

**The Citadel  
The Military College of South Carolina  
Charleston, South Carolina**

**Reports Required by *Government Auditing Standards*  
and the *Uniform Guidance***

*For the year ended June 30, 2016*

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# The Citadel, The Military College of South Carolina

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**Independent Auditor’s 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***

The Members of the Board of Visitors  
The Citadel, The Military College of South Carolina  
Charleston, South Carolina

We have audited, 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, the financial statements of the business-type activities and discretely presented component units of The Citadel, The Military College of South Carolina (“The Citadel”) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise The Citadel’s basic financial statements, and have issued our report thereon dated October 20, 2016. The financial statements of The Citadel Foundation (the “Foundation”) were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered The Citadel's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Citadel’s internal control. Accordingly, we do not express an opinion on the effectiveness of The Citadel's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Citadel's financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina  
October 20, 2016



**Independent Auditor’s Report on Compliance for  
Each Major Federal Program; Report on Internal Control Over  
Compliance; and Report on the Schedule of Expenditures of  
Federal Awards Required by the *Uniform Guidance***

The Members of the Board of Visitors  
The Citadel, The Military College of South Carolina  
Charleston, South Carolina

**Report on Compliance for Each Major Federal Program**

We have audited The Citadel, The Military College of South Carolina (“The Citadel”)’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Citadel’s major federal programs for the year ended June 30, 2016. The Citadel’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of The Citadel’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance 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 The Citadel’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 on compliance for each major federal program. However, our audit does not provide a legal determination on The Citadel’s compliance.

## **Opinion on Each Major Federal Program**

In our opinion, The Citadel complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## **Report on Internal Control Over Compliance**

Management of The Citadel is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Citadel's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Citadel's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the business type activities and the discretely presented component units of The Citadel, a component unit of the State of South Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise The Citadel's basic financial statements. We issued our report thereon dated October 20, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance, Continued**

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

*Elliott Davis Decosimo, LLC*

Charleston, South Carolina

November 30, 2016 except for the portion related to the Schedule of Expenditures of Federal Awards as to which the date is October 20, 2016

**The Citadel, The Military College of South Carolina**

**Schedule of Expenditures of Federal Awards**

**For the year ended June 30, 2016**

Federal grantor/pass-through grantor/program title	CFDA Number	Pass-through entity's Identifying Number	Total Federal Expenditures
<b>Research and Development Cluster:</b>			
Department of Commerce NIST-2016 SURF Award Passed through SC Sea Grant Consortium	11.620	70NANB15H081	\$ 7,552
Particle Contamination, Direct Effects on Salt Marsh - Tidal Creek Organisms and Indirect Effects on the Bioavailability and Toxicity of Polynuclear Aromatic Hydrocarbons (PAHs)	11.417	NA140AR4170088/18012232020533	17,085
CURE-Citadel Undergraduate Research Experience	11.417	NA100AR4170073/P/M-2D, Year 2	1,889
Total Department of Commerce			<u>26,526</u>
Department of Defense National Security Agency GenCyber Program	12.903	H98230-16-1-0153	33,505
Total National Security Agency			<u>33,505</u>
United States Army Med Research Acquisition Activity (USAMRAA) Passed through University of Texas Health Science Center CAP: Multi-Couple Group Intervention for PTSD	12.420	W81XWH1320063	6,823
Total USAMRAA			<u>6,823</u>
Uniformed Services University of the Health Sciences Passed through Henry M Jackson Foundation Test and Evaluation of Physiologic Neuro-Assessment Devices	12.750	HU-14-1-0047/3120	52,623
Total Uniformed Services University of the Health Sciences			<u>52,623</u>
Total Department of Defense			<u>92,951</u>
Department of Transportation Passed through Clemson University SCDOT Asset Collection	20.205	1692; SPR No. 716/17952232010467	4,440
Cross-Slope Verification Using Mobile Scanning on SCDOT Interstates	20.205	SPR No. 719/18032232010701	4,440
Microplastic Contamination in Coastal Carolina: Sources, Trophic Transfer, and Abundance in Biota - Year 1	20.205	N368 (R/ER-46)/18482232021197	4,331
Total Department of Transportation			<u>13,211</u>
National Aeronautics and Space Administration Passed through College of Charleston SC Space Grant Consortium - Palmetto Academy 2014	43.001	NNX10AM76H/21-SG-Citadel_Sollitt-PA	4,381
SC Space Grant Consortium - Palmetto Academy 2015	43.001	NNX15AL49H/521179-PA-CTHilleke	10,732
SC Space Grant Consortium - Director	43.001	NNX10AM76H/18-SG-Citadel Sollitt_Director	1,452
Passed through Space Telescope Science Institute Advanced Spectral Library Project: Hot Stars	43.999	HST-GO-13346.02-A	19,488
Total National Aeronautics and Space Administration			<u>36,053</u>
National Science Foundation Education and Human Resources: Recruit, Educate, Certify and Obtain New Teachers (RECON)	47.076	DUE-1339901	177,358
Passed through James Madison University Developing and Assessing Engineering Students Cognitive Flexibility in the Domain of Sustainable Design	47.041	S15-071-01	8,284
Total National Science Foundation			<u>185,642</u>
Department of Homeland Security Passed through SC Emergency Management Division The Citadel Mitigation Plan	97.082	FEMA-DR-4166-SC-031	11,499
Total Department of Homeland Security			<u>11,499</u>
Department of Agriculture NRCS (National Resources Conservation Service) Passed through Longleaf Alliance Longleaf Alliance	10.902	FC.A049/FC.A050	1,053
Total NRCS			<u>1,053</u>
Total Research and Development Cluster			<u>366,935</u>



