

**Western Oregon University Board of Trustees:
Finance & Administration Committee (FAC)
Meeting No. 18 – February 6, 2020
Public Site: Hamersly Library, Room 301-A
9:00 AM – 1:00 PM**

AGENDA

I. CALL-TO MEETING / ROLL CALL

II. COMMITTEE CHAIR'S WELCOME / ANNOUNCEMENTS

III. CONSENT AGENDA

- 1) Approval [November 8, 2019 Meeting Minutes](#)

IV. REPORTS & DISCUSSION ITEMS:

- 1) [University Budget Advisory Committee \(UBAC\)](#) | *co-chairs Dr. Cheryl Beaver & Richard Kavanagh*
- 2) [University Technology Advisory Committee \(UTAC\)](#) | *co-chairs Chelle Batchelor & Bill Kernan*
- 3) [Finance & Administration Report](#) | *Dr. Ana Karaman, Vice President Finance & Administration*
- a. [Quasi-Endowment Investment Report](#)
- b. [Public University Capital Projects Prioritized List](#)

V. ACTION ITEMS:

- 1) WOU 2019 Annual Audit Reports
- a. [EideBailly Presentation](#) | *Kristin Diggs, CPA, EideBailly & Dr. Ana Karaman, Vice President for Finance & Administration*
- b. [FY2019 Financial Statements Audit](#)
- c. [FY2019 Single Audit](#)
- d. [Management Response](#)

- 2) [FY2020 Management Report \(as of Dec. 31, 2019\)](#) | *Dr. Ana Karaman, Vice President Finance & Administration and Camarie Moreno, Director of Budget & Planning*
- 3) [University Financial Update](#)
- 4) **FEBRUARY 19, 2020 BOARD MEETING PREPARATION**
- 5) **UPDATES AND AROUND-THE-TABLE**
- 6) **ADJOURNMENT**



**Western Oregon University Board of Trustees:
Finance & Administration Committee (FAC)
Meeting No. 17 – November 8, 2019
Public Site: Hamersly Library, Room 301-A
12:00 PM – 4:00 PM**

MINUTES

I. CALL TO MEETING/ ROLL CALL

Committee members present: Jim Baumgartner, Zoe Chan-Tuyub, Gayle Evans, Ana Karaman, Cec Koontz

Others present: Chelle Batchelor, Cheryl Beaver, Rebecca Chiles, Reina Daugherty, Rex Fuller, Richard Kavanagh, Bill Kernan, Shadron Lehman, Camarie Moreno, Darin Silbernagel, Michael Smith, Dona Vasas, Ashley Wolfe

II. COMMITTEE CHAIR'S WELCOME / ANNOUNCEMENTS

Koontz welcomed everyone to the meeting. VP Karaman introduced the new controller and internal auditor.

III. CONSENT AGENDA

1) Approval June 3, 2019 Meeting Minutes

Evans made a motion to approve the minutes. Baumgartner seconded the motion and all were in favor.

IV. REPORTS & DISCUSSION ITEMS:

1) Emergency Operations Preparedness | *Rebecca Chiles, Director Campus Public Safety*

Chiles shared about the ongoing emergency preparedness activities, including the most recent tabletop exercise, a free speech panel, stop the bleed trainings, first aid/cpr training, ALICE trainings, and progress towards becoming a disaster resilient university.

2) University Budget Advisory Committee (UBAC) | *co-chairs Cheryl Beaver & Richard Kavanagh*

Beaver and Kavanagh shared that phase 1 proposals are currently being accepted. The budget process timeline has been posted to the website. Three proposals have been received so far. All proposals are due January 8th.

3) University Technology Advisory Committee (UTAC) | *co-chairs Chelle Batchelor & Bill Kernan*

Batchelor provided an update on the Apple initiative. She shared the goals of this project as well as a status update. An expanded pilot was approved so multiple groups are trying the ipads in different ways simultaneously. A UTAC subcommittee has been formed to evaluate the progress and success of the initiative.

4) Capital Maintenance Updates | Michael Smith, Director Facilities Services

a. Natural Sciences Building (photos courtesy of Dr. Steve Taylor)

The Natural Science renovation has been completed.

b. WOU Welcome Center (formerly Oregon Military Academy)

Demolition has begun. The print shop/mailroom will be moving in January. Construction will be complete Fall 2020.

c. Instructional Technology Center (ITC)

Sub-contractor bids are due this week. Construction starts in January and will be finished in Winter 2021.

d. WOU:Salem – Vick Building

Soderstrom Architects have been selected for the design work.

5) Finance & Administration Report | Dr. Ana Karaman, Vice President for Finance & Administration

a. Introduction of New Staff: Shadron Lehman, Internal Auditor & Ashley Wolfe, Controller

Karaman shared about the need and purpose of an internal auditor, as well as what he has been working on so far and what is to come.

b. External Audit update

The audit is on schedule to be turned in to DAS by November 15th.

c. 2019-2021 Biennium Capital Projects Request

A large group worked on the capital request, including two ASWOU students. There was a short turnaround time to get the request in, with a new rubric this year. The Health Sciences remodel is the number one priority because it will drive new enrollment. Instead of asking for a new building it was decided to remodel an old building because we have enough space, it's just the wrong kind of space. The stadium, fieldhouse, and new PE building were combined into a Center for Human Achievement, Movement and Potential (CHAMP) complex.

d. Quasi-Endowment Investment report

The Q1 report for this year just came in and we earned \$29k since becoming fully invested.

V. ACTION ITEMS:

1) **Revolving Line of Credit Recommendation** | *Dr. Ana Karaman, Vice President Finance & Administration and Darin Silbernagel, Treasurer*

Based on the board resolution on June 3rd to seek a revolving line of credit, proposals were requested. Both Washington federal and JP Morgan submitted proposals. Both offered \$5m. WAFD offered a better rate at 2.51% and better term of 5 years plus the option to extend 2 years.

