

Lincoln University
of the
Commonwealth System of Higher Education
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008



Lincoln University
of the
Commonwealth System of Higher Education
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Table of Contents

	Page
Introductory Section.....	2
Lincoln University	4
Financial Section.....	5
Independent Auditor’s Report.....	6
Statement of Appropriation Earned.....	8
Computation of Eligible Costs:.....	8
Computation of Appropriation Earned:	8
Notes to the Statement of Appropriation Earned	9
1. Reporting Entity.....	9
2. Summary of Significant Accounting Policies.....	9
3. Basis for Reporting Appropriation Earned.....	10
4. Enrollment Statistics	10
Audit Adjustments.....	11
June 30, 2008, Audit Adjustments	12
Status of Prior Audit Findings.....	13
Prior Finding No. 1 – The University paid travel expenses for the President’s spouse.	14
Prior Finding No. 2 – The University failed to track and evaluate bid waivers.	14
Audit Report Distribution List.....	16

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Introductory Section

Introductory Section

November 30, 2009

The Honorable Edward Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

and Dr. Ivory V. Nelson, President
Lincoln University
Lincoln University, Pennsylvania 19352

Dear Governor Rendell and Dr. Nelson:

Enclosed is the independent auditor's report for the statement of appropriation earned of the Lincoln University of the Commonwealth System of Higher Education for the fiscal year ended June 30, 2008. You will note that our opinion is dated October 27, 2009, which is the date our audit work closed.

Sincerely,

JACK WAGNER
Auditor General

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Introductory Section

Lincoln University

Lincoln University of Pennsylvania was chartered in April 1854 as Ashmun Institute. In 1866, the institute was renamed Lincoln University in honor of the recently slain president. The eighth president of the university stated that Lincoln University was the “first institution founded anywhere in the world to provide a higher education in the arts and sciences for ‘male youth of African descent.’”

Lincoln University is accredited by the Middle States Association of Colleges and Schools and offers academic programs in undergraduate study in the arts and sciences, as well as graduate programs in human services, reading, education, mathematics, and administration.

From its inception, the university has attracted an interracial and international enrollment from the surrounding community and around the world. The university first admitted women in 1952 and formally associated with the Commonwealth in 1972, becoming one of four state-related universities operating within the Commonwealth System of Higher Education. Lincoln University comprises over 50 buildings located near the town of Oxford in southern Chester County, 45 miles southwest of Philadelphia and a Graduate Center located in West Philadelphia.

Control of Lincoln University is vested in a 39-member board of trustees that includes 18 university trustees (one being a student representative), 12 Commonwealth trustees, and 6 alumni trustees. Additionally, there are three voting ex-officio members: the Governor of the Commonwealth, the Secretary of the Department of Education, and the President of Lincoln University. In addition, there are a number of honorary trustees (up to 4), and a number of emeritus trustees that varies annually.

Non-preferred Appropriation

As summarized below, the university as one of the four state-related universities received an annual appropriation from the Commonwealth. This annual appropriation is used to supplement the university’s educational and general program operations.

Fiscal Year Ended	Appropriation	Unrestricted Operating Expenses	Appropriation Percent
June 30, 2008	\$13,786,000	\$55,174,115	24.9%

Note: The 24.9 percent represents the amount of Commonwealth appropriation as a percentage of total unrestricted expenditures.

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Financial Section

Financial Section

Independent Auditor's Report

The Honorable Edward Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

and Dr. Ivory V. Nelson, President
Lincoln University
Lincoln University, Pennsylvania 19352

Dear Governor Rendell and Dr. Nelson:

We have audited the accompanying statement of appropriation earned of Lincoln University for the fiscal year ended June 30, 2008. The statement of appropriation earned is the responsibility of the university's management. Our responsibility is to express an opinion on the statement of appropriation earned based on our audit.

We conducted our audit in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States, which includes auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance that the statement of appropriation earned is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of appropriation earned. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of appropriation earned. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement was prepared to present the non-preferred appropriation earned pursuant to the legislative requirements prescribed in Act 13A of 2007, as described in Note 3, and is not intended to be a complete presentation of the university's financial position or results of operations in conformity with accounting principles generally accepted in the United States of America.

