	DC-District Dept of Transportation	IMPACT OF TRAFFIC ENFORCEMENT ON DRIVERS, PEDESTRIANS AND BICYCLES IN DC	20.205	D

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7669	DC-District Dept of Transportation	Howard University Traffic Data	20.205	D
6517	DC-District Dept of Transportation	2011 Internship Program (District of Columbia Department of Transportation)	20.205	D
6518	DC-District Dept of Transportation	Management for a Document Management System (District of Columbia Department of Transportation)	20.205	D
6520	DC-District Dept of Transportation	DEVELOPMENT OF POLICY TOOLBOX FOR DDOT	20.205	D
7511	Department of Health and Human Services	Supporting the Scale-up of Highways	93.067	D

- D** Reclassification within the Schedule was warranted based on description and purpose of the grants. These awards were reclassified from other federal awards to the Highway Planning and Construction Cluster. For award 7511 it was initially disclosed as part of the Research & Development Cluster and required a reclassification to Other Federal awards.

While testing the accuracy and completeness of the reconciliation management prepared of the grant expenditures in the general ledger compared to that on the Schedule, also comparing to the disclosures in the report, we noted that the project below was excluded from the Schedule in the prior year based on management's determination that it is for capital expenditures. This award was initially included in the FY 2012 Schedule for our review and excluded with specific disclosure in the footnotes to the Schedule for the reporting period.

Project #	Agency	Sponsor Name	Award #
6275	National Park Service	ARRA: Preservation of Historic Miner Normal School Building	11-09-HC-18112

Unrecorded Expenditures

Based on the effort certification responses received, management performed a detail reconciliation of the amount reported and noted that the FY 2012 Schedule is understated by \$6,652. Based on the immaterial impact of the awards by program disclosed on the Schedule, management determined the amount is immaterial for correction on the FY 2012 Schedule. Management will record this amount in FY 2013. This represents the corrections that were submitted during FY2012 with adjustments to effort of 5% or less and were therefore waived as immaterial individually and in the aggregate.

Out of period Expenditures - Impact of Cost Transfers Recorded included in Schedule

While performing cost transfers testing, we identified 28 instances of out-of-period adjustments in the amount of \$419,407, recorded in the current year's Schedule that relate to prior years. Further details of the specific exceptions are noted in Finding 2012-5 Allowable Costs/Cost Principles: Cost Transfers.

Expired Grants

We made 40 selections of transactions recorded during the reporting period in the Schedule related to expired awards. Based on the review of the supporting documentation received or in some cases, the lack of supporting documentation, we were not able to confirm whether expenditures recorded after the expiration date and outside the 90 day period allowed by the sponsoring agencies to complete and reconcile all financial information for purposes of final reporting responsibilities to the agency.

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PwC Testing Number	Journal ID	Line #	Project	Account	Sum Monetary Amount	Journal Line Description	Date Grant Expired	Date Transaction Recorded in General Ledger	Number of Days After 90 Day Grace Period
3	GM00024228	33	0005433	5700	\$ 317.62	F&A Calculation	8/31/2011	11/30/2011	1
4	GM00026967	39	0000356	5700	332.62	F&A Calculation	9/30/2010	4/1/2012	459
5	GM00026967	213	0005540	5700	1,114.06	F&A Calculation	5/31/2010	4/1/2012	581
6	GM00026967	190	0005513	5700	1,211.23	F&A Calculation	4/30/2011	4/1/2012	247
8	GM00026967	200	0005526	5700	3,369.03	F&A Calculation	5/31/2010	4/1/2012	581
11	APA0025273	86	0006157	5526	200.00	AP Accruals	9/30/2011	1/31/2012	33
22	APA0026441	55	0005433	5260	3,600.00	AP Accruals	8/31/2011	3/27/2012	119
23	PCARDDEC	113	0004838	5250	280.00	PCard Transaction	8/31/2011	1/20/2012	52
25	0000025485	27	0005825	5219	275.00	Prepaid Oth 1/12	6/30/2011	1/31/2012	125
26	0000028658	39	0005825	5219	275.00	Prepaid Oth 6/12	6/30/2011	6/30/2012	276
29	APA0024989	86	0005433	5200	3,011.98	AP Accruals	8/31/2011	1/14/2012	46

Questioned Costs:

None noted.

Cause:

Internal control policies and procedures for the proper recognition of CFDA numbers within the general ledger are not consistently followed. Howard has implemented controls and procedures over the new award set-up process in response to the prior year findings (2011-3 and 2010-15). This included the use of a new award checklist which included the verification of all key elements of the executed award, i.e. CFDA # determination of Federal vs. Non-Federal, budget and cost sharing requirements. We note that the reclassification of the two non-Federal awards to the Schedule was the result of awards set up before the new procedures were put in place. In preparation of the interim Schedule including the preparation of a detailed reconciliation to general ledger, Howard performed validation procedures as part of their monitoring over the accuracy of the award data recorded during the set-up process through selecting a sample of significant and new awards. We do note that although these procedures were performed, the above items were identified from the sample we tested.

In addition, there is a delay in processing of invoices once they are received by Howard. There is inconsistent compliance with Howard's policies to ensure the timely processing of invoices. Management does not have an effective process in place to ensure all expenditures are captured within the Schedule and resulting reports are accurately presented following standard year-end closing process techniques to ensure all expenditures for the period are included within the reports.

Effect:

The incorrect coding of CFDA extensions in Howard's accounting system as well as misclassifications of awards between federal and non-federal results in inaccurate information reported on the Data Collection Form. This may cause a delay in Howard's A-133 report delivery to the appropriate individuals at their respective agencies. The incorrect and lack of coding of CFDA extensions could lead to inaccuracies in the Schedule and misclassification of grants for the purposes of determining programs to be audited in the A-133 audit. The inability to properly classify grants can result in compliance requirements and special provisions not being accurately applied. This may also lead to inaccuracies in the Schedule.

Late processing of expenditures may result in late reporting of expenditures and therefore the reimbursement from the grantor agency may be delayed or rejected. This could lead to Howard self funding grants for a longer period than would otherwise be needed. Insufficient controls over this process could lead to unallowable charges on the grant. In addition, period of availability issues may arise. Submissions made subsequent to the 90 day period following the closing of the grant may not be

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reimbursed. The reporting of expenditures in the incorrect period does not allow for timely comparison of expenditures to the budget and could result in budget overruns.

The lack of sufficient internal controls surrounding the timely and accurate processing of award-related expenditures also increases the risk that accounts are misstated, which leads to misstatements in the Schedule. The absence of these controls has led to untimely reporting and an over/understatement of the Schedule.

Recommendation:

The volume of awards and award transactions necessitates the development and implementation of comprehensive policies, procedures and processes over the recording of award transactions in the general ledger and subsequent preparation of a Schedule that is complete and accurate and compliant with the requirements of OMB Circular A-133. Specifically we recommend Howard consider:

- Establishing formal procedures for the quarterly reconciliation of the Schedule to the Financial Statements, including ensuring required adjusting entries to expenditures are made.
- Updating its policies and procedures related to the Award Acceptance and Set-Up process. The formal policies and procedures should include implementation of controls to ensure the CFDA number and classifications of grants are properly entered into Howard's accounting system by OSP personnel. We also recommend that RAS perform a periodic review of the grant information within Howard's accounting system to ensure that all information is accurate and up-to-date.
- Strengthening and enforcing its internal controls to ensure expenditures are processed in a timely basis.

Views of Responsible Officials/Management Response:

Management agrees with the auditors' recommendation. Initiatives to timely and accurately prepare the SEFA continue into FY 2013 with the goal of avoiding such findings in future periods. Efforts that are in progress include: a thorough review of existing data and monthly grant expenditures; training for grant personnel as well as Research Administrative Services (RAS) personnel; increased communication with the Howard community to reinforce purchasing and payroll policies; and more rigorous review of award set-up. Enhancements to the process included the implementation of a new award checklist requiring validation of CFDA#s and other pertinent award data prior to activating an award.

We have appointed an accountant to prepare the SEFA monthly and reconcile any differences between program activity and the accounting records.

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Finding 2012-5: Allowable Costs/Cost Principles: Cost Transfers

Federal Agency: Various
Program: Various, except Matching Endowment
CFDA #: Various
Award #: Various
Award Year: Various
Pass-through: Various

Criteria:

OMB Circular A-21 C.4 establishes that any costs allocable to a particular sponsored agreement may not be shifted to other sponsored agreements in order to meet deficiencies caused by overruns or other funding considerations, to avoid restrictions imposed by law or by terms of the sponsored agreement, or for other reasons of convenience. Appropriate controls should be in place to prevent frequent, tardy, and unexplained (or inadequately explained) transfers.

Howard policy #600-029, Cost Transfer Policy, requires that the journal entry form submitted to initiate a cost transfer include appropriate justification and is supported by sufficient documentation. For personnel costs, the only acceptable reason for transferring to and from sponsored programs is to align the costs with the actual effort devoted to the project and the effort certification. During the effort certification process, the salary charged to a sponsored program is reviewed for accuracy. If the actual effort committed for the period differs from the report, the report is updated and signed. It is at this point that a Cost Transfer Form should be completed and submitted in accordance with this Policy. Once effort has been certified and the appropriate transfers have been completed (if necessary), no additional cost transfers should be processed relating to the certified effort period. Additionally, Howard requires that cost transfers be completed within 90 days from the original expenditure date with the exception of cost transfers necessitated by an effort certification, which must be completed within 90 days of the certification date. In all cases, the 90-day time period is subject to other deadlines (e.g., the filing of a Financial Status Report), and therefore may be shorter, as applicable.