Baumgartner made a motion to recommend the revolving line of credit (in the amount of \$5m) to the board for approval. Evans seconded the motion and all were in favor.

2) **FY2020 Management Report (as of Sept 30, 2019)** | *Camarie Moreno, Director of Budget & Planning*

Moreno shared the details of the most recent management report. Revenue is down from last year due to lower enrollment. More money was received in state appropriations and lottery funds this year. Personnel costs have increased due to raises and rising PERS and healthcare costs.

Evans made a motion to accept the management report. Chan-Tuyub seconded the motion and all were in favor.

3) **FY2020 Budget Revision** | *Dr. Ana Karaman, Vice President Finance & Administration and Camarie Moreno, Director of Budget & Planning*

Karaman and Moreno presented four scenarios for revising the budget. The options included taking no action, cutting enough to keep the deficit the board voted on previously, balancing the budget, or cutting some but not as much as would be needed to keep the deficit previously voted on.

Motion is to recommend board approves scenario 3 to keep budgeted deficit the same as originally approved.

Baumgartner made a motion to recommend the budget be revised to maintain the deficit that was previously approved. Chan-Tuyub seconded the motion and all were in favor.

VIII. ADJOURNMENT

The meeting was adjourned at 3:10pm.

DATE: FEBRUARY 6, 2020
TO: WOU BOARD OF TRUSTEES FINANCE & ADMINISTRATION COMMITTEE
FROM: UNIVERSITY BUDGET ADVISORY COMMITTEE
RE: WINTER 2019 UPDATES

This year's process has seen 36 Budget Proposals submitted to the University Budget Advisory Committee for deliberation and review. These proposals are available for public viewing [here](https://www2.wou.edu/nora/ubc.phase_1_public_view_fy21) (https://www2.wou.edu/nora/ubc.phase_1_public_view_fy21). The committee is currently reviewing the proposals and discussing our recommendations.

Due to technical issues with the Phase 1 submission form, we decided to extend the deadline for budget proposals from January 8th to January 13th. With this extension, the form problems were corrected and everyone that contacted us with an issue was able to submit their proposal.

In order to avoid having this delay impact the overall schedule for the year, the committee has scheduled an additional deliberation meeting on February 6th. We expect to have our report, detailing which proposals we are recommending be advanced to Phase 2, to President Fuller by February 13th.

The following charts shows the authorship and budget priorities of the proposals. Many proposals identified multiple budget priorities.

Proposal Author		Budget Priority	
Administrator	16	Efficiency	8
Faculty	12	Grow Enrollment	21
Staff	3	Improve Affordability	13
Student	5	Increase Retention	24
		Hispanic Serving	15

DATE: FEBRUARY 6, 2020
TO: WOU BOARD OF TRUSTEES FINANCE & ADMINISTRATION COMMITTEE
FROM: UNIVERSITY TECHNOLOGY ADVISORY COMMITTEE (UTAC)
RE: COMMITTEE UPDATES

Canvas LMS

- UTAC LMS Subcommittee recommended WOU adopt the Canvas LMS for the following reasons:
 - Our Moodle environment is not scalable and has reached a point of critical failure. Faculty and student work is periodically being lost, and Moodle open source development is not keeping pace with our needs
 - Through a process of surveying campus stakeholders, holding vendor demonstrations, and soliciting feedback from demo attendees, the LMS Subcommittee identified Canvas as the preferred LMS for many reasons, including its overall usability, accessibility features, and compatibility with mobile devices
 - Canvas is the market leader in LMS systems and has been adopted by many of our feeder community colleges, including Chemeketa CC. Adoption of Canvas is an investment in WOU's future, enabling the growth of online programs and degree pathways, and supporting the WOU Salem hybrid model.
- UTAC voted unanimously to make a recommendation to President Fuller that WOU pilot Canvas with the intention of adopting it in the future. The recommendation to pilot Canvas was delivered in December and approved in January. A small implementation team consisting of members of UTAC, the LMS Subcommittee, and UCS staff is being formed.
- UTAC submitted a budget proposal to the University Budget Advisory Committee (UBAC) for up to \$120,000/year to adopt Canvas as our new LMS. UBAC decisions will be made in May 2020.
- A Canvas pilot will begin in Spring 2020. There has been an outpouring of interest from faculty, so the implementation team will develop a process to determine 1) features/functions we need to test and 2) which courses will best test those features.

Apple Subcommittee

- UTAC formed an Apple Pilot Subcommittee that has been charged with:
 - Developing and recommending policies related to the Apple Campus Pilot and future Apple Partnership programs.

- Reviewing and prioritizing proposals related to the Apple Campus Pilot and future Apple Partnership programs.
 - Exploring and engaging in reviews of any devices that might be considered as an alternative to the iPad for technological innovation and possible 1x1 (one device per student) implementation to support student success.
 - Evaluating the progress and success of Apple initiatives.
 - Implementing any surveys that could inform WOU of students' technology needs that could be addressed by an iPad or other technology program.
- Subcommittee actions thus far:
 - Convened on January 28, 2020
 - Administered a Textbook and Technology Access and Affordability survey to all WOU students
 - Launched the Winter 2020 iPad Classroom Pilot, with 85 student participants enrolled in 5 pilot course

Finance & Administration Committee
Vice President for Finance & Administration
February 6, 2020

The Finance & Administration division continues to make efforts in implementing its 2019-23 divisional strategic plan in support of the university strategic plan. All department heads have met and reviewed their progress towards the goals established by the divisional strategic plan and made necessary adjustments given the current budgetary circumstances.