**The Citadel, The Military College of South Carolina**

*Schedule of Expenditures of Federal Awards*

*For the year ended June 30, 2016*

Federal grantor/pass-through grantor/program title	CFDA Number	Pass-through entity's Identifying Number	Total Federal Expenditures
<b><u>Student Financial Assistance Cluster:</u></b>			
Department of Education			
Federal Supplemental Educational Opportunity Grants	84.007	P007A153769	91,842
Federal Work Study Program	84.033	P033A163769	126,336
Federal Perkins Loan Program	84.038	P038A093769	712,862
Federal Pell Grant Program	84.063	P063P150375	2,681,241
Federal Direct Loan Student Loan Program	84.268	P268K160375	<u>27,602,547</u>
Total Student Financial Assistance Cluster			<u>31,214,828</u>
<b><u>Other Programs:</u></b>			
Department of Homeland Security			
Passed through Institute of International Education			
Project Go 2014-2015	12.357	H98210-13-2-001/2603-Citadel-19-GO-015-P01	28,328
Project Go 2015-2016	12.357	H98210-13-2-001/2603-Citadel-19-GO-017-P02	<u>281,374</u>
Total Department of Homeland Security			<u>309,702</u>
National Endowment for the Arts			
Preservation Assistance	45.149	PG-52274-14	2,660
Latino Americans: 500 Years of History	45.164	LA105761	<u>10,000</u>
Total National Endowment for the Arts			<u>12,660</u>
Department of Education			
Passed through National Writing Project Corporations			
National Writing Project	84.367	99-SC09-SEED2012	10,000
Passed through Hampton One School District			
TEAMS: Hampton One 2014-2015	84.366	H630110008213	14,520
TEAMS: Hampton One 2015-2016	84.366	H630110008213	<u>31,556</u>
Total Department of Education			<u>56,076</u>
National Science Foundation			
Education and Human Resources:			
Enhancing Undergraduate Civil Engineering Opportunities for Socioeconomically Disadvantaged, Minorities, and Female Students	47.076	DUE-1059945	<u>127,004</u>
			<u>127,004</u>
Total Other Programs			<u>505,442</u>
			<u><b>\$ 32,087,205</b></u>

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# The Citadel, The Military College of South Carolina

## Notes to Schedule of Expenditures of Federal Awards

June 30, 2016

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### Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The Citadel under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Citadel, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Citadel.

### Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Citadel has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

### Note 3. Loans Outstanding

The Federal Perkins Loan Program (CFDA Number 84.038) is administered directly by The Citadel and balances and transactions relating to the program are included in the loan fund of The Citadel's financial statements. Federal expenditures reported on the face of the schedule include loans outstanding at the beginning of the year, loans made during the year, loan cancellations, interest subsidies and administrative expenses. The balance of loans outstanding under the Federal Perkins Loan Program was \$615,132 as of June 30, 2016.

The Federal Direct Student Loan program provides loan capital directly from the federal government (rather than through private lenders) to vocational, undergraduate, and graduate students and their parents. The loans are made directly from the federal government; therefore there is no loan balance recorded at the college or university level.

### Note 4. Matching

Under the Federal Work Study program, The Citadel matched \$39,616 for the year ended June 30, 2016 in addition to the federal share of expenditures in the accompanying Schedule of Expenditures of Federal Awards.

Under the Federal Supplemental Education Opportunity Grant program, The Citadel matched \$30,614 for the year ended June 30, 2016 in addition to the federal share of expenditures in the accompanying Schedule of Expenditures of Federal Awards.

### Note 5. Subrecipients

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, The Citadel provided no federal awards to subrecipients.

**The Citadel, The Military College of South Carolina**

*Schedule of Findings and Questioned Costs*

June 30, 2016

**Section I. Summary of Auditor’s Results**

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

- Material weakness identified?  yes  no
- Significant deficiency identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major federal programs:

- Material weakness identified?  yes  no
- Significant deficiency identified?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?  yes  no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007; 84.033; 84.038; 84.063; 84.268	Student Financial Assistance Cluster

Dollar threshold used for distinguishing between type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee?  yes  no

**Section II. Financial Statement Findings**

None

**Section III. Federal Award Findings and Questioned Costs**

None

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## **The Citadel, The Military College of South Carolina**

### ***Summary Schedule of Prior Audit Findings***

***June 30, 2016***

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In accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, the following is the status of known material findings and recommendations from prior year audits:

None reported