Condition:

During our testing of cost transfers totaling \$1,405,067, we noted 30 out of 49 cost transfers tested between 50 and 1,490 days late. Additional details of the exceptions noted include the following:

Program	Agency	Project #	Award #	CFDA #	Amount Tested	Days Late	Ref. #	Questioned Costs
R&D	Pass-through from George Washington University	6461	DGE-0801634	47.076	\$23,016	356	A, C	\$ -
SFA	Department of Education	6666	P007A110841	84.007	11,500	63	A	-
Other	Pass-through from Family Health International	499	620-A-00-04-00122-00	98.001	1,857		C	-
R&D	Pass-through from University of District of Columbia	5615	GF-4136F90600	93.307	5,000	1,006	A, C	-

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R&D	Pass-through from SAIC-Frederick, Inc	6215	2970139S	93.280	6,976		C	-
Other	Health Resources and Services Administration	6216	1 D34HP16042-01	93.157	9,100	516	A, C	-
Other	Health Resources and Services Administration	6216	1 D34HP16042-01	93.157	9,800	516	A, C	-
R&D	Pass-through from University of District of Columbia	5615	GF-4136F90600	93.307	10,000	1,370	A, C	-
Ryan White HIV/AIDS	DC-Department of Health	6437	11U202 PO350893	93.940	11,518	411	A, C	-
Other	Small Business Administration	6506	1-603001-Z-0009-31	59.037	13,763		C	-
R&D	NIH-Heart, Lung & Blood Institute	4837	RHL079912A	93.839	14,788	544	A, C	-
R&D	Department of Health and Human Services	685	0K-R4HS11673A	93.226	16,000	306	A, C	-
R&D	Pass-through from John Hopkins University	6429	2000731716	93.701	35,400	516	A, C	-
Other	Pass-through from Drexel University	6180	U1KHP09542	93.359	10,234	566	A, C	-
R&D	National Oceanic and Atmospheric Administration	6264	2164956	11.481	2,820	325	A, C	-
R&D	National Science Foundation	6002	SES-0750683	47.075	7,772	234	A, C	-
R&D	NIH-Neurological Disorder & Stroke	5437	UNS039407C	93.853	59,201	1,000	A, C	-
R&D	Pass-through from Cornell University	5135	44771-7480	47.041	68,315	1,490	A, C	-
R&D	National Aeronautics and Space Administration	6501	NNX10AQ11A	43.AAA	5,337		C	-
R&D	Department of Health and Human Services	6707	5S06GM008016-39	93.859	1,831	50	A	-
Other	Health Resources and Services Administration	6404	5T16MC06954-05-00	93.110	54,462	1,030	A, C	-
Other	Substance Abuse and Mental Health Services	6408	5U79SM058948-02	93.243	3,893		C	-
Ryan White HIV/AIDS	DC-Department of Health	6437	11U202 PO350893	93.940	1,437	180	A, C	-
Other	Department of Housing and Urban Development	6269	HBCU-09-DC-214	14.520	40,846		C	-

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Other	Substance Abuse and Mental Health Services	6408	5U79SMo58948-02	93.243	40,000	373	A, C	-
Other	Pass-through from Dartmouth College	6127	545	84.133	2,917	391	A, C	-
R&D	DC-State Education Office	6502	ECE-GD-11-0006	93.596	2,936	153	A, C	-
R&D	DC-State Education Office	6502	ECE-GD-11-0006	93.596	3,925	195	A, C	-
R&D	Pass-through from University of Pittsburgh	7559	19469	93.145	2,979	125	A	-
R&D	Pass-through from Charles Drew University	6547	10-110KN-G007RN-HU	93.389	977	1,120	A, B	977
R&D	Pass-through from Charles Drew University	6547	10-110KN-G007RN-HU	93.389	19,740	146	A, C	-
R&D	Department of Health and Human Services	6707	5S06GM008016-39	93.859	1,831	83	A	-
R&D	Department of Health and Human Services	6705	5S06GM008016-39	93.859	1,942	59	A	-
R&D	Pass-through from Georgetown University	6152	RX 4235-404-HU	47.079	5,083	174	A	-
R&D	NIH-Mental Health	7474	1R01MH091460-01A1	93.242	1,535	271	A	-
Other	Small Business Administration	6506	1-603001-Z-0009-31	59.037	470	453	A, C	-

\$509,201

\$977

A - Untimely processing of cost transfer (transfer was completed after the required 90 days from original expenditure)

B -Allowability of transferred charge could not be verified due to missing documentation (i.e. invoices, statements)

C - Transfer recorded relating to a prior year expense (out of period)

Questioned Costs:

Total questioned costs amounted to \$977 as noted in the table above.

Cause:

Although Howard has a policy that requires review and approval of journal entries, including cost transfers, the review of these journal entries is not consistently and timely performed. In addition, cost transfer forms that require justification and approval and ensure cost transfers are being charged to the correct accounts have not yet been consistently used to record the justification of the transfer being made.

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Effect:

Due to the ineffective internal controls surrounding the review of allowability of expenditures charged to grants and the cost transfer process, including review and approval, Howard runs the risk that either incorrectly allocated charges may go unnoticed for an unreasonable amount of time or that transfers will be made in error, thereby misstating the amount of expenditures eligible to be charged to a specific grant.

Recommendation:

Howard has approved a Cost Transfer Policy and the cost transfer form required by the policy was implemented in the Fall of 2010. We recommend that Howard strengthens its formal procedures to identify costs charged in error and to ensure that such costs are transferred to the correct grant on a timely basis. Additionally, Howard should ensure that its policy is consistently followed, where all supporting documentation that relates to the cost transfer is provided and obtained to evidence the allowability of the cost transfer.

Views of Responsible Officials/Management Response:

Howard recognizes the importance of timely recording costs incurred on federal awards. Howard's goal is to eliminate the need for cost transfers by ensuring that all transactions are recorded correctly and timely. In the event a transfer becomes necessary, Howard has a policy in place that requires the timely identification, recording and documentation of cost transfers. As stated in the finding nearly all costs were found to be allowable and allocable under the terms of the grant and contract award.

Management has reinforced existing policies and procedures on the timeliness of cost transfers with grant administrators emphasizing adherence to the timely review of transactions and the importance of executing required cost transfers in accordance with the Howard policies. FY 2012, management strengthened the cost transfer process by adding additional supervisory reviews at the Director-level (and above) for all transfers completed. In addition, management implemented several review procedures to identify expenditures that were misclassified including performing periodic reviews of detailed grant activities, increased communications with Principal Investigators and reviewing for awards with little or no grant activity.

In 2013, there are initiatives to upgrade our HR system which will bring improvements to the allocation and timing of compensation charges and reduce the need for cost transfers. In addition, the entire hiring and on-boarding process is being reengineered to alleviate process design and operating inefficiencies which have historically resulted in cost transfers. These initiatives are expected to occur by the end of FY 2013.

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Finding 2012-6: Overall Timing and Other Matters

Federal Agency: Various

Program: Various

CFDA # Various

Award #: Various

Award year: Various

Pass-through: Various

Criteria:

OMB Circular A-133 - Section __.310 (b) sets forth that the auditee shall prepare a Schedule of Expenditures of Federal Awards ("the Schedule") for the period covered by the auditee's financial statements.

OMB Circular A-110 - Section __.21, which includes standards for financial management systems, notes recipients' financial management systems shall provide for the following:

(1) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.

OMB Circular A-133, Subpart B section __.205, states that the determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements, such as: expenditure/expense transactions associated with grants, cost-reimbursement contracts, cooperative agreements, and direct appropriations; the disbursement of funds passed through to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or consumption of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and, the period when insurance is in force.

Condition:

Howard prepares the Schedule of Expenditure of Federal Awards (the "Schedule") on the accrual basis of accounting. The process used by Howard to prepare the Schedule uses data gathered from the general ledger. We noted several items during our testing of the awards for activities that occurred in prior years that were reported on the Schedule in 2012. In addition, we identified expenditures which were corrected by Howard in FY2013. The following table references those identified as part of our testing.

Project #	Award Nr.	Program	Agency	CFDA #	Type of Charge	Ref #	Amount Tested	Out of Period
6095	HRD-0833127	R&D	NSF	47.076	Payroll	A	\$9,231	\$5,714
6912	S-LMAQM-12-CA-1028	Other	Department of State	19.020	Indirect Costs	B	304	
6095	HRD-0833127	R&D	NSF	47.076	Indirect Costs	A	224,387	1,943

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6264	2164956	R&D	National Oceanic and Atmospheric Administration	11.481	Indirect Costs	A	\$159,491	\$1,867
6501	NNX10AQ11A	R&D	NASA	43.AA A	Indirect Costs	A	220,365	2,826
6095	HRD-0833127	R&D	NSF	47.076	Fringe Benefits	B	4,781	
6264	2164956	R&D	National Oceanic and Atmospheric Administration	11.481	Fringe Benefits	B	1,153	
6349	PO331330	Highway Planning and Construction	DC-District Dept of Transportation	20.205	Direct Costs - Equipment	A	345	345
6349	PO331330	Highway Planning and Construction	DC-District Dept of Transportation	20.205	Direct Costs - Equipment	A	131	131
6407	PO338709	Highway Planning and Construction	DC-District Dept of Transportation	20.205	Direct Costs - Equipment	A	7,152	7,152
6407	PO338709	Highway Planning and Construction	DC-District Dept of Transportation	20.205	Direct Costs - Equipment	A	2,260	2,260
6522	DCKA-2008R-0129	Highway Planning and Construction	DC-District Dept of Transportation	20.205	Direct Costs - Consultant	A	9,411	9,411
6522	DCKA-2008R-0129	Highway Planning and Construction	DC-District Dept of Transportation	20.205	Direct Costs - Consultant	A	8,667	8,667
6506	1-603001-Z-0009-31	Other	Small Business Development	59.037	Payroll	A	705	705
6506	1-603001-Z-0009-31	Other	Small Business Development	59.037	Payroll	A	653	653
6506	1-603001-Z-0009-31	Other	Small Business Development	59.037	Payroll	A	235	235
6506	1-603001-Z-0009-31	Other	Small Business Development	59.037	Direct Costs - Consultant	A	3,000	3,000
6506	1-603001-Z-0009-31	Other	Small Business Development	59.037	Direct Costs - Consultant	A	2,000	2,000
6506	1-603001-Z-0009-31	Other	Small Business Development	59.037	Direct Costs - Consultant	A	2,800	2,800
6506	1-603001-Z-0009-31	Other	Small Business Development	59.037	Direct Costs - Consultant	A	2,000	2,000
6506	1-603001-Z-0009-31	Other	Small Business Development	59.037	Direct Costs - Consultant	A	2,900	2,900
6506	1-603001-Z-0009-31	Other	Small Business Development	59.037	Direct Costs - Other	A	74	74

\$662,045 **\$ 54,683**

A - Allowable expenditures recorded in 2012 relating to activities occurring in prior periods, results in understatement of 2011 expenditures. As it relates to indirect costs the sponsor is not billed for this amount and a correcting entry was recorded in 2013.

B - Allowable expenditures not recorded on the 2012 Schedule, results in understatement of expenditures reported in 2012.

In addition, we noted as part of Finding 2012-5 Cost Transfers, an amount of \$419,407 as federal expenditures recorded in 2012 related to activities in prior years.

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Furthermore, when we consider instances noted as part of the audit where the timeliness of recording adjustments to the Schedule was not in accordance with Howard's policies and procedures, we identified as part of our testing over Federal Work Study awards, where we selected 40 students to agree the amount paid for hours worked to the payroll history report and approved time sheets for the selected periods an instance came to our attention based on inquiry with Howard, that for 1 student, a cost transfer was necessary as their authorized time reported as recorded to a federal award, needed to be transferred to the Howard department. Howard appropriately completed the cost transfer form with supporting documentation and transferred wages in amount of \$1,474 pertaining to the period 7/5/2011 - 4/6/2012 with an effective date of June 30, 2012.

Matching

For the R&D Cluster, Passthrough Georgetown University, CFDA 93.389 and Small Business Administration 59.037 the University has a matching requirement with the sponsor. Documentation for how the University complies with this matching requirement is not maintained. During our audit the University was able to recalculate and demonstrate they had met the matching requirement.