In the last six months, the division made the following significant accomplishments:

- Developed strategic plan for Finance & Administration to move from tactical to strategic operations
- Made significant improvements with respect to transparency, stewardship, and credibility
- Implemented credit card terminals for the Cashier's office
- Implemented internal bank reconciliations and cash flow projections
- Established internal auditor position and hired
- Began in-service public safety training to ensure annual compliance with state and federal requirements
- Implemented zone parking
- Upgraded and installed security cameras throughout campus
- Upgraded parking program software
- Completed on-going training for building managers and emergency preparedness training
- UCS reviewed and implemented CIS20 controls
- Deployed and developed information security training program
- Deployed myWOU (mobile app for students, faculty, and staff)
- Purchased Vick Building
- Implemented feedback opportunity for facilities services
- Implemented monthly meetings for facilities student workers
- Completed Natural Science renovation
- Completed Capital Funding request

For the remaining five months of the year, the division's primary focus is going to be on the following tasks:

- Transitioning to in-house financial statements
- Creating budget for FY21 in collaboration with TFAC, UBAC, IFC, and all other stakeholders
- Continuing progress with the Welcome Center, ITC, and Salem renovation

- Enhancing cybersecurity by implementing best practices, including a hub and spokes security design and helping functional areas to improve their banner utilization
- Continuing to improve parking practices, including implementing pay stations instead of meters
- Finalizing and implementing security plan for Vick building
- Implementing positive pay for accounts payable and student refunds
- Continuing to simplify the tuition structure
- Reviewing the payroll and cash receipts process

**Western Oregon University
Endowment Fund
December 31, 2019**

Period End Date	Fund	Manager Name	Audit Switch	Cost	NAV
12/31/2019	59WA	WESTERN ASSET MANAGEMENT	C	415,166.62	425,410.85
12/31/2019	59WB	BLACKROCK	C	550,000.00	605,130.46
12/31/2019	59WD	WOUE CASH BALANCE	C	-	55,520.94
TTL COMPOSITE - WESTERN OREGON UNIVERSITY				965,166.62	1,086,062.25
Less: Oregon Short Term Fund Cash					(55,520.94)
NET WESTERN OREGON UNIVERSITY subject to Fee					1,030,541.31
Fee Rate					0.000025
Fee					25.76

Appendix B: Prioritized List of Public University Capital Projects

FUNDING AND ACHIEVEMENT SUBCOMMITTEE

December 11, 2019
Docket Item #: 4.0

Priority	Institution	Project Submittals	HECC Rubric Score	XI-G	XI-Q	Subtotal	Gifts/Other	Project Total	State Running Total
1	OSU	Cordley Hall Renovation, Phase II	95	\$ 28,000,000	\$ -	\$ 28,000,000	\$ 28,000,000	\$ 56,000,000	\$ 28,000,000
2	OIT	Boivin Hall Rehabilitation	93	\$ 1,015,000	\$ 18,270,000	\$ 19,285,000	\$ 1,015,000	\$ 20,300,000	\$ 47,285,000
3	PSU	SBI Renovation & Expansion	92	\$ 7,500,000	\$ 67,500,000	\$ 75,000,000	\$ 7,500,000	\$ 82,500,000	\$ 122,285,000
4	WOU	Student Success Center	91	\$ -	\$ 21,340,000	\$ 21,340,000	\$ 660,000	\$ 22,000,000	\$ 143,625,000
5	UO	Huestis Hall Deferred Maintenance	89	\$ 6,360,000	\$ 50,880,000	\$ 57,240,000	\$ 6,360,000	\$ 63,600,000	\$ 200,865,000
6	OSU	Arts and Education Complex	85	\$ 35,000,000	\$ -	\$ 35,000,000	\$ 35,000,000	\$ 70,000,000	\$ 235,865,000
7	OSU-CC	Student Success Center	84	\$ 5,000,000	\$ 7,900,000	\$ 12,900,000	\$ 5,000,000	\$ 17,900,000	\$ 248,765,000
8	WOU	Health Science Remodel	83	\$ -	\$ 48,015,000	\$ 48,015,000	\$ 1,485,000	\$ 49,500,000	\$ 296,780,000
9	EOU	Inlow Hall Renovation, Phase II	74	\$ -	\$ 10,600,000	\$ 10,600,000	\$ -	\$ 10,600,000	\$ 307,380,000
10	SOU	Music Renovation & DMC Addition	74	\$ -	\$ 13,650,000	\$ 13,650,000	\$ 450,000	\$ 14,100,000	\$ 321,030,000
11	SOU	Britt Phase II DM & Creative Institute	66	\$ -	\$ 4,700,000	\$ 4,700,000	\$ 50,000	\$ 4,750,000	\$ 325,730,000
12	WOU	Performing Arts Remodel	63	\$ -	\$ 16,005,000	\$ 16,005,000	\$ 495,000	\$ 16,500,000	\$ 341,735,000
13	WOU	Achievement, Movement and	51	\$ -	\$ 30,264,000	\$ 30,264,000	\$ 936,000	\$ 31,200,000	\$ 371,999,000
14	EOU	Grand Staircase Replacement	40	\$ -	\$ 3,000,000	\$ 3,000,000	\$ 80,000	\$ 3,080,000	\$ 374,999,000
15	OSU-CC	Land Development - Area 2	35	\$ 835,000	\$ 15,830,000	\$ 16,665,000	\$ 835,000	\$ 17,500,000	\$ 391,664,000
N/A	SOU	Cascade Hall Demolition	N/A	\$ -	\$ -	\$ -	\$ 3,500,000	\$ 3,500,000	
		Total/Average	74	\$ 83,710,000	\$ 307,954,000	\$ 391,664,000	\$ 91,366,000	\$ 483,030,000	

Self Funded Projects - Not graded		
EOU	New Residence Hall	\$ 14,000,000
OIT	New Residence Hall	\$ 45,000,000
PSU	12th & Market Residence Hall	\$ 60,500,000
PSU	University Center Building Land Purchase	\$ 15,000,000
WOU	Valsetz Dining & Auxilliary Services Renovation	\$ 3,500,000
Self funded Totals		\$ 138,000,000



