

IUP RESEARCH INSTITUTE
REPORTS REQUIRED BY OMB CIRCULAR A-133
FOR THE YEAR ENDED JUNE 30, 2008

CLAY & GASCOINE LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
IUP Research Institute
Indiana, Pennsylvania

Independent auditors' 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

We have audited the financial statements of IUP Research Institute as of and for the year ended June 30, 2008, and have issued our report thereon dated September 23, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 IUP Research Institute'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 IUP Research Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

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 Organization's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether IUP Research Institute'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 other matters that we reported to management of IUP Research Institute in a separate letter dated September 23, 2008.

This report is intended for the information and use of the Board of Directors and management of IUP Research Institute, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Clayton J. Jones, LLC

September 23, 2008

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Board of Directors
IUP Research Institute
Indiana, Pennsylvania

Independent auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133

Compliance

We have audited the compliance of IUP Research Institute 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, 2008. IUP Research Institute's major federal programs are identified in the summary of auditors' 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 IUP Research Institute's management. Our responsibility is to express an opinion on IUP Research Institute's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 IUP Research Institute's compliance with those requirements and performing such other procedures as we consider 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 IUP Research Institute's compliance with those requirements.

In our opinion, IUP Research Institute 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, 2008.

Internal control over compliance

The management of IUP Research Institute 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 IUP Research Institute's internal control over compliance with 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 IUP Research Institute's internal control over compliance.

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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the Board of Directors and management of IUP Research Institute, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Clay + Jen LLC

September 23, 2008

IUP RESEARCH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal grantor/Pass-through grantor/project title	Contract/Award Number	Federal CFDA Number	Expenditures
U.S. Fish and Wildlife Program			
Passed through PA Game Commission			
PA State Wildlife Grant	WM-0001-06	15.634	\$ 11,433
Habitat Woodrat	4100037811	15.634	56,634
Cooperative Cerulean Warbler Forest Management Program	501817M925	15.634	7,695
Passed through Cornell University			
Golden-winged Warbler Conservation Initiative	52343-8617	15.608	6,336
			<u>82,098</u>
U.S. Department of Justice			
The Haven Project	2004-WM-AX-029	16.525	130,207
Passed through PA Commission on Crime and Delinquency			
Mental Health Services	2004-DS-19-16255	16.579	10,318
			<u>140,525</u>
National Science Foundation			
Tropical Pacific Thermocline	OCE-0623204	47.050	34,998
Workshops for Navigating the Terrain	DUE-0442630	47.076	23,335
MRI Acquisition of Mobile Spatial Data	BCS-0723068	47.075	297,643
Physical Property Management System	DMR-0722984	47.049	1,288
			<u>357,264</u>
National Endowment for the Humanities			
Preservation Assistance Grant	PG-50015-07	45.149	4,707
Passed through PA Humanities Council			
Indiana County Archaeology Native American Past	BC-50336-06	-	712
			<u>5,419</u>
National Institute of Health			
Drug use Among Transnational Mexican Farm Workers	IR01DA019690-01AZ	93.279	97,442
CAREC Challenge America Reaching Every Community	07-7900-7080	45.024	10,000
			<u>107,442</u>
Federal Bureau of Investigation			
FBI Weapons of Mass Destruction	A7A705341	-	179,288
U.S. Department of Interior			
Passed through National Parks Service			
Engine House 9 Allegheny Portage RR	H45600400009-2	-	2,384
Arch Inv. South Fork Fish & Hunt Phase II	H45600400009-4	-	4,362
Arch Inv. Staple Bend Tunnel	H45600400009-5	-	6,507
Lemon House Geothermal Phase III	H45600400009-6	-	6,336
			<u>19,589</u>
U.S. Department of Transportation			
Passed through PA Department of Transportation			
Penndot Dev. Of Predictive Model	104586	-	85,987
Total federal awards			\$ 977,612

See independent auditors' report.

IUP RESEARCH INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Summary of the auditors' results

1. The type of report the auditor issued on the financial statements was an unqualified opinion.
2. No reportable conditions in the internal control were disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No reportable conditions in internal control over major federal programs were disclosed by the audit.
5. The auditors' report on compliance for major federal programs was an unqualified opinion.
6. The audit did not disclose any audit findings required to be reported in accordance with OMB Circular A-133.
7. The major federal programs were:
MRI Acquisition of Mobile Spatia Data, CFDA No. 47.075
Haven Project, CFDA No. 16.525
FI Weapons of Mass Destruction, no CFDA No.
8. The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.
9. IUP Research Institute was not considered a low-risk auditee.

Findings Relating to the Financial Statements Required to be Reported in Accordance with Government Auditing Standards

Compliance Findings

None

Internal Control Findings

None

Findings and Questioned Costs for Federal Awards in Accordance with OMB Circular A-133

Compliance Findings and Questioned Costs

None

Internal Control Findings

None

IUP RESEARCH INSTITUTE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

Compliance Findings

There were no prior audit compliance findings.

Internal Control Findings

The internal control findings included in the prior year audit report were corrected by the Institute as per their corrective action plan.