Classification of expenditures

As it relates to the travel expense direct expense testing performed over the project below, we noted the travel expenses were coded as Travel Expense (to general ledger account #5507). However, since they were related to students enrolled in the Summer Enrichment Program, based on the supporting documentation reviewed, the nature of the expenses indicate it should have been coded as Scholarships, Honorariums, Training (general ledger account #5521). Management considered the student's travel cost as part of their scholarship package.

Project #	Award Nr.	Program	Agency	CFDA #	Type of Charge	Amount Tested
6539	S-LMAQM-11-GR-003 A001	Charles B. Rangel International Affairs Program	Department of State	19.020	Travel	\$4,785

Questioned Costs:

None noted.

Cause:

There is a delay in the processing of invoices or identifying and processing cost transfers once they are received by Howard. There is inconsistent compliance with Howard's policies to ensure the timely processing of invoices. Management does not have an effective process in place to ensure all expenditures are captured within the Schedule. While this amount did not materially misstate the current year financial statements, enhancements to the process are necessary to ensure this risk is addressed going forward.

Effect:

Late processing of expenditures may result in late reporting of expenditures and therefore the reimbursement from the grantor agency may be delayed or rejected. This could lead to Howard self funding grants for a longer period than would otherwise be needed. Insufficient controls over this process could lead to unallowable charges on the grant. In addition, period of availability issues may arise. The reporting of expenditures in the incorrect period does not allow for timely comparison of expenditures to the budget and could result in budget overruns.

The lack of sufficient internal controls surrounding the timely and accurate processing of award-related expenditures also increases the risk that accounts are misstated, which leads to misstatements in the

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Schedule. The absence of these controls has lead to untimely reporting and an over/understatement of the Schedule.

Recommendation:

The volume of awards and award transactions necessitates the development and implementation of comprehensive policies, procedures and processes over the timely identification and recording of award transactions in the general ledger and subsequent preparation of a Schedule that is complete and accurate and compliant with the requirements of OMB Circular A-133. Specifically we recommend Howard consider:

- Establishing and monitoring formal procedures for a quarterly reconciliation of the Schedule to the Financial Statements, including ensuring required adjusting entries to expenditures are made and identified within at least 90 days.
- Strengthening and enforcing its internal control policies and procedures surrounding timely processing and cut-off, and ensure consistent compliance to minimize the recognition of out of period expenses (cost transfers) on the Schedule.

The University should ensure that the matching requirements are calculated and documentation maintained on an annual basis.

Views of Responsible Officials/Management Response:

Howard has reviewed the auditors' findings and agrees with the recommendations. An accountant was assigned to grants administration that will be charged with these control processes. Extensive efforts by Howard have detected out-of-period charges and continued efforts are in place to prevent cut-off issues.

Administrators will continue to utilize the previously developed monthly review of grant activity including checklists for grant analysts to assist in monitoring grant expenditures, monthly reviews of grant spending trends including awards with little to no activity and increased communications with the Principal Investigators to identify issues more timely.

The CFO and Controller will continue to issue regular entity-wide messages informing Howard personnel of the importance of timely submission of invoices and purchasing information. This effort and outreach has reduced cut-off issues over the last 18 months and we will continue to improve the timely recordation of expenditures going forward.

Finding 2012-7: Effort Certification Process

Federal Agency:	All Federal programs, except Student Financial Aid Cluster
Program:	All programs
CFDA #	Various
Award #:	Various
Award year:	Various
Pass-through:	Various

Criteria:

OMB Circular A-21 outlines the guidelines governing effort certification and the verification of salary distributions. Specifically, OMB A-21 Section J requires institutions of higher education to maintain activity reports that reflect the distribution of activity expended by each employee covered by the system. The reports reflect an after the-fact reporting of the percentage of activity for each employee. Each report will account for 100% of the activity for which the employee is compensated. The report will reasonably reflect the percentage of activity applicable to each sponsored agreement, each indirect cost category and each major function of the institution. Circular A-21 J.10 states that reports should reasonably reflect the activities for which employees are compensated by the institution. To confirm that the distribution of activity represents a reasonable estimate of the work performed by the employee during the period, the reports will be signed by the employee, principal investigator or responsible official(s) using suitable means of verification that the work was performed.

Howard implemented a new automated effort certification system (ECS) at the start of the financial year where the Effort Certification Team initiates the process in ECS to prepare effort certificates to be distributed to certifiers, assuring the integrity of the data pulled from the payroll system as necessary, for all individuals that have charged effort to a sponsored project. The system is made accessible to the certifier and the certifier's Principal Investigator/Designee if applicable. The Effort Certification Team in RAS initiates the process in the ECS to distribute effort certificates to all personnel that have charged effort to a sponsored project.

OMB Circular A-21 requires that "certificates will be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed." At Howard, all individuals certify their own effort certificates after appropriate consultation with a supervisor or academic leader in the case of faculty members. If an individual is not able to certify their effort on sponsored programs, that individual's effort using the reassign function in the ECS could be send to an appropriate designee to certify. If the payroll distribution reflected on an effort certificate does not accurately display how the employee spent his/her time, the employee selects "certify with corrections" and can make the required changes to how their effort has been allocated. All certificates with corrections are routed via the ECS to a RAS analyst who must review and approve before certificates are complete and a cost transfer may be contemplated.

RAS analysts have the ability to "push back" certificates that are not within the parameters of the sponsored award or if they know the certifier made a mistake when certifying. The certificate then goes back to the individual certifier so they can make the correction and then resubmit. Individuals, who have charged effort to a sponsored project consult with their supervisors or designated academic department leaders on the accurate distribution of their effort, certify their effort certificate within the ECS using the PeopleSoft access. Salary charged to a sponsored project must never exceed the amount associated with the actual effort devoted to that project.

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When RAS receives the completed effort certificate, the certificates are reviewed for changes from the original payroll distribution report. If there are no changes, the certified effort certificate is filed. If changes are identified, RAS determines if sponsor contact is required to obtain approval for a change in effort and initiates additional actions to align the expenses charged to the project with the certified effort (i.e., a cost transfer to adjust for any changes made to the effort certificate).

Condition:

During our review of Howard's effort certification process for the current fiscal year, we noted that the organization has experienced some challenges with the implementation and execution of the information processed through the new automated ECS.

During the reporting period July 1 - December 31, 2011, the amounts of salary expense recorded within the general ledger system did not always agree with that reported on the effort certificate used for certification. Certifiers communicated these inconsistencies to management verbally and through the comments tools in the certification. Upon further investigation, management identified that negative adjustments in payroll, as it relates to any cost transfers recorded in the general ledger, were not appropriately reflected on the effort certificate.

Furthermore, as part of the re-assignment of certifications when the individual was not able to certify their effort on a timely basis, certificates were erroneously zeroed out in 15 instances (out of 1,152 as reported by the University). The certification could not be retrieved nor did management request a manual certification subsequently, although they were made aware of these occurrences based on communications to RAS.

Questioned Costs:

None noted.

Cause:

During the time period when issues within the functionality of the new system occurred, Howard was exposed to incomplete and inaccurate certifications. The organization's objective of reaching 100% completion of certifications during each reporting period was not achieved which could result in federal awards not being charged with the person's actual effort on the award. A well monitored, designed and functional automated system requires sufficient time as part of a testing period to run in parallel with the prior year's manual process to ensure that the system's controls and inherent processes retrieves and generates certifications as expected.

Effect:

Howard is not in compliance with OMB Circular A-21 regarding the certification of effort based on system errors encountered.

Recommendation:

We recommend Management ensure that established policies and procedures are followed in order to comply with the requirements of OMB Circular A-21 and to meet the accountability requirements as established in Federal regulations given also that a new automated system has been implemented during the year. This includes ensuring that all effort certifications are compiled and that payroll expenses recorded in the general ledger is reconciled to what is reported on the effort certificate to ensure completeness and accuracy of the effort calculated and used in evaluation by the responsible individuals. We note that for the 15 individuals for which effort certifications could not be retrieved during the first half of the year, they have subsequently been able to certify their effort. Based on the reconciliation and review performed by management on their global effort certification results at June 30, 2012, appropriate complete responses were received and analyzed.

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Views of Responsible Officials/Management Response:

Howard worked with an industry leader to establish an effective, easy-to-use tool to facilitate the effort certification process. With any system implementation, there are challenges and minor modifications required after go-live. The system implementation was successful in allowing program personnel to timely certify their effort as required by OMB Circular A-21 and providing Howard with a method of tracking and recording the results.

While margins of error are at or near zero, when we raised the 15 individuals to our auditor's attention, we had already remediated the root cause and successfully certified subsequent periods. These issues were identified during the first certification cycle and remediated prior to initiating subsequent cycles, therefore we believe we have successfully addressed the auditor's concerns.

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Finding 2012-8: Special Tests and Provisions (Human Subjects)

Federal Agency: Department of Health and Human Services
Program: Research and Development Cluster
CFDA #: 93-575
Award #: ECE-GD-11-0006-R1
Award year: 10/1/2011 - 9/30/2012
Pass-through: Pass-through from DC-State Education Office

Criteria:

CFR Title 45 Part 46.102 (f) Human subject means a living individual about whom an investigator (whether professional or student) conducting research obtains the following:

- (1) Data through intervention or interaction with the individual, or
- (2) Identifiable private information.

Intervention includes both physical procedures by which data are gathered (for example, venipuncture) and manipulations of the subject or the subject's environment that are performed for research purposes. Interaction includes communication or interpersonal contact between investigator and subject. Private information includes information about behavior that occurs in a context in which an individual can reasonably expect that no observation or recording is taking place, and information which has been provided for specific purposes by an individual and which the individual can reasonably expect will not be made public (for example, a medical record). Private information must be individually identifiable (i.e., the identity of the subject is or may readily be ascertained by the investigator or associated with the information) in order for obtaining the information to constitute research involving Human Subjects.

Howard Policy #600-024 states it is the policy of Howard that the Principal Investigator (PI)/ Program Director (PD) is responsible for ensuring that the all required institutional committee approvals/reviews (i.e., Institutional Review Board (IRB), Institutional Animal Care and Use Committee (IACUC), BioSafety Committee, Radiation Safety Committee) have been obtained consistent with Howard's policy and applicable external regulations.

Condition:

As it pertains to the project listed below, we noted that for 15 instances out of a sample of 60 selected for testing, there is not a valid signed consent form.

Program	Agency	CFDA #	Award #	Project #
R&D	Pass-through from DC-State Education Office	93-575	ECE-GD-11-0006-R1	6853

Questioned Costs:

None noted.

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Cause:

Management noted that the listing provided of human subjects was including individuals for the test to be conducted in FY13. As a result, we noted approvals of consent forms for the studies to be conducted within the 2013 financial year. The testing being conducted is from April 2012-April 2013 and inadvertently, the participants were given and asked to sign an earlier version of the consent form that expired on May 3, 2012. This occurred because of the ongoing annual repetition of the focus groups conducted.