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WESTERN OREGON UNIVERSITY

February 6, 2020
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REPORTING

Independent Auditor's Report

- Unmodified

Independent Auditor's Report on Internal Control over Financial Reporting

- Unmodified
- No findings

Independent Auditor's Report on Compliance/Internal Control over Compliance

- Unmodified
- Findings 2019-001 – 2019-004
 - Considered Significant Deficiency in Internal Control over Compliance

AUDIT PROCESS

Audit process - 3 weeks

- 1 week in May – Federal funds testing
 - Programs Reviewed
 - Student Financial Aid Cluster
 - Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities
 - Child Care Grant (477 Cluster)
- 2 weeks in October – Year end fieldwork
- Audit Approach Based upon Risk
 - Review the controls in place over the significant processes
 - Design our procedures to address the risks we identify during the planning process
 - Review the significant estimates
- Financial Reporting
 - Work with management during the financial reporting process

REQUIRED COMMUNICATIONS

Audit performed in accordance with auditing standards generally accepted in the United States of America

- Management is responsible for the financial statements
- Audit provides reasonable, but not absolute assurance that the financial statements are not materially misstated
- Audit does not provide any assurances regarding regulatory compliance
- Audit is not designed to provide assurances regarding internal control over financial reporting

Financial statements prepared in accordance with accounting principles generally accepted in the United States of America

REQUIRED COMMUNICATIONS (CONTINUED)

Significant accounting policies

- No new accounting standards in current year
- Significant accounting estimates
 - Allowance for doubtful accounts
 - OPEB calculation
 - OPERS calculation
- Uncorrected and corrected misstatements
 - None noted
- Interactions with management

UPCOMING GASB STANDARDS

2020

- GASB Statement No. 84: *Fiduciary Activities*

2021

- GASB Statement No. 87: *Leases*
- GASB Statement No. 89: *Accounting for Interest Cost Incurred before the End of a Construction Period*

THANK YOU

Kristin Diggs, CPA
Partner
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208.424.3542



CPAs & BUSINESS ADVISORS

Finance & Administration Committee (FAC), FY 2019 Financial Statements Audit

The [Western Oregon University's 2019 Annual Financial Report](#) was prepared by the University in conjunction with the University Shared Services Enterprise (USSE).

The public accounting firm, Eide Bailly LLP (“Auditor”), has audited the financial report and has issued an unmodified opinion, i.e., in their opinion the financial statements present fairly, in all material respects, the financial position of the University. Eide Bailly also performed testing of the University’s compliance with certain provisions of laws, regulations, contracts and grant agreements. This testing resulted in a report on compliance for each major federal program, a report on internal control over compliance, and a report on expenditures of federal awards, as required by Uniform Guidance.

These reports and detailed findings are provided in the Federal Awards Reports in Accordance with the Uniform Guidance document which communicates certain matters related to the conduct of the audit to those who have responsibility for oversight of the financial reporting process.

The Auditor issued their opinion that the University complied, in all material respects, with the compliance requirements that could have a direct and material effect on each of University’s major federal programs.

STAFF RECOMMENDATION:

It is recommended that the Western Oregon University Finance and Administration Committee recommend to the Board of Trustees to accept the University’s fiscal year 2019 audit of financial statements.



November 15, 2019

To the Board of Trustees
Western Oregon University
Monmouth, Oregon

We have audited the financial statements of Western Oregon University (the University), and the discretely presented component unit of the University as of and for the year ended June 30, 2019, and have issued our report thereon dated November 15, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and Government Auditing Standards and our Compliance Audit under the Uniform Guidance

As communicated in our letter dated May 29, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the University complied with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the University's major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Western Oregon University solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the University's major federal program compliance, is to express an opinion on the compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances 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, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the University's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated November 15, 2019. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated November 15, 2019.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Western Oregon University is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are as follows:

Collectability of receivables and student accounts are based on past history and current market conditions. We reviewed the underlying assumptions and past history to determine that the estimate appears reasonable.

The remaining obligation under the other postemployment benefit (OPEB) plans is based on actuarial estimates provided by Milliman and audited by independent auditors. We evaluated the key factors and assumptions used to develop the OPEB assets/(liabilities) in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability is based on actuarial estimates provided by the Oregon Public Employee Retirement System (OPERS). We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the University's financial statements relate to:

Note 14 – Employee Retirement Plans – This describes the details and assumptions of the Oregon Public Retirement System (OPERS) Plan and the related net pension liability.

Note 15 – Other Postemployment Benefits (OPEB) – This describes the details of the postemployment benefit plans.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. No such misstatements were detected during the course of our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the University's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated November 15, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the University, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the University's auditors.

Other Matters

The financial statements include the financial statements of Western Oregon University Development Foundation (the Foundation), which we considered to be a significant component of the financial statements of the University. The financial statements of the Foundation were audited by other auditors, and we did not assume responsibility for the audit performed by the other auditors, rather we have referred to their audit in our report. Our decision to refer to the report of the other auditor is based on our evaluation of the materiality of the Foundation with respect to the financial statements as a whole. Our audit procedures with respect to the Foundation included required correspondence with the other auditor, obtaining and reading their auditor's report and the related financial statements, and other procedures as considered necessary.

This report is intended solely for the information and use of the members of the Board of Trustees, State of Oregon, and management of Western Oregon University and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho

Finance & Administration Committee (FAC), FY 2019 Single Audit

The Western Oregon University's 2019 Annual Financial Report was prepared by the University in conjunction with the University Shared Services Enterprise (USSE).

The public accounting firm, Eide Bailly LLP ("Auditor"), has audited the financial report and has issued an unmodified opinion, i.e., in their opinion the financial statements present fairly, in all material respects, the financial position of the University. Eide Bailly also performed testing of the University's compliance with certain provisions of laws, regulations, contracts and grant agreements. This testing resulted in a report on compliance for each major federal program, a report on internal control over compliance, and a report on expenditures of federal awards, as required by Uniform Guidance.

These reports and detailed findings are provided in the Federal Awards Reports in Accordance with the Uniform Guidance document which communicates certain matters related to the conduct of the audit to those who have responsibility for oversight of the financial reporting process.

