

# **Hope College**

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**Federal Awards  
Supplemental Information  
June 30, 2007**

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-6
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9-15
Summary Schedule of Prior Audit Findings	16



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Independent Auditor's Report

To the Board of Trustees  
Hope College

We have audited the basic financial statements of Hope College for the year ended June 30, 2007 and have issued our report thereon dated September 24, 2007. Those basic financial statements are the responsibility of the management of Hope College. Our responsibility was to express an opinion on those basic financial statements based on our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Hope College taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 24, 2007

Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees  
Hope College

We have audited the basic financial statements of Hope College as of and for the year ended June 30, 2007 and have issued our report thereon dated September 24, 2007. 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 Hope College'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 Hope College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hope College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2007-01 to be a significant deficiency in internal control over financial reporting.

To the Board of Trustees  
Hope College

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hope College'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*.

Hope College's response to the significant deficiencies and findings relating to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of trustees, the audit committee, management, 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.

*Plante & Moran, PLLC*

September 24, 2007

## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees  
Hope College

### **Compliance**

We have audited the compliance of Hope College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The major federal programs of Hope College 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 Hope College's management. Our responsibility is to express an opinion on Hope College'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 Hope College'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 on Hope College's compliance with those requirements.

In our opinion, Hope College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed three instances of noncompliance with those requirements that 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 2007-02, 2007-03, and 2007-04.

To the Board of Trustees  
Hope College

## **Internal Control Over Compliance**

The management of Hope College 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 Hope College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-02, 2007-03, and 2007-04 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Hope College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Hope College's response and, accordingly, we express no opinion on it.

To the Board of Trustees  
Hope College

This report is intended solely for the information and use of the board of trustees, the audit committee, management, 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.

*Plante & Moran, PLLC*

January 22, 2008



# Hope College

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity/Project/Grant Number	Federal Expenditures
Clusters:			
Student Financial Aid Cluster - U.S. Department of Education:			
Federal Direct Student Loan Program	84.268	-	\$ 9,603,006
Federal Pell Grant Program	84.063	P063P020228	1,039,025
Federal Work-Study Program (excluding expenditures of \$81,127 paid from matching funds)	84.033	P033A032017	259,604
Federal Supplemental Educational Opportunity Grants Program (excluding expenditures of \$80,737 paid from matching funds)	84.007	P007A042017	242,212
Federal Perkins Loan Program (Note 2)	84.038	P038A002017	62,738
National Science and Mathematics Access to Retain Talent Grant Program	84.376	P376S060228	80,000
Academic Competitiveness Grant Program	84.375	P375A060228	<u>94,875</u>
Total Student Financial Aid Cluster			11,381,460
Research and Development Cluster:			
National Science Foundation:			
Mathematical and physical sciences	47.049	Various	401,234
Education and human resources	47.076	Various	209,152
Biological sciences	47.074	Various	414,585
Computer and information sciences	47.070	Various	63,924
Geosciences	47.050	Various	40,661
Engineering	47.041	Various	<u>819</u>
Total National Science Foundation			1,130,375
U.S. Department of Health and Human Services:			
Specificity of the Interaction Between Gata-1 and DNA	93.839	1 R15 HL 66009-01A1	32,740
Diabetes, Endocrinology, and Metabolism Research	93.847	1 K01 DK066238-01A1	129,177
Blood Diseases and Resources Research	93.839	2 R15 HL066009-04	<u>65,816</u>
Total U.S. Department of Health and Human Services			227,733
National Aeronautics and Space Administration (excludes matching funds of \$21,529) passed through the University of Michigan - Mich. Space Consortium			
	43.001	NGT5-40062	14,337
Federal Aviation Administration	20.108	04-G-025	<u>59,263</u>
Total Research and Development Cluster			1,431,708
TRIO Cluster - Upward Bound (excluding expenditures of \$121,199 paid from matching funds)			
	84.047	P047A990606-02	343,262
Other federal awards - U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grants passed through the City of Holland, Community Development Block Grant			
	14.218	B94MC260036	<u>6,000</u>
Total expenditures of federal awards			<u><u>\$ 13,162,430</u></u>

# Hope College

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hope College (the "College") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Loans Outstanding

The amount presented for the Federal Perkins Loan Program represents the administrative and collection costs. The outstanding loan balance at June 30, 2007 is \$5,403,187, which includes new loans issued during the year of \$931,817. The new loans were financed from collections of previous loans and interest income. There were no federal or institutional capital contributions to the loan program during the year ended June 30, 2007. The College utilizes the services of University Accounting Services, Inc. to administer the repayments of Federal Perkins loans and perform certain due diligence procedures.