Effect:

Without ensuring the completeness, validity and timeliness of all pertinent data on the human subject consent form, Howard may not be in compliance with appropriate Human subject protocols.

Recommendation:

Howard should obtain documentation to ensure that the signed consent forms cover the period the testing will be performed. Timely, complete and accurate approvals on file will ensure that the terms and conditions are met.

Views of Responsible Officials/Management Response:

Howard notes the auditors' findings and recommendation. Consent forms are pre-stamped with expiration dates that correspond with the expiration of the award's IRB approval. In this instance, personnel inadvertently used a form in several cases with the prior year's expiration date because they were incorrectly mixed in with the correctly dated forms. Ideally, upon being notified of the mistake, the program staff would have obtained updated consent forms with the current dates. However, given the nature of the study and the time that had elapsed since the research activity at the time of notification, investigators concluded that obtaining signatures on new consent forms would be unnecessarily burdensome to the participants. Hence, investigators concluded that correcting this error was not practical in this case.

Management will reinforce existing policies and procedures to ensure that consent forms with the correct date are used in all research procedures and that they are signed in a timely manner in accordance with the underlying agreement and retained. In addition, management will implement a procedure to ensure that blank forms are discarded upon expiration. We have generated a Research Alert that will be distributed to the research community and specifically addressed with the personnel from this award. This information will continue to be reiterated to Principal Investigators during kickoff meetings and routinely throughout the year.

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Finding 2012-9: Eligibility

Federal Agency: U.S. Department of State
Program: Charles B. Rangel International Affairs Program
CFDA #: 19.020
Award #: S-LMAQM-11-GR-003 A001
Award Year: 2012

Criteria:

The specific requirements for eligibility are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

Per Award S-LMAQM-11-GR-003 and S-LMAQM-12-CA-1028 under Department of State, Graduate Fellowship Program recipients under this grant award must meet the following eligibility requirements in order to be eligible for the fellowship:

- a. *US Citizen*
- b. Seeking admission to enter graduate school in the fall for a two-year program at a U.S. University
- c. GPA of 3.2 or higher on a 4.0 scale at the time of application
- d. Medical clearance and medical insurance converge is required to be completed prior to traveling overseas

Per Award S-LMAQM-11-GR-003 and S-LMAQM-12-CA-1028 under Department of State, Summer Enrichment Program recipients under this grant award must meet the following eligibility requirements in order to be eligible for the fellowship:

- a. *US Citizen*
- b. 500 word essay
- c. Transcript(s) from all colleges or universities that the applicant has attended.
- d. Three letters of recommendation

Condition:

The total fellowship expenditure represents \$1,773,598 of related expenditures, subjected to eligibility requirements based on review performed of our selected grant agreements and discussions with the Principal Investigators (PI's). Of our sample of 40 grant participants that received funds during the fiscal year, four disbursements were made without meeting the eligibility requirements. We note that three students from another non-federal institution were participating in the program. This other university engaged Howard in taking on these students as part of the program and ultimately receiving federal funds. The eligibility requirements were not met for these students based on the eligibility requirements noted above.

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Project #	Award Title	Award #	CFDA #	Agency	Questioned Costs
6539	Charles B. Rangel Foreign Affairs Fellowship and Summer Enrichment Programs	S-LMAQM-11-GR-003 A001	19.020	Department of State	\$ 15,000
6539	Charles B. Rangel Foreign Affairs Fellowship and Summer Enrichment Programs	S-LMAQM-11-GR-003 A001	19.020	Department of State	8,174
6539	Charles B. Rangel Foreign Affairs Fellowship and Summer Enrichment Programs	S-LMAQM-11-GR-003 A001	19.020	Department of State	8,174
6539	Charles B. Rangel Foreign Affairs Fellowship and Summer Enrichment Programs	S-LMAQM-11-GR-003 A001	19.020	Department of State	8,174
					\$ 39,522

Questioned Costs:

The questioned costs associated with the finding are \$39,522.

Cause:

Howard is required to verify and monitor the adherence to the eligibility criteria of recipients under each federal award before funds are distributed to them. For three of the recipients, Howard was unable to provide the supporting documentation before the funds were distributed to them. For one recipient, Howard did not timely identify that the recipient did not meet the eligibility requirements before the distribution was made.

Effect:

Not manually confirming recipients' eligibility and maintaining supporting documentation of it before awarding funds could result in ineligible recipients receiving funds, creating questioned costs.

Recommendation:

We recommend that Howard continue to improve controls and procedures to ensure that documentation that supports eligibility in accordance with the terms and conditions of the award agreements are reviewed for completeness and properly maintained in accordance with both established program guidelines and Howard established policies and procedures.

Views of Responsible Officials/Management Response:

Management notes the auditors' findings and recommendations. This finding is applicable to non-Howard students that participated in a single summer fellowship program. The Admissions department verifies that all Howard students meet eligibility requirements, but fellowship programs are managed directly by project personnel.

Going forward, Howard will include training on this issue during grant kick-off meetings and communicate with specific teams to reiterate the need to obtain and retain adequate documentation to support eligibility. Howard will also communicate eligibility requirements directly to analysts, grant managers, principal investigators and participating institutions.

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Finding 2012-10: Agency for International Development – Overall Award Administration

Federal Agency: Agency for International Development
Program: USAID Foreign Assistance for Programs Overseas
CFDA #: 98.001
Award #: Various
Award Year: Various
Pass-through: Family Health International

Criteria:

According to OMB Circular A-133 Subpart C, Section __.300, the auditee has the responsibility to "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Allowability of Payroll Charges (Supporting Documentation): OMB Circular A-21, Sections C.1-9; D.1-2; J.1-54, OMB Circular A-110 Subpart C 40-48, 34 CFR 645.40, 34 CFR 646.30 and 34 CFR 647.30 set forth standards for identifying allowable and unallowable costs. In addition, the specific requirements for activities allowed and disallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of contract and grant agreements pertaining to each program.

OMB Circular A-21, Section J.10.d (1) also adds additional guidance surrounding the allowability of salaries for faculty members. It states that charges for work performed on sponsored agreements by faculty members during the academic year will be based on the individual faculty member's regular compensation. In no event will charges to sponsored agreements, irrespective of the basis of computation, exceed the proportionate share of the base salary for that period. This principle applies to all members of the faculty at an institution.

Allowability of Non-Payroll Charges (Supporting Documentation): OMB Circular A-21, Section C.1-9; D.1-2; J.1-54, and OMB Circular A-110 Section e.40-48, set forth standards for identifying allowable and unallowable costs. In addition, the specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program.

Under OMB Circular A-21 Section C.2, "The tests of allowability of costs under these principles are: (a) they must be reasonable; (b) they must be allocable to sponsored agreements under the principles and methods provided herein; (c) they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) they must conform to any limitations or exclusions set forth in these principles or in the sponsored agreement as to types or amounts of cost items." We note that the approval of the charges should be evidenced in a timely manner by the authorized personnel over the award.

Under OMB Circular A-21 Section C.3, "A cost may be considered reasonable if the nature of goods or services acquired or applied, and the amount involved therefore, reflects the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made."

Special tests and provisions reporting to the prime: OMB Circular A-110, Section .52 sets forth standards for use by recipients in establishing procedures for financial reporting. For some of its reports, Howard utilizes the Payment Management Systems (PMS) operated by the Division of Payment Management (DPM) within the Department of Health and Human Services, and for others, the format

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stipulated by the granting agency. The frequency and due dates for each of the progress and financial reports are stated within the individual grant agreements or agency websites.

Under OMB Circular A-110 Section 215.51, financial records, supporting documents, statistical records and all other records pertinent to an award shall be retained for a number of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency.

The frequency of each of the progress reports shall be proscribed the Federal award agency under the restriction of OMB Circular A-110, Section 215.51 (b) which states that performance reports shall not be required more frequently than quarterly or, less frequently than annually, except as provided in Section 215.51 (f). Per Section 215.51 (b), annual reports shall be due 90 calendar days after the grant year-end, quarterly or semi-annual reports before the anniversary dates of the award. The HHS awarding agency may require annual reports before the anniversary dates of multiple year awards in lieu of these requirements. The final performance reports are due 90 calendar days after the expiration or termination of the award.

According to Section 215.51 (d) performance reports generally are required by the Federal agency to contain: (1) a comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator, or both, (2) reasons why established goals were not met, if appropriate, and (3) other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

Title 45 CFR 74 Section 215.51 (b) sets forth that financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of submission of the quarterly or annual financial report.

Condition:

Howard manages several awards as part of a project which builds on the program supported through the Global HIV/AIDS Initiative Nigeria (GHAIN), which among other objectives supported the expansion of access to HIV testing and counseling (HTC), prevention of mother-to-child transmission (PMTCT), treatment (ART) and care services in the state. Specifically, the SIDHAS project aims to assist the Government of Nigeria (on) to reduce the burden of HIV/AIDS by building sustainable local capacity to deliver high-quality, comprehensive prevention, treatment, care and related services.

Compliance requirements applicable to these awards are (1) Activities allowed or unallowed (A); (2) Allowable Costs (B); (3) Cash Management; Equipment and real property management (F); (4) Matching, level of effort and earmarking (G); (5) Period of availability of federal funds (H); (6) Procurement and suspension and debarment (I); (7) Reporting (L); (8) Subrecipient Monitoring (M); and (9) Special tests and provisions (N).

We noted several items during our testing of this award relating to overall timing and documentation of award transactions, resulting in instances of out-of-period adjustments, questioned costs, and missing documentation to support allowability.

(a) Activities allowed or unallowed/Allowable Costs/Cost Principles

- i. Direct Expenses (Consultants): The engagement team selected a sample of 42 consultant related expenditures totaling \$1,102,021 and noted allowability could not be supported for two items totalling \$34,520, due to lack of evidence.

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- ii. Other Direct Expenses: The engagement team selected a sample of eleven other direct expenditures totaling \$87,064 and noted allowability could not be supported for one item totaling \$17, due to lack of evidence.
- iii. We noted that for items totaling \$43,658, though these expenditures were allowable expenditures recorded in fiscal 2012, they related to activities that occurred in a prior period, resulting in an overstatement of the fiscal 2012 Schedule of Federal Expenditures.