The Auditor issued their opinion that the University complied, in all material respects, with the compliance requirements that could have a direct and material effect on each of University's major federal programs.

STAFF RECOMMENDATION:

It is recommended that the Western Oregon University Finance and Administration Committee recommend to the Board of Trustees to accept the University's fiscal year 2019 single audit.



Federal Awards Reports in Accordance with the Uniform
Guidance
June 30, 2019

Western Oregon University

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* 1

Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance 3

Schedule of Expenditures of Federal Awards 6

Notes to Schedule of Expenditures of Federal Awards 9

Schedule of Findings and Questioned Costs 10



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*

To the Board of Trustees
Western Oregon University
Monmouth, Oregon

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 Western Oregon University (the University), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2019. Our report includes a reference to other auditors who audited the financial statements of Western Oregon University Development Foundation (the Foundation), as described in our report on the University’s financial statements. The audit of the financial statements of the Foundation were not performed in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or compliance with other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 University’s internal control. Accordingly, we do not express an opinion on the effectiveness of the University’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 a 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 over financial reporting 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 financial reporting 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 University'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 cursive script that reads "Eide Bailly LLP".

Boise, Idaho
November 15, 2019



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

To the Board of Trustees
Western Oregon University
Monmouth, Oregon

Report on Compliance for Each Major Federal Program

We have audited Western Oregon University’s (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University’s major federal program for the year ended June 30, 2019. The University’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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for each of the University’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 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 University’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 of the University’s compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on its 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 University'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 through 2019-005 that we consider to be significant deficiencies.

The University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 University and its discretely presented component unit Western Oregon University Foundation (the Foundation) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated November 15, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming and opinion 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. 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
November 15, 2019

Western Oregon University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed-Through to Subrecipients
Department of Agriculture				
<u>Direct Programs</u>				
Research and Development Cluster:				
Child and Adult Care Food Program	10.558	Not Applicable	\$ 38,396 *	\$ -
Total Department of Agriculture			<u>38,396</u>	<u>-</u>
Department of Education				
<u>Direct Programs</u>				
Student Financial Aid Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	Not Applicable	190,503	-
Federal Work-Study Program	84.033	Not Applicable	242,876	-
Federal Perkins Loans	84.038	Not Applicable	4,272,635	-
Federal Pell Grant Program	84.063	Not Applicable	8,093,962	-
Federal Direct Student Loans	84.268	Not Applicable	26,430,193	-
Teacher Education Assistance for College & Higher Education Grants	84.379	Not Applicable	<u>222,399</u>	<u>-</u>
Total Student Financial Aid Cluster			<u>39,452,568</u>	<u>-</u>
TRIO Cluster:				
TRIO Student Support Services	84.042	Not Applicable	343,581	-
TRIO Upward Bound	84.047	Not Applicable	<u>269,021</u>	<u>-</u>
Total TRIO Cluster:			<u>612,602</u>	<u>-</u>
Rehabilitation Long-Term Training				
Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind	84.129	Not Applicable	613,355	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.160	Not Applicable	395,572	-
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	Not Applicable	202,545	-
Passed -through:				
CEEDAR Center				
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	ODE Subgrant 43119	41,783	-
Oregon State University				
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	OSU Subaward ED197A-A	<u>45,531</u>	<u>-</u>
Subtotal			<u>289,859</u>	<u>-</u>

Western Oregon University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed-Through to Subrecipients
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	Not Applicable	843,240	268,835
Passed - through: National Center on Deaf-Blindness				
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	Subaward Agreement	469,071	-
Subtotal			1,312,311	268,835
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	Not Applicable	40,294	40,400
<u>Pass-Through Programs</u>				
Oregon Department of Education				
Special Education - IDEA Cluster:				
Special Education Grants to States	84.027	ODE IGA No 10976	280,497	-
Special Education Grants to States	84.027	Not Applicable	12,051	-
Total Special Education - IDEA Cluster:			292,548	-
Twenty-First Century Community Learning Centers	84.287	DASPS-2432-15	41,791	-
			41,791	-
<u>Total Department of Education Programs</u>			334,339	-
Total Department of Education			43,050,900	309,235
Department of Health and Human Services				
<u>Direct Programs</u>				
Research and Development Cluster:				
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	Not Applicable	19,035 *	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Not Applicable	104,174	-
<u>Total Department of Health and Human Services Direct Programs</u>			123,209	-

Western Oregon University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed-Through to Subrecipients
<u>Pass-Through Programs</u>				
Oregon Department of Education				
477 Cluster				
Child Care and Development Block Grant	93.575	ODE Agreeemnt 11407	4,308	-
Child Care and Development Block Grant	93.575	ODE Agreement 11407 ADM 1	121,103	-
			<u>125,411</u>	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	ODE Agreement 11407	1,847,133	30,040
Total 477 Cluster			<u>1,972,544</u>	<u>30,040</u>
Oregon Childhood Development Coalition				
Research and Development Cluster:				
Head Start	93.708	Letter of Agreement	49,035 *	-
<u>Total Department of Health and Human Services Pass-Through Programs</u>			<u>2,021,579</u>	<u>30,040</u>
Total Department of Health and Human Services			<u>2,144,788</u>	<u>30,040</u>
Department of Justice				
<u>Direct Programs</u>				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	Not Applicable	103,476	-
Public Safety Partnership and Community Policing Grants	16.710	Not Applicable	30,517	-
Edward Byrne Memorial Competitive Grant Program	16.751	Not Applicable	119,269	-
Crime Victim Assistance	16.575	Not Applicable	23,256	-
<u>Total Department of Justice Direct Programs</u>			<u>276,518</u>	-
<u>Pass-Through Programs</u>				
Tribal Law and Policy Institute				
Tribal Court Assistance Program	16.608	Tribal Law & Policy Inst Sub	88,593	-
			<u>88,593</u>	-
Total Department of Justice			<u>365,111</u>	-
Environmental Protection Agency				
<u>Direct Programs</u>				
Environmental Education Grants	66.951		36,502	8,500
Total Environmental Protection Agency			<u>36,502</u>	<u>8,500</u>
Total Expenditures of Federal Awards			<u>\$ 45,635,697</u>	<u>\$ 347,775</u>
* Subtotal of the Research and Development Cluster			<u>\$ 106,466</u>	

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Western Oregon University (the University) under programs of the federal government for the year ended June 30, 2019. The information 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 University, it is not intended and does not present the financial position, changes in net position, or cash flows of the University.

