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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

To the Board of Directors of  
West Virginia State University  
Research and Development Corporation:

**Compliance**

We have audited West Virginia State University Research and Development Corporation's (the "Corporation") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Corporation'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 grant agreements applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance 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; 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 the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provided a reasonable basis for our opinion. Our audit does not provide a legal determination on the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the 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, 2010.

## Internal Control Over Compliance

The management of the Corporation 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 the Corporation'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Corporation'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.

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 solely for the information and use of the Board of Directors of the West Virginia State University Research and Development Corporation, management of the Corporation and West Virginia State University, 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.

*Xelotte; Touche up*

December 20, 2010

**WEST VIRGINIA STATE UNIVERSITY  
RESEARCH AND DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION I — SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<b>Unqualified Opinion</b>		
Internal control over financial reporting:			
Material weakness(es) identified?	Yes	_____	No <u>  X  </u>
Significant deficiencies identified that are not considered to be material weaknesses?	Yes	_____	None Reported <u>  X  </u>
Noncompliance material to financial statements noted?	Yes	_____	No <u>  X  </u>

**FEDERAL AWARDS**

Internal control over major programs:			
Material weakness(es) identified?	Yes	_____	No <u>  X  </u>
Significant deficiencies identified that are not considered to be material weaknesses?	Yes	_____	None Reported <u>  X  </u>
Noncompliance material to financial statements noted?	Yes	_____	No <u>  X  </u>

Type of auditors' report issued on compliance for major programs:	<b>Unqualified Opinion</b>		
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Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	Yes	_____	No <u>  X  </u>
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Identification of major programs:

<b>Name of Federal Program or Cluster</b>	<b>CFDA Number</b>
Department of Education	84.031
Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 300,000
Auditee qualified as a low-risk auditee?	Yes <u>  X  </u> No _____

**SECTION II. — FINANCIAL STATEMENT FINDINGS SECTION**

No matters are reportable.

**SECTION III. — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION**

No matters are reportable.