



March 29, 2010

Ms. Jerri Carmo
Deputy Chief Operating Officer & Office of Sponsored Programs Director
San José State University Research Foundation
210 N. Fourth Street, 4th Floor
San José, CA 95112

SUBJECT: Final Memorandum on Initial Review of Deloitte & Touche LLP's Audit Report on San José State University Research Foundation for the Fiscal Year Ended June 30, 2009 (Report No. ML-10-005; Assignment No. D-10-002-00)

Dear Ms. Carmo:

As the Federal oversight agency for the single audits of the San José State University (SJSU) Research Foundation, we performed an initial review of the reporting package of the single audit for the fiscal year ended June 30, 2009. The single audit is required by the Office of Management and Budget (OMB) Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations." The audit firm of Deloitte & Touche LLP performed the audit. We used the "Uniform Guide for Initial Review of A-133 Audit Reports," published by the President's Council on Integrity and Efficiency and the Supplemental Checklist for Review of Audit Engagements Performed in Accordance with *Government Auditing Standards*, July 2007 Revision (Yellow Book), published by the American Institute of Certified Public Accountants to determine whether the reporting package contained the required reports, schedules, and statements. We did not examine the related audit documentation to evaluate the adequacy of the audit work performed.

Based on our review of the reporting package for the fiscal year ended June 30, 2009, we determined that the audit report substantially met the reporting standards of the Government Accountability Office's *Government Auditing Standards* and OMB Circular No. A-133 requirements with the following exceptions:

1. The audit reporting package was not submitted in a timely manner. OMB Circular A-133.320(a) states that the reporting package shall be submitted to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report or 9 months after the end of the audit period. The audit report was received by SJSU Research Foundation on October 6, 2009. The audit reporting package was not submitted to the Federal Audit Clearinghouse until December 4, 2009.

We will accept the late report on the condition that future reports are submitted on time or a formal request for an extension is made to our office.

2. The incorrect dollar threshold was used to distinguish between Type A and Type B programs in the Schedule of Findings and Questioned Costs. When the Federal awards expended during the fiscal year are less than \$100 million, the threshold to identify Type A programs is the larger of \$300,000 or 3 percent of total Federal awards expended. All programs above this threshold are Type A and the remaining programs should be labeled as Type B. The correct threshold for fiscal year 2009 is \$994,042; however, \$995,572 was reported in the Schedule of Findings and Questioned Costs and the Data Collection Form. The error in the threshold reported did not affect the selection of major programs for testing during the single audit for fiscal year 2009.

We will accept the Data Collection Form and the Schedule of Findings and Questioned Costs with the incorrect dollar thresholds that distinguish between Type A and Type B programs on the condition that these discrepancies are not repeated in future submissions.

3. The Data Collection Form classified two grants as direct awards when they are, in fact, indirect awards. In reference to the Data Collection Form, OMB Circular A-133.320(b)(1), states: "A senior level representative of the auditee shall sign a statement to be included as part of the form certifying that: . . . the information included in the form, in its entirety, are accurate and complete." The error causes the Data Collection Form to misrepresent characteristics of the Federal awards listed.

We will accept the Data Collection Form with the indirect awards inappropriately classified as direct on the condition that these discrepancies are not repeated in future submissions.

4. The Schedule of Expenditures of Federal Awards did not include the name of the pass-through entity for indirect awards. OMB Circular A-133.310(b)(2) states that, for Federal awards received indirectly as a subrecipient, the Schedule of Expenditures of Federal Awards must include the name of the pass-through entity.

We will accept the Schedule of Expenditures of Federal Awards as reported on the condition that all required information of Federal awards is included in future submissions.

5. The Schedule of Expenditures of Federal Awards included the incorrect pass-through entities' identifying number for at least 14 grant awards. OMB Circular A-133.310(b)(2) states that for Federal awards received indirectly as a subrecipient, the Schedule of Expenditures of Federal Awards must include an identifying number assigned by the pass-through entity.

We will accept the Schedule of Expenditures of Federal Awards as reported on the condition that these discrepancies are not repeated in future submissions.

We are sending this letter to your auditors and to officials at the other Federal agencies with direct expenditures listed on the Schedule of Expenditures of Federal Awards to inform them of the results of our review. If you or your staff would like to meet with us to further discuss this

review, please contact Mr. Mark Jenson, Financial Management Director, at 202-358-0629 or via e-mail at mark.jenson@nasa.gov.

Sincerely,



for Jim Morrison

Assistant Inspector General for Auditing

cc: Tim Stenvick, Director
Deloitte & Touche LLP

Bill McNally
Assistant Administrator for Procurement

National Single Audit Report Coordinators:

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