See table below for details:

Project #	Award #	Program	Agency	Type of Charge	Amount Tested	Exception Ref #	Questioned Costs	Out-of-Period
6401	GHH-1-02-07-00043-00	Other	Pass-through from - Family Health International	Direct Costs - Other Direct Costs	\$ 1,278	A	\$ -	\$1,278
499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Travel	3,036	A		3,036
499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Travel	1,013	A		1,013
6293	621-A-00-10-00001-00	Other	Pass-through from - Family Health International	Direct Costs - Consultants	2,016	A		2,016
6102	696-A-00-08-00062-00	Other	Pass-through from - Family Health International	Direct Costs - Consultants	525	A		525
6102	696-A-00-08-00062-00	Other	Pass-through from - Family Health International	Direct Costs - Consultants	293	A		293
6294	611-A-00-09-0003-00	Other	Pass-through from - Family Health International	Direct Costs - Consultants	227	A		227
499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Other Direct Costs	5,339	A		5,339
499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Other Direct Costs	15,727	A		15,727
499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Other Direct Costs	2,983	A		2,983
499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Other Direct Costs	1,954	A		1,954
499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Other Direct Costs	3,034	A		3,034
6834	AID-620-A-11-00002	Other	Pass-through from - Family Health International	Direct Costs - Other Direct Costs	2,218	B	17	
499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Other Direct Costs	104	A		104
499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Consultants	1,717	A		1,717
6294	611-A-00-09-0003-00	Other	Pass-through from - Family Health International	Direct Costs - Consultants	1,208	A		1,208

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499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Consultants	146,000	B	3,738	
499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Consultants	121,989	B	30,782	
6834	AID-620-A-11-00002	Other	Pass-through from - Family Health International	Direct Costs - Consultants	3,204	A		3,204

\$ 34,537 \$43,658

A - Allowable expenditures recorded in 2012 relating to activities occurred in prior periods; resulting in overstatement of 2012 expenditures.

B - Allowability of expenditures not supported by documentation provided.

iv. Foreign exchange translation of expenses

35 transactions/expenses totaling \$1,081,740 were incurred in a currency other than the US Dollar, and converted into US Dollars for the purposes of obtaining reimbursement using a foreign exchange rate. Supporting documentation for the exchange rate applied in the settlement schedule was not maintained by the University. During the audit process, management attempted to recalculate some of the selections, and differences were identified, thus we were unable to ascertain the methodology used for calculating the amount requested for reimbursement or its accuracy.

v. Understatement of charges

Project #	Award #	Program	Agency	Type of Charge	Amount Tested	Exception Ref #	Understatement
499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Other Direct Costs	\$2,843	C	\$595
499	620-A-00-04-00122-00	Other	Pass-through from - Family Health International	Direct Costs - Consultants	121,989	C	2,214
6293	621-A-00-10-00001-00	Other	Pass-through from - Family Health International	Direct Costs - Consultants	493	C	60

C - Based on the supporting documentation reviewed, the amount recorded in the Schedule of Federal Expenditures was understated by the amount noted.

(b) F&A Costs

The engagement team tested 14 grants under this award for compliance with applicable facilities and administrative (F&A) cost rates based on the terms and conditions of the awards. For seven out of the fourteen awards it was noted that rates used resulted in an undercharge on the Schedule for fiscal 2012 in the amount of \$305,937. F&A rates used for three out of the fourteen awards resulted in an overcharge on the Schedule in the amount of \$647.

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Program	Agency	Project #	Award #	Amount Tested	Ref #	(Undercharge)/ Overcharge
Other	Pass-through from - Family Health International	499	620-A-00- 04-00122- 00	\$183,707	D	(\$55,488)
Other	Pass-through from - Family Health International	6099	617-a-00- 08-00066- 00	2,677	D	(154)
Other	Pass-through from - Family Health International	6102	696-A-00- 08-00062- 00	5,655	D	(342)
Other	Pass-through from - Family Health International	6104	660-A-00- 08-00064- 00	(270)	D	(925)
Other	Pass-through from - Family Health International	6293	621-A-00- 10-00001- 00	9,091	E	355
Other	Pass-through from - Family Health International	6294	611-A-00- 09-0003- 00	4,181	D	(42)
Other	Pass-through from - Family Health International	6401	GHH-1-02- 07-00043- 00	18,706	D	(191)
Other	Pass-through from - Family Health International	6834	AID-620-A- 11-00002	15,187	D	(248,795)
Other	Pass-through from - Family Health International	6896	696-A-08- 00062-00	9,166	E	126
Other	Pass-through from - Family Health International	6898	621-A-00- 10-00001- 00	20,536	E	166

\$268,636

Questioned Costs

\$647

D – F&A cost was undercharged for fiscal 2012

E – F&A cost was overcharged for fiscal 2012

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(c) Special Tests & Provisions

Reporting: We selected 21 invoices and 25 progress reports for testing. For the selected progress reports, Howard provided explanations for why submission of the selected report was not required, provided an electronic copy of the report, or provided a powerpoint presentation which was submitted as the progress report. We were unable to examine evidence that the selected reports had been submitted to the prime recipient, nor examine supporting documentation for the information included in the reports.

We noted that certain invoices submitted in fiscal 2012 reported expenditures incurred in prior years. As this is a program that is being operated internationally, there is a delay in when supporting documentation for expenditures incurred is obtained by Howard, resulting in a delay in processing expenditures. This delay then results in out-of-period charges being recorded and reported in the current fiscal year.

Progress Reports

Program	Agency	Award #	Project #	Ref #	Report Type
Other	Pass-through from - Family Health International	CHH-1-02-07- 00043-00	6894	F	Q4 2011 and Q1 2012 Quarterly project implementation report
Other	Pass-through from - Family Health International	696-A-08- 00062-00	6896	F	Q1 and Q2 2012 Quarterly project implementation report
Other	Pass-through from - Family Health International	621-A-00-10- 00001-00	6897	F	Q1 and Q2 2012 Quarterly project implementation report
Other	Pass-through from - Family Health International	611-A-00-09- 0003-0	6898	F	Q2 2012 Quarterly project implementation report
Other	Pass-through from - Family Health International	AID-623-LA-11- 00005	6530	F	Q4 2011 and Q1 2012 quarterly project implementation report
Other	Pass-through from - Family Health International	AID-620-A-II- 00002	6294	F	Annual report ended 9/30/2011 and Q3 2011 and Q4 2011 quarterly project implementation reports
Other	Pass-through from - Family Health International	AID-620-A-II- 00002	6102	F	Q3 2011 Quarterly project implementation report and Annual report ended 9/30/2011
Other	Pass-through from - Family Health International	AID-620-A-II- 00002	6834	F	Monthly progress reports for July 2011, September 2011, February 2012, and April 2012.

F – Supporting documentation missing to verify information reported or that these reports were submitted to the pass-through agency.

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Cash Management (invoicing)

Program	Agency	Award #	Project #	Reference #	Period Selected
Other	Pass-through from - Family Health International	AID-620-A-II-00002	6470	G	Jan - Mar 2012
Other	Pass-through from - Family Health International	660-A-00-08-00064-00	6104	G	Jan - Mar 2012
Other	Pass-through from - Family Health International	AID-620-A-II-00002	6099	G	Jan - Mar 2012
Other	Pass-through from - Family Health International	AID-623-LA-11-00005	6530	G	May 2011 - September 2011

G - Invoices/expenditures reported relates to prior periods

Cause:

This program operates in Africa, while the processing of the information occurs at Howard in Washington, DC. Thus, the program operates outside of the control and monitoring of Howard management. Information that requires processing is obtained by the head office in various forms, including via U.S. Postal Service or electronically. This can result in significant delays in the processing of information and delays in obtaining relevant support to evidence expenditure incurred.

Effect:

Delays in processing expenditures result in out-of-period transactions in any given year and various non-compliance issues. Additionally, lack of appropriate management of any program could result in loss of funding and termination of a program.

Questioned Costs:

Known questioned costs associated with this program are \$35,184, as described in section (a)(i) -(ii) and (b). We did not calculate questioned costs related to the exchange rate portion of this finding (a)(iv).

Recommendation:

We recommend that Howard enhance its controls and procedures around processing of these types of transactions. Further, management should ensure that field staff is adequately trained to understand the compliance requirements applicable to awards, in addition to regulatory requirements, and ensure that refresher courses are provided to staff on a regular basis.

We further recommend that contract managers and grant accountants, based on their enhanced understanding of the regulatory environment and award agreements, design an appropriate filing system for the maintenance of relevant and appropriate audit evidence that is readily available for review by central Howard management, the prime recipient, or regulators.

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Views of Responsible Officials/Management Response:

Management notes the auditors' recommendations and has taken several steps towards improving the process for managing international grants. In the 4th quarter of FY 2012, a Global Business Steering Committee was established to oversee international operations and to enforce relevant policies and procedures relating to international activities. Since the establishment of the committee, several process improvements have been made including the implementation of a policy governing global business practices and the development of processes to ensure regulatory compliance for activities conducted abroad.

In order to continue to strengthen the controls over Howard's international grant activities, management will implement the following:

- Formally document and standardize the process for calculating the exchange of foreign currency to ensure consistency;
- Enhance reviews of grant expenditures to ensure that costs are captured timely and are allowable within the grant terms;
- Train program staff on all control updates and leverage information technology whenever appropriate to ensure control execution; and
- Assign a grant accountant to analyze and reconcile programmatic and financial activity each month.

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Finding 2012-11: Reporting

Federal Agency: Various
Program: Research and Development Cluster
CFDA #: Various
Award #: Various
Award year: Various

Criteria:

ARRA Reporting

Section 1512 of the Recovery Act requires reporting on the use of Recovery Act funding by recipients no later than the 10th day after the end of each calendar quarter. Aimed at providing transparency into the use of these funds, the recipient reports are required to include the following detailed information, amongst other required information:

- Total amount of funds received; and of that the amount spent on projects and activities

Condition:

Based on the testing performed over a total of 4 ARRA reports from the Research and Development (R&D) Cluster, we noted that for 1 quarterly report, the financial information disclosed was not accurate due to an input error.

Program	Project #	Award #	Award Period	CFDA #	Agency	Report Type	Period
R&D	6173	DMS-0852512	7/1/2009 - 6/30/2012	47.049	NSF	ARRA Quarterly Report	1/1/2012 - 3/31/2012

Questioned Cost:

None noted.

Cause:

Howard did not adhere to its policies and procedures agreed upon and tracked within the general ledger regarding appropriate review of the financial reports.

Effect:

Howard did not comply with the ARRA reporting requirements.

Recommendation:

We recommend that Howard continue to emphasize the need for consistency in the application of internal control procedures around reporting, including within the formal training programs, to ensure understanding of those procedures.

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Howard should institute procedures that would better ensure that financial data is readily available to facilitate processing required reports and also that information related to financial reports is maintained and that these reports are reviewed before issuance

In addition, we recommend that Howard continue to leverage the functionality of the general ledger automated reconciliation function between the Grant and general ledger modules, and monitor and adjust award expenditures to facilitate the accurate issuance of the financial reports.

Views of Responsible Officials/Management Response:

Management notes the auditors' findings and will implement the actions recommended.

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Finding 2012-12: Special Tests and Provisions (Title IV Refunds)

Federal Agency: Department of Education
Program: Student Financial Aid Cluster
CFDA #: 84.063, 84.268
Award #: Various
Award Year: Various

Criteria:

34 CFR 668.22(j) - *Timeframe for Return of Title IV Funds* (1) An Institution must return the amount of title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.

Condition:

Out of the 25 students tested for compliance with the return of title IV funds, we noted that one refund submissions in the amounts of \$2,513 was returned 164 days late.