### Note 3 - Subrecipient Awards

During the year ended June 30, 2007, the College disbursed \$47,057 to subrecipients. These disbursements related to research and development awards and expenditures included on the schedule of expenditures of federal awards.

<u>Program Title/Project Number/Subrecipient Name</u>	<u>CFDA Number</u>	<u>Current Year Cash Transferred to Subrecipient</u>
National Science Foundation - Biological Sciences - University of Kentucky	47.074	\$ 31,639
National Science Foundation - Mathematical and physical sciences - Georgia State University	47.049	<u>15,418</u>
Total federal awards provided to subrecipients		<u>\$ 47,057</u>

# Hope College

## Schedule of Findings and Questioned Costs Year Ended June 30, 2007

### 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 program(s):

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

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
84.268, 84.063, 84.007, 84.033, 84.038, 84.375, and 84.376	Student Financial Aid Cluster
47.049, 47.076, 47.074, 47.070, 47.050, 47.041, 93.839, 93.847, 43.001, and 20.108	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2007

### Section II - Financial Statement Audit Findings

Reference Number	Findings
2007-01	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - Generally accepted accounting principles require that a reserve be recorded for any pledge receivable balances that may be considered uncollectible.</p> <p><b>Condition</b> - The College has a large amount of outstanding pledge receivable balances for which a reserve needs to be considered against.</p> <p><b>Context</b> - The College has approximately \$16,500,000 of outstanding pledge receivables net of unamortized discounts, of which approximately \$1,250,000 is past due, and approximately \$1,175,000 of that balance is more than one year past due.</p> <p><b>Cause and Effect</b> - The College did not have policies and procedures in place to adequately monitor and document the collectibility of outstanding pledges. As a result, an audit adjustment of \$500,000 was made to reserve for any potentially uncollectible amounts.</p> <p><b>Recommendation</b> - We suggest that the College regularly monitor the outstanding pledges, document the monitoring process, and write off or reserve any estimated uncollectible amounts.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - We have booked a reserve as of June 30, 2007 that appropriately accounts for any potential outstanding pledges that will not be collected. We will also work with Business Services and College Advancement to better assess and document the outstanding balances and the collectibility of those balances.</p>

# Hope College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

### Section III - Federal Program Audit Findings

Reference Number	Findings
2007-02	<p><b>Program Name</b> - Research and Development Cluster - Received directly from the National Science Foundation, CFDS #47.049 and #47.074</p> <p><b>Finding Type</b> - Noncompliance/Significant deficiency</p> <p><b>Criteria</b> - A pass-through entity is responsible for identifying to the subrecipient, the federal award information and applicable compliance requirements, monitoring the subrecipient's use of federal awards, and ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (Compliance Supplement Part 3 Section M).</p> <p><b>Condition</b> - Of the two subrecipients, one was not made aware of the compliance requirements by the College at the time of the award. In addition, the College did not implement proper monitoring during the award year for either of the two subrecipients. The College did not request annual audits and Federal Compliance A-133 reports from each of the subrecipients (both of which expend greater than \$500,000 in federal awards).</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The College has two subrecipients within its research and development award cluster.</p> <p><b>Cause and Effect</b> - The College did not have procedures in place to properly identify the compliance requirements related to subrecipient awards. As a result, the College did not properly identify to one of the subrecipients the compliance requirements of the award or monitor the federal pass-through dollars to the subrecipients.</p> <p><b>Recommendation</b> - The College should implement a policy regarding subrecipient awards to ensure that all the requirements of OMB Circular A-133 are met, including identification to the subrecipient of federal award information and applicable compliance requirements, monitoring the subrecipient's use of federal awards, and ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133.</p>

# Hope College

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## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-02 (continued)	<p data-bbox="418 567 1437 640"><b>Program Name</b> - Research and Development Cluster - Received directly from the National Science Foundation, CFDS #47.049 and #47.074</p> <p data-bbox="418 682 1437 907"><b>Views of Responsible Officials and Planned Corrective Actions</b> - We agree that subrecipients have not been requested by the College to submit copies of their A-133 audits. Our procedures have been updated to annually request from subrecipients copies of their A-133 audit reports and to review the reports to ensure that the subrecipient is in compliance with federal regulations.</p>