The University received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are recognized on the accrual basis of accounting except for expenditures passed through to sub-recipients, which are recognized on the cash 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.

Note 3 - Indirect Cost Rate

The University has not elected to use the 10% de minimis cost rate.

Note 4 - Federal Student Loan Programs

The federal student loan programs listed subsequently are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements. Loans made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding at June 30, 2019, consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2019</u>
84.038	Federal Perkins Loan Program	\$3,661,684

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Supplemental Educational Opportunity Grant	84.007
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
Federal Perkins Loan Program	84.038
Federal Direct Student Loans	84.268
Teacher Education Assistance for College & Higher Education Grants	84.379
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326
477 Cluster	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

There were no findings relating to the financial statement audit.

Section III – Federal Award Findings and Questioned Costs

2019-001

Direct Programs – Department of Education
CFDA# 84.007, 84.033, 84.063, 84.038, 84.268, 84.379
Student Financial Aid Cluster
Special Tests and Provisions: NSLDS Withdrawal Date
Significant Deficiency in Internal Controls over Compliance

Criteria:

34 CFR section 685.309 states that an Institution shall ensure that all information reported to the Secretary is within the required time frame. The NSLDS Enrollment Reporting Guide further states that the information that is reported to the Secretary is accurate in addition to timely.

Condition:

During our testing of students that were disbursed financial aid during the 2018-19 school year, there were two instances in which the students' withdrawal date per the Return of Title IV Aid (R2T4) calculation worksheets did not match the dates reported to NSLDS.

Cause:

The withdrawal date was incorrectly reported to NSLDS.

Effect:

The withdrawal date for 2 of the 32 students sampled was reported incorrectly to NSLDS.

Questioned Costs:

None

Context/Sampling:

A non-statistical sample of 32 students out of 158 students were selected for R2T4 testing.

Repeat Finding from Prior Year(s):

None

Recommendation:

We recommend that the University implement a control process in which the NSLDS system is updated between the Registrar's office and the Student Financial Aid's office. The University should also periodically monitor this process to ensure that it is working effectively.

Views of Responsible Officials

Management agrees with these findings. The Student Financial Aid Office and the Registrar Office will ensure the final submission for each semester is recording the proper withdrawal date for each student reported to NSLDS.

2019-002

Direct Programs – Department of Education

CFDA# 84.007, 84.033, 84.063, 84.038, 84.268, 84.379, 84.326

Student Financial Aid Cluster, Special Education Assistance for College and Higher Education Grants

Cash Management

Significant Deficiency in Internal Controls over Compliance

Criteria:

Under the Uniform Guidance, there must be an independent review from the preparer of all cash draw downs.

Condition:

During our testing over the cash draw down process, it was noted that there was no independent review of the cash draw downs prior to submitting for reimbursement.

Cause:

The current process over cash draw downs does not include an independent review of the cash draw downs to ensure accuracy.

Effect:

The incorrect amount may be drawn down from the granting agency, however, none were incorrect in our sample.

Questioned Costs:

None

Context/Sampling:

A non-statistical sample of 7 cash draw downs out of 39 total draw downs for the Student Financial Aid Cluster were selected for testing.

A non-statistical sample of 4 cash draw downs out of 12 total draw downs for the Special Education Assistance for College and Higher Education Grants.

Repeat Finding from Prior Year(s):

None

Recommendation:

We recommend that the University implement a control process where the cash draw downs are reviewed by someone independent of the preparer.

Views of Responsible Officials:

Management agrees with these findings.

2019-003

Direct Programs – Department of Education
CFDA# 84.326
Special Education Technical Assistance for College and Higher Education Grants
Procurement, Suspension, and Debarment
Significant Deficiency in Internal Controls over Compliance

Criteria:

Under the Uniform Guidance, non-federal entities are prohibited from contracting with or making subawards of covered transactions to parties that are suspended or debarred.

Condition:

During our testing over procurement and subrecipients, we noted that there was no process in place to verify that entities in which the University contracts with, whether through a vendor relationship or a subrecipient relationship, were not suspended or debarred.

Cause:

The current process over vendor contracts and subrecipients does not include a step for verifying that the entity had not been suspended or debarred.

Effect:

The University could contract with vendors or subrecipients that had been suspended or debarred.

Questioned Costs:

None

Context/Sampling:

A non-statistical sample of 4 contracts out of 9 total contracts and 2 subrecipients out of 7 total subrecipients were selected for testing.

Repeat Finding from Prior Year(s):

None

Recommendation:

We recommend that the University implement a process where contracts and subrecipients are verified to ensure that they are not suspended or debarred and retain documentation of the verification.

Views of Responsible Officials:

Management agrees with these findings.

2019-004

Direct Programs – Department of Education

CFDA# 84.326

Special Education Technical Assistance for College and Higher Education Grants

Allowable Costs and Activities

Significant Deficiency in Internal Controls over Compliance

Criteria:

Under 2 CFR part 200 and the grant agreement, there are specific costs that the University is allowed to submit for reimbursement under the grant.

Condition:

During our testing over allowable costs, there was one cost that was submitted for reimbursement incorrectly.

Cause:

The current review process did not identify the cost being submitted for reimbursement was coded to the incorrect program.

Effect:

The University submitted costs for reimbursement under the grant that were not incurred under the grant.