Questioned Costs:

None noted.

Cause:

Due to human error, title IV refunds were returned late.

Effect:

Due to the late Title IV refunds, SFA funds were not readily available for use elsewhere.

Recommendation:

Howard should ensure that controls for implementing the established withdrawal and refund policies are more diligently executed to ensure that all refunds are returned to the lender in a timely manner.

Views of Responsible Officials/Management Response:

Howard agrees with this finding and recommendation. Improvements will be made for continuous review of students who have completed Total Withdrawals to ensure the return process is completed timely, without exception.

Finding 2012-13: Special Tests and Provisions (Student Financial Aid - Other)

Federal Agency: Department of Education
Program: Student Financial Aid Cluster
CFDA #: Various
Award #: Various
Award Year: Various

Criteria:

A. Special Tests and Provisions (Student Status Changes)

Submission of Student Status Changes: 34 CFR 682.610 - (c) Student status confirmation reports. A school shall (1) Upon receipt of a student status confirmation report form from the Secretary or a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and (2) Unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days (i) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled on at least a half-time basis; (ii) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (iii) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (iv) If it discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address.

It is further noted that institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. Depending on the type of status change and to adhere to the federal compliance requirements noted above, the Clearinghouse requires that the institution provide changes to them for submission in a timely manner.

B. Special Tests and Provisions (Bankruptcy and Litigation)

Bankruptcy and Litigation: Institutions must exercise due care and diligence in the collection of loans (HPSL/PCL/LDS and NSL, 42 CFR sections 57.210(b) and 57.310(b), respectively). For the FPL, such due diligence procedures include the following:

- a. A requirement to conduct an exit interview with the borrower before he or she leaves the institution and to contact the borrower a minimum of three times during the initial grace period for loans with 9-month grace periods or two times for loans with 6-month grace periods (34 CFR section 674.42).
- b. Specific billing procedures to notify borrowers of overdue payments and to demand overdue amounts (34 CFR section 674.43).
- c. Specific collection procedures to recover amounts from defaulted borrowers who do not respond satisfactorily to demands routinely made as part of the institution's billing procedures, including litigation procedures (34 CFR section 674.45).

34 CFR 674.42 '(c) (1)(i) For loans with a nine-month initial grace period (NDSLs made before October 1, 1980 and Federal Perkins loans), the institution shall contact the borrower three times within the initial grace period. (ii) For loans with a six-month initial or post deferment grace period (loans not described in paragraph (b) (1) (i) of this section), the institution shall contact the borrower twice during the grace period.

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2 (i) the institution shall contact the borrower for the first time 90 days after the commencement of any grace period. The institution shall at this time remind the borrower of his or her responsibility to comply with the terms of the loan and shall send the borrower the following information:

- (A) The total amount remaining outstanding on the loan account, including principal and interest accruing over the remaining life of the loan.
- (B) The date and amount of the next required payment.

(ii) The institution shall contact the borrower the second time 150 days after the commencement of any grace period. The institution shall at this time notify the borrower of the date and amount of the first required payment.

C. Special Tests and Provisions (Collections)

Collections: CFR:§ 674.45 Collection procedures. Collection procedures are the more intensive efforts a school must make when borrowers have not responded satisfactorily to billing procedures and are considered seriously in default.

As part of the following collection activities, the school must inform the borrower of the availability of the FSA Ombudsman's Office.

The school must make a *first effort* to collect using either its own personnel or by hiring a collection firm. If the school's personnel or the collection firm cannot convert the account to regular repayment status by the end of 12 months (or if the borrower does not qualify for forbearance, deferment, or cancellation), the school has two options—either to litigate or to make a second effort to collect. A *second effort* to collect requires one of the following procedures:

- a. *If the school first attempted to collect by using its own personnel*, it must refer the account to a collection firm unless state law prohibits doing so.
- b. *If the school first used a collection firm*, it must attempt to collect by using its own personnel or by using a different collection firm, or the school must submit the account to the Department for assignment.
- c. If a collection firm cannot place an account into regular repayment status by the end of 12 months (or if the borrower does not qualify for forbearance, deferment or cancellation), the firm must return the account to the school.
- d. If the school is unsuccessful in its effort to place the loan in repayment after following the procedures described above, the school must continue to make yearly attempts to collect from the borrower until the loan is recovered through litigation; the account is assigned to the Department; or the loan is written off.

D. Special Tests and Provisions (Deferment)

Deferment: CFR:§ 674.34 - The borrower must file for deferment by a deadline that the school establishes and provide satisfactory documentation that he or she qualifies for the deferment.

According to § 674.34 Deferment of repayment—Federal Perkins loans, NDSLs and Defense loans. (e) The borrower need not repay principal, and interest does not accrue, for periods of up to one year at a time (except that a deferment under paragraph (e)(5) of this section may be granted for the lesser of the borrower's full term of service in the Peace Corps or the borrower's remaining period of economic hardship deferment eligibility) that, collectively, do not exceed 3 years, during which the borrower is suffering an economic hardship, if the borrower provides documentation satisfactory to the institution showing that the borrower is within any of the categories described in paragraphs (e)(1) through (e)(5) of this section. (1) Has been granted an economic hardship deferment under either the Federal Direct Loan Program or the FFEL programs for the period of time for which the borrower has requested an economic hardship deferment for his or her Federal Perkins loan. (2) Is receiving payment under a Federal or state public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance. (3) Is working full-time and earning a total

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monthly gross income that does not exceed the greater of— (i) The monthly earnings of an individual earning the minimum wage described in section 6 of the Fair Labor Standards Act of 1938; or (ii) An amount equal to 150 percent of the poverty guideline applicable to the borrower’s family size as published annually by the Department of Health and Human Services pursuant to 42 U.S.C. 9902(2). If a borrower is not a resident of a State identified in the poverty guidelines, the poverty guideline to be used for the borrower is the poverty guideline (for the relevant family size) used for the 48 contiguous States. (4) Is not receiving total monthly gross income that exceeds twice the amount specified in paragraph (e)(3) of this section and, after deducting an amount equal to the borrower’s monthly payments on Federal postsecondary education loans, as determined under paragraph (e)(10) of this section, the remaining amount of that income does not exceed the amount specified in paragraph (e)(3) of this section; (5) Is serving as a volunteer in the Peace Corps. (6) For a deferment granted under paragraph (e)(4) of this section, the institution shall require the borrower to submit at least the following documentation to qualify for an initial period of deferment— (i) Evidence showing the amount of the borrower’s most recent total monthly gross income, as defined in section 674.2; and (ii) Evidence that would enable the institution to determine the amount of the monthly payments that would have been owed by the borrower during the deferment period to other entities for Federal postsecondary education loans in accordance with paragraph (e)(9) of this section.

Condition:

A. Special Tests and Provisions (Student Status Changes)

For 2 students out of a sample of 60, we noted untimely submission of the student change to the National Student Loan Data Service (NSLDS).

Student ID	Per Banner - Effective Date	Status Type Change	NSLDS Date Received	Days for Submission to NSLDS
@01075498	2/16/2012	Less than Half Time to Half Time	4/19/2012	63
@02622257	5/12/2012	Graduated	Not submitted	Over 60

B. Special Tests and Provisions (Bankruptcy and Litigation)

For 2 students out of a sample of 25, there was no written communication to the borrower of impending litigation.

C. Special Tests and Provisions (Collection)

For 6 out of sample of 25, there was no attempts were made to collect the loan balance in greater than 12 months.

D. Special Tests and Provisions (Deferment)

For 1 student out of a sample of 25 for which the supporting documentation was not collected from the student to support deferral of loan. Note that once the external auditor brought this to the University's attention, they obtained the necessary information from the student.

Questioned Costs:

None noted.

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Cause:

Howard's systems and processes did not ensure that all student changes were reported and recorded within 60 days as required, even if in addition to Howard direct submissions, an intermediary party, i.e. Clearinghouse, was used.

Howard outsources some of the managing of loans to an external servicer. However, under their agreement, the University is still responsible for maintaining the master promissory note as well as monitoring the servicer is performing its compliance functions. The University has not maintained all required student records, however one exception noted relates to a loan from 1970 in the amount of \$4,750, where the University cannot locate the Master Promissory Note. The University does not have consistent procedures where it monitors the servicer's performance and follows up as appropriate.

Howard does not have a policy in place that ensures in-house loans are monitored for collection.

Howard did not timely review the borrower deferment file to ensure that the school was provided provide satisfactory documentation that he or she qualifies for the deferment.

Effect:

Howard is not consistently in compliance with the regulations for timely notification of student status changes or requiring they document the performance of loan collection procedures. For certain loans, this could impact the servicing of the loans, and the lack of collection has the impact of having less funds available for issuing new loans.

Recommendation:

Howard should ensure student status changes are consistently communicated in a timely manner. Where applicable, the University should attempt to complete the missing student files, including master promissory agreement, and ensure consistent monitoring of the external servicer, including that required notifications are performed and documentation maintained.

Views of Responsible Officials/Management Response:

Howard agrees with these findings and will implement the actions recommended.

Section III – Federal Award Findings and Questioned Costs

Part B – Other Auditor Reports

Below is a summary of communications with federal agencies that sponsor grant programs at Howard, as provided by University management, and not audited by PwC.

Department of Health and Human Services (DHHS)

In January 2013, Howard received an inquiry from DHHS's Office of Inspector General (OIG) regarding the FY 2009 audit. Howard responded to DHHS's inquiry in February 2013 and is waiting for closure.

In December 2012, Howard received an inquiry from DHHS' OIG regarding the FY 2010 audit. Responses were provided in January 2013 and Howard received a notice that the matter was resolved as of February 2013.

In May 2012, Howard received a letter from DHHS regarding the FY 2011 audit. Howard responded to the inquiry in May 2012 and received notice that the matter was closed in February 2013.

Department of Education (DoED)

To address a long standing audit finding (most recently, FY 2011 finding 2011-10), Howard proactively communicated with DoED regarding the Matching Endowment and related audit requirements per the agreement. Based on communications from DoED in September 2012, DoED concurred that Howard's annual OMB A-133 audit and financial statement audit adequately address the audit requirements within the Matching Endowment agreement. As such, this finding has been addressed and resolved.

In August 2012, DoED requested information and support for audit findings noted in Howard's FY 2007 – 2011 OMB A-133 reports. Since August, we have been in regular communication with DoED and continue to work toward addressing all items.

In April 2012, Howard received a request for information regarding a possible breach of data at the Howard University Hospital. Howard provided a response in April 2012 and considers the matter closed.

Also in April 2012, Howard issued a letter of credit in the amount of \$104,000 to the DoED as part of the resolution to FY 2011 finding 2011-11. This matter is considered closed.

In February 2011, via email inquiry, DoED requested support for audit findings for Howard's FY 2002 – 2006 OMB A-133 audits. Howard provided responses and support. In July 2011, DoED provided written notice that their review for these periods was closed.