# Hope College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-03	<p><b>Program Name</b> - Research and development cluster, received directly from the National Science Foundation CFDA #47.074</p> <p><b>Finding Type</b> - Noncompliance/Significant deficiency</p> <p><b>Criteria</b> - The A-102 Common Rule and OMB Circular A-21 require that equipment purchased with federal funds be used in the program for which it was acquired or, when appropriate, other federal programs. Equipment records shall be maintained, physical inventories of equipment shall be taken, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5,000 or more is no longer needed for a federal program, it may be retained or sold with the federal agency having a right to a proportionate amount of the current fair market value (Compliance Supplement Part 3 Section F).</p> <p><b>Condition</b> - The College acquired one item of equipment during the year with federal funds, which was recorded and maintained along with all other equipment otherwise acquired. No physical inventories of equipment were taken. Dispositions of equipment acquired under federal funds were unidentifiable due to the College's practice of maintaining the federally funded equipment within the records of otherwise acquired equipment. Therefore it is unknown whether any items of equipment that were purchased with federal funds were disposed of during the year.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The College used federal funds to acquire an item of equipment and did not properly record or maintain records for that acquisition. In addition, the College did not perform a physical inventory of that equipment.</p> <p><b>Cause and Effect</b> - The College does not have a system in place to properly track items of equipment that were purchased with federal funds.</p>

# Hope College

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## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-03 (Continued)	<p><b>Recommendation</b> - The College should maintain proper records of equipment purchased with federal funds. The College should periodically conduct a physical inventory that is reconciled to the property inventory records.</p> <p><b>Views of Responsible Officials and Corrective Action Planned</b> - We agree that the College did not have an inventory policy in place. Our procedures will be updated to maintain inventory records on equipment purchased of \$5,000 or more with federal funds. Annual physical inventories will be conducted to verify inventory records with equipment on the premises.</p>



# Hope College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-04	<p><b>Program Name</b> - Research and Development Cluster received directly from the National Science Foundation CFDA#47.074</p> <p><b>Finding Type</b> - Noncompliance/Significant deficiency</p> <p><b>Criteria</b> - It is prohibited to contract with or make subawards of federal funds to parties that are suspended or debarred or whose principals are suspended or debarred (Compliance Supplement Part 3 Section I).</p> <p><b>Condition</b> - The College acquired one item of equipment during the year with federal funds at a purchase price that exceeded \$25,000 and did not verify that the procurement was made from an entity that was not suspended or debarred or otherwise excluded.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - This item of equipment was purchased when there was no procurement policy in place that would call for verification that the vendor was not suspended or debarred or otherwise excluded.</p> <p><b>Cause and Effect</b> - At the time this purchase was made, the College did not have a procurement policy in place to properly require verification of vendors from whom procurements are made.</p> <p><b>Recommendation</b> - The College has since implemented a procurement policy. We recommend that the College add to the procurement policy a procedure requiring the verification that a vendor is not on the listing of those considered suspended or debarred or otherwise excluded.</p> <p><b>Views of Responsible Officials and Corrective Action Planned</b> - We agree that the College did not have a procurement policy in place at the time the equipment was purchased nor were the vendors verified that they were not on the listing of vendors suspended or debarred. The College has implemented a procurement policy which includes requesting from vendors certification that they are not on the listing of those considered suspended or debarred. This policy will be forwarded to all grant principal investigators (PIs) and is available on the business services website.</p>

# Hope College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Reference Number	Corrective Action Taken
2006-01	<p><b>Program Name</b> - Student Financial Aid Cluster - 84.268, 84.063, 84.007, 84.033, and 84.038 - Received directly from the U.S. Department of Education</p> <p><b>Description</b> - Of the eight students selected for return to Title IV testing, two of those students' returned Title IV funds were not applied to programs in the required order. These two students withdrew and had received Title IV funds from multiple programs. Since these students withdrew before 60 percent of the semester was complete, a portion of the Title IV aid they received was required to be refunded. The College had an individual perform the calculation that was not familiar with performing the return to Title IV calculation and it appears there was not a good understanding of the required order of return of funds. Instead, the College returned the funds to each program proportionately.</p> <p><b>Status</b> - Corrective action has been taken. The College provided training and guidance to the individual preparing and reviewing the Title IV refund calculations.</p>
2006-02	<p><b>Program Name</b> - Student Financial Aid Cluster - Federal Direct Student Loan Program #84.268 - Received directly from the U.S. Department of Education</p> <p><b>Description</b> - Of the eight students selected for student status change testing, one of those students had a status change that was not reported to NSLDS within 30 days or included in a student status change confirmation report sent to NSLDS within 60 days of the status change. This student was granted withdrawn status subsequent to the final spring upload to NSLDS. This student's status change was not updated until the fall with the next withdrawal roster filing, at which point the withdrawn status was uploaded.</p> <p><b>Status</b> - Corrective action has been taken. The College changed its procedures to continue to initiate uploads of student status changes three times each semester and added three additional uploads during the summer months.</p>