The Honorable Edward G. Rendell
Dr. Ivory V. Nelson
Page 2

In our opinion, the accompanying statement of appropriation earned presents fairly, in all material respects, the earned appropriation of Lincoln University for the fiscal year ended June 30, 2008, pursuant to Act 13A of 2007, in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

JACK WAGNER
Auditor General

October 27, 2009

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Financial Section

Lincoln University
Statement of Appropriation Earned
June 30, 2008

Computation of Eligible Costs:

Unrestricted Educational and General Expenditures and Mandatory Transfers	Educational and General
Instruction	\$15,876,339
Research	404,696
Academic Support	4,819,792
Student Services	8,736,994
Administration and Institutional Support	10,994,063
Fundraising	<u>671,787</u>
Total Educational and General Expenditures and Mandatory Transfers	<u>\$41,503,671</u>

Computation of Appropriation Earned:

Reported costs	\$41,503,671
Less Audit Adjustments	<u>0</u>
Eligible Costs	<u>\$41,503,671</u>
Maximum Appropriation per Act 13A of 2007	<u>\$13,786,000</u>
Appropriation Earned	
Lesser of Eligible Costs or Maximum Appropriation	<u>\$13,786,000</u>

Notes to the Statement of Appropriation Earned are an integral part of this report.

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Financial Section

Notes to the Statement of Appropriation Earned

1. Reporting Entity

The Commonwealth of Pennsylvania chartered Lincoln University on April 29, 1854. In 1972, the university formally associated with the Commonwealth, thereby becoming one of four state-related universities operating within the Commonwealth System of Higher Education. Today, Lincoln University is a coeducational institution that offers baccalaureate degrees in the arts and sciences and in selected pre-professional fields. It also offers masters' degrees in human services, education, mathematics, reading, and administration.

2. Summary of Significant Accounting Policies

Lincoln University follows the recommendations for accounting and reporting included in the Industry Audit Guide for Colleges and Universities issued by the American Institute of Certified Public Accountants. In addition, the university uses the descriptions and classifications of unrestricted expenditures and transfers identified in Part 5 of the College and University Business Administration's Administrative Service published by the National Association of College and University Business Officers.

Fund Accounting:

The university maintains the endowment fund, departmental funds, and related accumulated gains in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund, and funds with similar characteristics are combined into fund groups for financial reporting purposes. The annual appropriation from the Commonwealth is classified as unrestricted current funds.

Accrual Basis:

The statement of appropriation earned has been prepared on the accrual basis of accounting. Under this system, revenues are recorded when earned and expenses are recognized when incurred.

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Financial Section

3. Basis for Reporting Appropriation Earned

Act 13A of 2007 provided an appropriation for educational and general expenses of \$13,786,000 to Lincoln University of the Commonwealth System of Higher Education for the fiscal year ended June 30, 2008.

The appropriation is made based on costs incurred. Reimbursable costs include unrestricted and restricted current funds, direct and indirect expenses, and transfers attributable to the applicable program. The appropriation is considered earned when reimbursable costs equal or exceed the amount appropriated by the Commonwealth.

4. Enrollment Statistics

The university provided educational services to students for the 2007-2008 academic year as follows:

Term	Number of Students	Number of Pennsylvania Students	Percent of Pennsylvania Students
<u>Fall 2007</u>			
Undergraduate students	1,912	823	43.0%
Graduate students	<u>545</u>	<u>339</u>	62.2%
Total	<u>2,457</u>	<u>1,162</u>	47.3%
<u>Spring 2008</u>			
Undergraduate students	1,845	826	44.8%
Graduate students	<u>505</u>	<u>308</u>	61.0%
Total	<u>2,350</u>	<u>1,134</u>	48.3%

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Audit Adjustments

Audit Adjustments

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Audit Adjustments

The university's annual appropriation from the Pennsylvania General Assembly provides the Auditor General with the right, in respect to the moneys appropriated by the Commonwealth, to audit and disallow expenditures made for purposes inconsistent with the appropriation. Testing of Lincoln University expenditures for the fiscal year ended June 30, 2008, consisted of selecting a sample of 56 educational and general invoices totaling \$1,284,866 to determine if expenditures were incurred to support the stated purpose of the appropriation.