Questioned Costs:

None

Context/Sampling:

A non-statistical sample of 60 out of 1,449 total transactions were selected for testing.

Repeat Finding from Prior Year(s):

None

Recommendation:

We recommend that the University review their current control process over allowable costs to ensure that all costs allocated to grants are accurate.

Views of Responsible Officials:

Management agrees with these findings.

2019-005

Direct Programs – Department of Education

CFDA# 84.160

Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind

Allowable Costs and Activities

Significant Deficiency in Internal Controls over Compliance

Criteria:

Under 2 CFR part 200.306 and the grant agreement, the University must follow the guidance of the federal awarding agency as to what is allowable to cost share.

Condition:

The University was notified that they were inappropriately using unrecovered indirect costs as part of their cost sharing commitment. Under 34 CFR 75.562(c), an indirect cost reimbursement on a training grant is limited to the recipient's actual indirect costs, as determined by its negotiated indirect cost rate agreement, or eight percent of a modified total direct cost base, whichever amount is less. Indirect costs in excess of the limit may not be charged directly, used to satisfy matching or cost sharing requirements, or charged to another federal award.

Cause:

The University did not use the correct indirect cost rate under the terms of the grant agreement.

Effect:

The University reported unallowable expenses as cost share; thus, the cost sharing budget had to be revised to identify appropriate sources of cost sharing.

Questioned Costs:

\$133,332 in unallowable cost share expenditures over a three year time period.

Context/Sampling:

There was no sample selected from this program in the current year.

Repeat Finding from Prior Year(s):

None

Recommendation:

We recommend that the University fully understand and appropriately budget the terms of the indirect cost rate and cost sharing requirements for their grants prior to the application submission.

Views of Responsible Officials:

Management agrees with this finding. The error occurred at the proposal stage and was brought to the attention of the University by the federal awarding agency. A revised cost sharing plan was submitted to the Sponsor and the Sponsored projects Office is reviewing the commitment and necessary documentation to ensure compliance.

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2019

Prepared by Management of
Western Oregon University

Summary Schedule of Prior Audit Findings

Finding 2018-001

Federal Agency Name: Department of Education

Program Name: Student Financial Aid Cluster

CFDA #84.007, 84.003, 84.063, 84.038, 84.268, 84.379

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: There were 12 instances in which students' withdrawal date per the Return to Title IV Aid (R2T4) calculation worksheets did not match the dates reported to NSLDS.

Status: See finding 2019-001

Finding 2019-001

Federal Agency Name: Department of Education

Program Name: Student Financial Aid Cluster

CFDA #84.007, 84.003, 84.063, 84.038, 84.268, 84.379

Finding Summary: During testing of students that were disbursed financial aid during the 2018-19 school year, there were two instances in which the students' withdrawal date per the Return of Title IV Aid (R2T4) calculation worksheets did not match the dates reported to NSLDS.

Responsible Individuals: Kella Helyer, Director of Financial Aid

Corrective Action Plan: The Financial Aid Office processes both official and unofficial withdrawal calculations for students. The official withdrawal calculation process has been updated from a paper form that contained multiple student signature dates, which lead to mixed reporting with the National Student Clearinghouse (NSC), to an online process with one official withdrawal date based on the student's initiation of the process. A daily report is generated from the Banner system and emailed to the Financial Aid Office, the Accounting and Business Office and Housing Office alerting the departments of the students who have completely withdrawn during the previous two days. Robert Hoffman, Assistant Director of Financial Aid processes the official withdrawal calculation using the one initiated withdrawal date from the report. This withdrawal date is then picked up in the enrollment reporting to NSC who then updates NSLDS.

The unofficial withdrawal calculation is a financial aid process only. Unofficial withdrawals are not recognized by academics and enrollment reporting as a reportable status. Students who unofficially withdraw, earning all non-passing grades (F, W, NC) at the end of each term, will have their aid recalculated based on their proven attendance in all courses. The enrollment reporting status for these students is not triggered through the normal reporting channel so, during the aid recalculation process, the Financial Aid Office directly updates the student record in NSLDS showing them as Withdrawn.

Anticipated Completion Date: 6/1/2019

Corrective Action Plan

Finding 2019-002

Federal Agency Name: Department of Education

Program Name: Student Financial Aid Cluster

CFDA #84.007, 84.003, 84.063, 84.038, 84.268, 84.379

Finding Summary: During testing over the cash draw down process, it was noted that there was no independent review of the cash drawdowns prior to submitting for reimbursement.

Responsible Individuals: Sandra Holland, Grant Accountant & Emily Diamond, Post-Award Administrator

Corrective Action Plan: Prior to the cash draws from any of the federal agencies, the Grant Accountant prepares a report of the planned draw and submits to the Controller or his/her designee, who is independent of the preparer, for review and approval prior to the draw occurrence. The review will be documented on the draw spreadsheet with a signature from the preparer and reviewer and is to be maintained on file with the drawdown records. The Grant Accountant processes the drawdown and records the data in Banner. The drawdown entries post revenue to the grants. The staff responsible for reconciling the grants ensures the revenue matches the expenses.

Anticipated Completion Date: 11/30/2019

Corrective Action Plan

Finding 2019-003

Federal Agency Name: Department of Education

Program Name: Special Education Technical Assistance for College and Higher Education Grants

CFDA #84.326

Finding Summary: During testing over procurement and subrecipients, it was noted that there was no process in place to verify that entities in which the University contracts with, whether through a vendor relationship or a subrecipient relationship, were not suspended or debarred.

Responsible Individuals: Emily Diamond, Post-Award Administrator & Ryan Hagemann, University VP & General Counsel

Corrective Action Plan: When federal grant awards are made and sub-recipients are involved, the recently formed Sponsored Projects Office will utilize a sub-award checklist to ensure compliance with sub-recipient requirements. Part of the checklist will be to check the federal debarment and suspension list. As a check and balance of the process, the General Counsel office will ensure the debarment and suspension verification was completed on the sub-award checklist prior to processing any federal sub-award agreements.