Health Resources and Services Administration (HRSA)

Howard received a November 2012 email requesting follow-up and support for FY 2010 OMB A-133 audit findings related to HRSA. The HRSA request was a subset of inquiries received from DHHS noted in the comments above. In December 2012 Howard provided responses and support and addressed follow-up inquiries in February 2013. We are continuing to work with HRSA to close this matter.

In January 2013, Howard received an email inquiry regarding the FY 2009 OMB A-133 audit findings as they related to HRSA. In February 2013 Howard responded to the inquiries and resolved this matter with HRSA. This HRSA inquiry was a subset of the FY 2009 inquiry received from DHHS and was resolved via email dated February 28, 2013.

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Department of Commerce (DOC) OIG, National Oceanic and Atmospheric Agency (NOAA)

In September 2010 and April 2011, Howard received letters from DOC OIG and NOAA regarding NOAA awards noted in the FY 2009 OMB A-133 audit. Howard responded to those inquiries with additional support and information in April and May 2011. In July 2011, Howard received notice from NOAA that the review was completed and closed.

In letters dated December 2009 and February 2011, Howard received inquiries from DOC OIG and NOAA regarding NOAA awards noted in the FY 2008 OMB A-133 audit. Howard responded to those inquiries in March 2011 and May 2011. In February 2012, Howard received the final determination letter from NOAA and the matter was settled and closed in June 2012.

National Aeronautics and Space Administration (NASA)

In February 2012 Howard received an email inquiry regarding findings associated with NASA awards in our FY 2011 OMB A-133 audit report. Howard responded to the inquiries in April 2012 and considers the matter closed.

In November 2012, Howard received an email inquiry regarding findings associated with NASA awards in our FY 2010 OMB A-133 audit report. Howard responded to the inquiries in November 2012 and considers the matter closed.

Department of the Army – US Army Medical Research Acquisition Activity (Army)

In March 2012, Howard received a letter from Army regarding the FY 2007, 2008 and 2010 OMB A-133 audits. Howard responded to Army's inquiries with letters, support and teleconferences in April, May, September and October 2012. In October 2012, the matter was settled and closed by Army.

U.S. Army Corps of Engineers

In December 2011, Howard received an email inquiry regarding our FY 2008 OMB A-133 audit and the impact to U.S. Army Corps of Engineers awards. In January 2012 Howard responded to the inquiry and the matter is considered closed.

National Science Foundation (NSF)

In March 2013, Howard received an inquiry from the NSF Office of Inspector General for certain grant information for five NSF awards covering the periods July 1, 2006 – February 28, 2013. Howard is in the process of responding to this inquiry.

In September 2012, Howard received an email inquiry regarding NSF awards noted in findings in the FY 2011 OMB A-133 report. In October 2012, Howard responded to the NSF inquiry and considers the matter closed.

In July 2011, Howard received an email inquiry regarding our FY 2010 OMB A-133 audit and NSF awards noted in the audit findings.

In February 2011, Howard received inquiries from NSF regarding audit findings noted in our FY 2009 OMB A-133 audit report. Howard responded to NSF's inquiries in April 2011 and in November 2011 received notice of settlement and closure of the NSF review.

In July 2009, November 2009 and November 2010 Howard received inquiries from NSF regarding audit findings noted in our FY 2007 OMB A-133 audit report. Howard provided responses to NSF's inquiries in December 2009, March 2011 and August 2011. In September 2011, NSF and Howard reached a settlement agreement and the matter is closed.

The Howard University
Summary Schedule of Prior Year Findings
For the Fiscal Year Ended June 30, 2012

Finding 2011-1: Enhance procedures surrounding the entering into contracts that involve financial commitments and ongoing contracts

Per Finding 2011-1, it was noted that there was no centralized contract management system to track all contract activity. The auditor recommended that a centralized contract repository be created to maintain copies of all official contracts and designate a custodian to ensure the completeness and accuracy of the repository.

2012 Status Update:

There have been extensive reviews of contracting practices, documentation, approval matrix, etc. during FY 2012. This area is currently in review with the President, OGC and CFO offices in conjunction with the relevant Board of Trustees sub-committees to ensure that all contracts are consistently maintained in the appropriate area and that the appropriate levels of reviews are obtained prior to executing contracts.

Key FY 2012 improvements include: centralized process; communication of approval levels and required reviews; Board-level involvement for key projects/vendors; centralized database of contracts/agreements.

Finding 2011-2: Improve controls surrounding pension and other retirement costs

Finding 2011-2 noted a number of errors in the accuracy of the organization's pension data and pension benefit calculations. The auditor recommended that Howard enhance procedures in this area in order to ensure the accuracy of the underlying pension and postretirement data.

2012 Status Update:

Accounting and the CFO's office have worked with Human Resources to develop a plan to address and gather information needed to accurately and completely assess the costs associated with employee benefits, specifically retirement, health care and pension costs.

Key FY'12 improvements include: coordination between the CFO, accounting and HR teams in conjunction with our third-party service providers and enhancements to monthly reviews and analyses of the underlying calculations used to record related estimates.

Finding 2011-3 (2010-15, 2009-3, 2008-3, 2007-3): Special Tests and Provisions - Schedule of Expenditures of Federal Awards

Finding 2011-3 noted items relating to the preparation of the Schedule of Expenditures of Federal Awards (SEFA) including inappropriate identification of CFDA numbers, misclassification between federal expenditures and non-federal expenditures, and unrecorded federal expenditures. The auditor recommended that comprehensive policies, procedures and processes over the recording of award transactions be implemented to strengthen the accuracy of the SEFA.

2012 Status Update:

CFDA numbers, classification and integrity: Research Administrative Services (RAS) has worked to improve the screening of award set-up to reduce the instances of inaccurate award data reaching the SEFA. The award set-up process has been enhanced through utilization of an award checklist. In addition, SEFA preparation includes a thorough review of all relevant information and the completion of a SEFA preparation checklist. Included in the review is the SEFA reconciliation to the general ledger along with comparison of CFDA numbers to the CFDA website and most recent compliance supplement.

Unrecorded and out-of-period expenditures: CFO, accounting and RAS personnel have all worked in a coordinated effort to review expenditure data and increase the timeliness of reporting expenditures. Monthly grant expenditure reviews, payroll charge (completeness and existence) analysis, increased emphasis on obtaining timely reports and the implementation of Effort Certification System (ECS) have all aided in this effort.

See current year finding 2012-4.

Finding 2011-4 (2010-4, 2009-5, 2008-5): Allowable Costs/Cost Principles – Cost Transfers

Finding 2011-4 noted the following as it relates to cost transfers: untimely processing of transfers; transfers recorded not within the grant period; transfers recorded relating to prior fiscal years and transfers missing documentation. The auditors recommended that Howard continue to strengthen its formal procedures to identify costs charged in error and to ensure that transfers are completed timely.

2012 Status Update:

Research Administrative Services has continued to enhance its cost transfer process by updating the cost transfer form to standardize the documentation required prior to transfer, adding additional reviews to ensure A-21 compliance and implementing the new retro distribution process to ensure that corrections are being made to the source data for consistency. In addition, additional monitoring is being performed in order to identify transfers more timely and the new effort reporting system requires certifications quarterly and not just at year-end.

See current year finding 2012-5.

Finding 2011-5 (2010-12, 2009-23, 2008-27): Special Tests and Provisions - Key Personnel

Finding 2011-5 noted that there were two key personnel that did not charge their salary to the award as required and there was no evidence that the awarding agency approved a key personnel change. The auditor recommended that policies and procedures be established to monitor key personnel on a periodic basis.

2012 Status Update:

We have worked for the past twelve months to gather a database of key personnel on sponsored programs and continue to update and improve the list. In addition, we perform reviews quarterly in order to ensure that all key personnel are charging time appropriately. This is done in conjunction with the new effort reporting system that requires certifications quarterly. All key personnel are reviewed prior to the start of the certification process to ensure that time has been charged appropriately to the respective awards.

Finding 2011-6 (2010-14): Eligibility

Finding 2011-6 noted instances where adequate evidence was not provided in order to support the eligibility of participants that received funds during the year. The auditor recommended that Howard improve the controls and procedures to ensure that documentation supports eligibility in terms of the award agreement.

2012 Status Update:

Eligibility requirements have been relayed to applicable grant personnel. In April 2012, we resolved the NASA eligibility issue and have also had an open dialogue with NOAA and the Department of Education. Mitigation is the result of continued coordination between accounting, RAS and program personnel and that coordination continues to be emphasized. In addition, we continue to work with the Human Resources department to identify a plan to automate the citizenship eligibility check and hope to have that process automated during FY2013.

See current year finding 2012-9.

Finding 2011-7 (2010-6, 2009-6, 2008-6, 2007-13): Activities Allowed or Unallowed/Allowable Cost/Cost Principles

Finding 2011-7 noted instances where scholarships/stipend payments could not be adequately supported. The auditor recommended that Howard improve the controls and procedures to ensure that documentation supports expenditures and is maintained in accordance with program guidelines.

The Howard University
Summary Schedule of Prior Year Findings
For the Fiscal Year Ended June 30, 2012

2012 Status Update:

The Accounts Payable Department has enhanced their stipend payment processes to include additional reviews of stipend payments and has implemented an electronic document repository to ensure that adequate documentation is maintained for all payments including stipends. These improvements have enhanced the overall controls in this area.

See current year finding 2012-10.

Finding 2011-8 (2011-10, 2010-7, 2009-7, 2009-14, 2009-21, 2009-25, 2009-30, 2008-7, 2008-17, 2008-23, 2008-34, 2007-20): Reporting

Finding 2011-8 noted that there were instances where progress reports and financial reports were not submitted by the sponsor deadlines and that there are no documented policies over progress reports to ensure timely submission. The auditor recommended that formal training programs be implemented to ensure that Principal Investigators understand the procedures and institute processes that ensure that financial data is readily available to meet timelines.

2012 Status Update:

RAS has placed a significant effort into maintaining timely and complete reporting. In addition to a higher emphasis with 100% compliance the goal, additional resources have been routed to the reporting process which has resulted in improved reporting compliance. Communication and coordination between RAS and program personnel is ongoing. Beginning in FY2013, RAS plans to implement an automated system that will track the completion of both financial and progress reports through the e-grants module in order to continue to enhance its reporting processes.

See current year finding 2012-11.

Finding 2011-9: Overall Timing and Documentation

Finding 2011-9 noted that items in the SEFA that occurred in prior years and noted corrections for FY2011 activities being made in FY2012. The auditor recommended that Howard establish and monitor formal procedures for quarterly reconciliation of the SEFA to the financial statements and to strengthen the internal controls surrounding cut-off procedures.

2012 Status Update:

The entity-wide emphasis for improved recordkeeping, complete timely submission of invoices and expense reporting has permitted continued progress in the documentation for charges incurred. This has been a coordinated effort between accounting, finance, payroll, RAS and program personnel in order to minimize the recognition of out-of-period adjustments.