June 30, 2008, Audit Adjustments

No exceptions were noted in the sample of 56 invoices totaling \$1,284,866.

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Status of Prior Audit Findings

Status of Prior Audit Findings

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Status of Prior Audit Findings

Prior Finding No. 1 – The University paid travel expenses for the President’s spouse.

The prior audit disclosed that when Lincoln University’s president traveled on official business, his spouse had on occasion accompanied him at the expense of the university. We were unable to determine if the spouse’s travel costs were legitimate university-chargeable expenses. Lincoln University did not have a written policy that either specifically authorized the president’s spouse to accompany the president on official business at the expense of the university or prohibited such a practice. A university official indicated that Lincoln University’s Board of Trustees was aware of this practice but had neither formally approved nor disapproved this type of expense.

We recommended that the Lincoln University Board of Trustees formally take a position on the legitimacy of charging spousal expenses to the university when accompanying the university president on official business.

Status:

In April 2009, Lincoln University implemented a policy entitled, “University Reimbursement for Spousal Travel Expenses.” This policy indicated the university’s position on reimbursement for spousal travel. Additionally, a yearly report on university-paid travel for the president’s spouse is to be reviewed by the Audit Committee of the Board of Trustees. Therefore, Lincoln University has complied with the prior audit recommendation.

Prior Finding No. 2 – The University failed to track and evaluate bid waivers.

The prior audit reported that fifty-six expenditure transactions were examined in conjunction with our Appropriation audit. Of these transactions, 24 were above Lincoln University’s \$5,000 bidding threshold and 38 percent of those transactions (9 transactions) had received a competitive bid waiver.

Each of the waived transactions had the vice president’s approval. However, it was our understanding that Lincoln University did not maintain a running list with justification of contracts with competitive bidding waivers.

We recommended that Lincoln University adopt a policy requiring bid waivers to be maintained both in a central file and with the appropriate transaction documentation. In addition that central file should be reviewed periodically to ensure the approved waivers are in the best interest of the university.

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Status of Prior Audit Findings

Status:

In June 2008, Lincoln University began to maintain a list of purchases that received a bid waiver. The list includes vendor name, dollar amount, and the reason for the waiver. This list is provided to the university president and vice-presidents for their review. Therefore, Lincoln University has complied with the prior audit recommendation.

Lincoln University
Statement of Appropriation Earned
For the Fiscal Year Ended June 30, 2008

Audit Report Distribution List

Audit Report Distribution List

The Honorable Edward G. Rendell
Governor

The Honorable Jeffrey E. Piccola
Chair
Senate Education Committee
Senate of Pennsylvania

The Honorable Andrew E. Dinniman
Democratic Chair
Senate Education Committee
Senate of Pennsylvania

The Honorable James R. Roebuck, Jr.
Chair
House Education Committee
Pennsylvania House of Representatives

The Honorable Paul I. Clymer
Republican Chair
House Education Committee
Pennsylvania House of Representatives

The Honorable Jake Corman
Chair
Senate Appropriations Committee
Senate of Pennsylvania

The Honorable Jay Costa
Democratic Chair
Senate Appropriations Committee
Senate of Pennsylvania

The Honorable Dwight Evans
Chair
House Appropriations Committee
Pennsylvania House of Representatives

The Honorable Mario J. Civera, Jr.
Republican Chair
House Appropriations Committee
Pennsylvania House of Representatives

The Honorable Robert M. McCord
State Treasurer
Pennsylvania Treasury Department

The Honorable Gerald L. Zahorchak, D. Ed.
Secretary of Education
Pennsylvania Department of Education

John Kaschak
Director of Audits
Office of Comptroller Operations
Office of the Budget

Lincoln University
Dr. Ivory V. Nelson
President

Board of Trustees

This report is a matter of public record and is accessible at www.auditor.gen.state.pa.us or by contacting the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. Telephone: 717-787-1381.