In addition, RAS performs a reconciliation of revenues to expenditures on a monthly basis to identify any variances that need to be investigated and resolved. The SEFA is prepared and reconciled to the financial statements twice per year and the enhancements made to the review process facilitate more timely detection of issues to reduce out of period adjustments.

See current year finding 2012-6.

Finding 2011-10: Reporting (Matching Endowment)

Finding 2011-10 noted that the auditor report for the Department of Education (DoED) Matching Endowment had not been completed since 2007. The auditor recommended that the Howard proactively work with the external auditors to ensure that the audit reports are issued within the audit cycle.

The Howard University
Summary Schedule of Prior Year Findings
For the Fiscal Year Ended June 30, 2012

2012 Status Update:

In FY2012 and FY2013, Howard proactively communicated with DoED regarding the Matching Endowment and related audit requirements per the agreement. Based on communications received from DoED in September 2012, DoED concurred that Howard's annual OMB A-133 audit and financial statement audit adequately address the audit requirements within the Matching Endowment agreement. As such, this finding has been addressed and resolved.

Finding 2011-11: Special Tests and Provisions (Title IV Refunds)

Finding 2011-11 noted instances where refund submission of Title IV funds was returned late. The auditor recommended that controls be implemented to establish withdrawal and refund policies and discuss with the Department of Education the need to post a letter of credit (LOC).

2012 Status Update:

The Student Financial Services (SFS) Department and Treasury have communicated with the Department of Education regarding the LOC. In April 2012, a LOC was issued for \$103,000 per ED guidance. As noted in the FY '11 response, SFS has implemented a routine review of returns to monitor compliance and timeliness in order to ensure that all Title IV funds are returned timely.

See current year finding 2012-12.

Finding 2011-12 (2010-14): Eligibility and Special Tests and Provisions (Student Status Changes)

Finding 2011-12 noted there were funds awarded in excess of the unsubsidized limits set and supporting documentation was not adequate in one instance to support a student status change. The auditor recommended that Howard enhance procedures in this area.

2012 Status Update:

SFS has addressed through their review and routine procedures as noted in the 2011 CAP. System enhancements have occurred which automated timely detection of missing or incomplete documentation as well as relevant reporting associated with changes.

See current year finding 2012-13.

Corrective Action Plan

HOWARD UNIVERSITY

Senior Vice President for Administration,
Chief Financial Officer and Treasurer

March 28, 2013

Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

Subject: OMB Circular A-133 (“A-133”) Corrective Action Plan of The Howard University (“Howard”) for the Fiscal Year ended June 30, 2012

To Users of Howard’s A-133 Report:

This document describes the Corrective Action Plan (“CAP”) of Howard University as it relates to audit findings for the fiscal year (“FY”) ended June 30, 2012, under OMB Circular A-133. As required, the CAP includes: descriptions of corrective actions, anticipated time line for corrective actions, and executive officers responsible for executing the corrective actions. This CAP covers audit findings related to over \$602 million of federal program expenditures in FY2012.

Background and Recent History

Over the past several years since FY2009, under the leadership of a new President – Sidney A. Ribeau, Howard has initiated an extensive “renewal” of University programs, facilities and functions. As part of the renewal of administrative functions, compliance with federal programs has received significant attention and resources. The functions of pre- and post-award administration have been consolidated and centralized. Support for investigator proposals and program management have been resourced. And reporting and analyses of federal programs have been upgraded. The results of these efforts have been cleaner audit reports, fewer audit findings and lower questioned costs than that experienced in FY2009 and prior years. Questioned costs cited in FY2010-2012 audit reports aggregated \$821,348 (\$75,683 in FY2012 or 0.01% of federal program expenditures) compared with \$13,510,379 for the three years FY2007-2009 – a 94% reduction.

Update from FY2011 CAP

During 2012, as committed in our prior year CAP, Howard delivered two significant tools to enhance the effectiveness of compliance oversight. One – an electronic Effort Certification System went “live” in FY2012 that transitioned an inefficient manual process to an electronic solution with ease of use and quality control features. This solution permits certification with minimal time required and allows for appropriate record retention. And two – a technology solution was implemented which enables an electronic signature capability to replace the previous paper-based grant proposal system - reducing time and improving quality.



Control Environment During FY2012

After significant progress in FY2010 and FY2011 to improve accounting controls and compliance accountability, a number of executive transitions over FY2012 caused gaps in Howard's leadership of key functions - that created a higher risk for audit exceptions. Leaders of academic affairs, health sciences, student financial services, legal services, human resources and enrollment management all changed over during or shortly after FY2012. Audit findings reflect a disruption of progress – but not a return to the past.

Ownership of FY2012 Corrective Action Plan

Ownership of Howard's corrective action plan resides with the officers of the University. The President and other officers (many of whom are new to the position) take responsibility for the remediation of audit findings and for reinvigorating the control and accountability model started in FY2010. Toward that end, a committee of key executives (with the participation and counsel of the Chairman of the Board of Trustees and the Chairman of its Audit and Legal Committee) has been formed to drive organizational and process change, and to minimize the risk of non-compliance with federal regulations. The committee's first actions were to integrate accounting processes and accountabilities under the Chief Administrative and Financial Officer, consolidate academic and research compliance under a new Provost, and centralize risk management effectiveness under a new General Counsel who also serves as Chief Compliance Officer. The committee also held an educational retreat for deans and other unit managers to express expectations regarding compliance with accounting controls and federal program requirements, as well as to explain each manager's responsibility for improving overall audit results.

Remediation of Specific FY2012 Audit Findings (*refer to attached summary*)

Findings 2012-1, 2012-2 and 2012-3 - pertain to the financial statement audit. We note the auditors' conclusion that findings, in the aggregate, did not result in a material misstatement of Howard's financial statements. The issues are being addressed by reallocating accounting resources and focus to the areas of grants management, cash applications, controls assessment, and documentation of account analyses. The expectation is that legacy balances will be evaluated and corrected as appropriate, and that current activity will be kept accurate through monthly review and reporting processes. Also, Howard will complete a long-running project to document design effectiveness, and test operational effectiveness, of key accounting and program controls. These improvements have commenced and will be completed in FY2013 under the University's Chief Financial Officer ("CFO").

Findings 2012-4, 2012-5, 2012-6, 2012-7 and 2012-11 – pertain to the accuracy of federal reports and the effectiveness of business processes that feed federal reports. The findings result largely from cumbersome (mostly manual) processes that often result in delays when trying to keep the reporting systems in synch with actual personnel activity under effort-reimbursable grants, and actual spending of non-personnel charges. Getting personnel time allocated to the correct account or project, as well as system set up delays for new projects, has been a challenge that has resulted in cost transfers, out-of-period charges and many of the inaccuracies in the Schedule of Expenditures of Federal Awards ("SEFA"). There is a Howard-wide initiative, under new human resources ("HR") leadership, to ensure that changes in personnel and/or their chargeable activity are recorded on a timely basis. We will also prepare and reconcile the SEFA

HOWARD UNIVERSITY

each month along with the quality review of all financial reports. We have assigned an accountant from the central analysis group to Research Administrative Services (“RAS”) to prepare such reports and to work with HR to eliminate the time delays in charging federal grants. These initiatives have commenced and will be completed in FY2013 under the responsibility of CFO and HR leader.

Findings 2012-8, 2012-9 and 2012-10 - pertain to questions of specific program management by responsible faculty. Questions were raised of proper eligibility, documentation of charges and treatment of participants. Each finding is unique to the program reviewed. We have contacted program personnel to advise of the findings and the appropriate corrective actions. Most instances were due to a misinterpretation of the program requirements, and controls to avoid repeat findings have been communicated. Communications have focused on compliance with cost allowability requirements, human subjects documentation and participant eligibility criteria. Under a new Provost, Howard has launched a grants assistance function that provides experts to help with proposal development and program management – with one of its objectives to avoid compliance issues. And finally, Howard has established a Global Business Steering Committee to strengthen program oversight for service and research projects conducted abroad. These objectives fall under the responsibility of the Provost and General Counsel.

Findings 2012-12 and 2012-13 – pertain to the Student Financial Aid Cluster, which is managed by Howard’s student financial services and financial aid groups. The findings site twelve incidents of delay or inaction in managing student accounts and/or balances. Initiatives have already been enacted to improve compliance accountability and to avoid future audit findings. Remediation steps include new or enhanced review processes, more detailed and regular reporting, and clear accountability for results. These objectives fall under the responsibility of the Provost.

* * * * *

In summary, Howard has an institution-wide commitment to improve all aspects of the University’s operational, financial and legal compliance. The goal of Howard is to document and demonstrate that key controls over accounting and compliance are both designed and operated to achieve effective oversight. These initiatives are guided by the themes of quality, transparency, cooperation, and accountability. Please refer to our full OMB Circular A-133 report for responses to each of the auditors’ findings. Please contact the undersigned with any questions.

Sincerely,



Robert M. Tarola
Senior Vice President for Administration,
Chief Financial Officer and Treasurer

Summary of Auditor Findings

Finding #	Description	Questioned Cost
2012-1 Financial Statements	Auditor communicated concern over accounting and analysis of grants receivable, particularly the age and characterization of credit balances.	NA
2012-2 Financial Statements	Auditor communicated concern over adherence to and documentation of Howard's accounting review policies.	NA
2012-3 Financial Statements	Auditor communicated concern over the reliance on detective controls rather than preventative controls for financial accounting.	NA
2012-4 All Federal Programs	Auditor communicated exceptions to the Schedule of Expenditures of Federal Awards and the timing of invoice processing.	\$0
2012-5 Various Agencies and Programs	Auditor communicated concerns over review and approval of cost transfers, particularly related to personnel time charges.	\$977
2012-6 Various Agencies and Programs	Auditor communicated concerns over the timely processing of invoices and cost transfers.	\$0
2012-7 All Federal Programs	Auditor communicated exceptions with effort reporting during the period of a new system start-up.	\$0
2012-8 Research and Development Cluster	Auditor communicated exceptions to consent by human subjects where the date on the consent form was expired.	\$0
2012-9 Department of State – Rangel Program	Auditor communicated 4 funding exceptions out of a sample of 40 for lack of documentation regarding eligibility under this program.	\$39,522
2012-10 USAID Foreign Assistance Program	Auditor communicated concerns over the processing and documentation of expenditures related to operations in Africa, including the measurement of currency translation, the indirect cost rate used and the timeliness of reporting.	\$35,184
2012-11 Research and Development Cluster	Auditor communicated 1 exception out of a sample of 4 related to quarterly financial reports submitted under the American Recovery and Reinvestment Act.	\$0
2012-12 Student Financial Aid Cluster	Auditor communicated 1 incident, out of a sample of 25, of Title IV Funds being returned late to the Department of Education.	\$0
2012-13 Student Financial Aid Cluster	Auditor communicated 11 exceptions, out of a sample of 135, to timeliness, documentation and monitoring of student loan activity for the Department of Education.	\$0

NA = Not directly applicable to programmatic questioned costs.