Anticipated Completion Date: March 30, 2020

Corrective Action Plan

Finding 2019-004

Federal Agency Name: Department of Education

Program Name: Special Education Technical Assistance for College and Higher Education Grants

CFDA #84.326

Finding Summary: During testing over allowable costs, there was one cost that was submitted for reimbursement incorrectly.

Responsible Individuals: Emily Diamond, Post-Award Administrator & Amanda Bales, Mailroom Specialist

Corrective Action Plan: All internal transactions will require a work ticket/order specifying grant index. Sponsored Project Office will receive a completed work order and review it for its accuracy.

Anticipated Completion Date: January 31, 2019

Finding 2019-005

Federal Agency Name: Department of Education

*Program Name: Training Interpreters for Individuals who are Deaf and Individuals who are Deaf-Blind
CFDA #84.160*

Finding Summary: The University was notified that they were inappropriately using unrecovered indirect costs as part of their cost sharing commitment. Under 34 CFR 75.562(c), an indirect cost reimbursement on a training grant is limited to the recipient's actual indirect costs, as determined by its negotiated indirect cost rate agreement, or eight percent of a modified total direct cost base, whichever amount is less. Indirect costs in excess of the limit may not be charged directly, used to satisfy matching or cost sharing requirements, or charged to another federal award.

Responsible Individuals: Emily Diamond, Post-Award Administrator & Eric Dickey, Pre-Award Administrator

Corrective Action Plan: The University placed an appropriate control structure in place by forming a central Sponsored Projects Office in February 2019. The office includes a Pre-Award Administrator who reviews proposals prior to submission, which includes reviewing cost sharing commitments to ensure appropriate financial planning and compliance. Since this issue originated at the proposal stage, this development was crucial in preventing similar errors in the future.

Anticipated Completion Date: Completed

Finance & Administration Committee (FAC), February 6, 2020 Management Report

Period 6 Actual to Actual and Percent Variance Education & General Fund Report:

This report provides six months of actual revenue and expense activity (as of December 31, 2019) as compared to the same period in prior fiscal year.

Revenues:

Gross student fees & tuition are \$1.894 million less than the prior year due to an approximate 5% decrease in fall and 6% decrease in winter term enrollment. Fee remissions have increased by \$1.057 million from the prior year due to more aggressive financial aid packaging. Total institutional discount is 14% of tuition & fees, which is in line with other Oregon institutions. Government resources & allocations have increased by \$1.574 million from prior year based on the HECC's Public University Support Fund (PUSF) allocation formula. This is reflective of the addition of \$100 million to the PUSF for all seven universities rather than the \$120 million, which would have met the current service level need and resulted in an additional \$1.4 million in state funding to WOU.

Expenses:

Personnel expenses are \$2.169 million more than the prior period. The six months personnel expense includes the second and final retirement window program payment of \$783k. The increase over the last year is due to a pro-rated combination of factors:

- Retirement contributions have increased approximately 2.4% from prior year (from 22% to 24.4%) resulting in \$1.25M annual increase
- The SEIU collective bargaining agreement included regular step increases, a 3% COLA, and 2.5% longevity pay for approximately 60 employees; total annual increase is \$500K, out of which only \$250K was built into the budget
- Faculty pay increased by approximately \$500K annually per the Collective Bargaining Agreement
- Unclassified pay increased by approximately \$350K annually (3%)
- Student pay increased by \$120K from the same period last year
- Approximately \$325K increase from the same period last year for new positions including a paralegal, APA for Salem & Organization Leadership, Violence Prevention Coordinator, two HR positions, and two financial aid positions

Services and supplies expenses are \$1.008 million less than the prior period due to saving efforts, including \$400k in budget reductions.

Net Revenues less Expenses:

Net revenues less expenses have decreased by \$2.714 million compared to prior year.

FY20 Projected Year-End for Education and General Fund Report:

This report provides year-end projections. The projected year-end methodology is a combination of actual revenues and expenses for the first six months of operations and projections for the remaining six months of FY20. Projections for periods seven through twelve are based on the actual FY19 realization/burn rates for period six, which are applied to FY20 revenues and expenses.

Revenues:

Total revenues are projected to be \$69.391M, \$1.989M less than the FY20 adjusted budget. Tuition is projected to be \$1.248M less than the adjusted budget, due to a continued decline in enrollment and \$1M increase in fee remissions.

Expenses:

Total expenses are projected to be \$68.450M, \$1.367M more than the FY20 adjusted budget. Personnel is projected to be \$62.572M, \$3.332M more than the adjusted budget. This projection is not reflective of budget reductions that are underway; to date, two staff positions have been eliminated. Service and supplies are projected to be \$5.812M, \$1.828M less than the adjusted budget.

Operating Net Revenues less Expenses:

Net revenues less expenses are projected to be a loss of \$4.262M versus the FY20 adjusted budget of \$1.311M.

Transfer Schedule:

A projected transfer schedule is attached to provide details for the projected transfers in and out. Salem remodel expenses originally included \$800K of E&G funds, but have been reallocated to Capital Improvement & Renewal (CIR) funds, which is reflected in the transfer schedule.

Net Revenues less Expenses and Transfers:

Net revenues less expenses and transfers are projected to be a loss of \$7.830M versus the FY20 adjusted budget of \$5.639M. This is primarily due to the decrease in tuition revenue and increase in personnel expense. Projected year end fund balance is \$5.125M, or 7.60% of projected revenues.

STAFF RECOMMENDATION:

It is recommended that the Western Oregon University Finance and Administration Committee accept the FY20 Projected Year-End Report and the overall Management Report as of December 31, 2019.

Western Oregon University
P6 YTD Actual to Actual Variance Education & General Fund
(Unaudited, non-GAAP, for management purposes only)
(in thousands)

As of December 31, 2019
For the Fiscal Year Ended June 30, 2020

	P6 YTD FY19 Actuals	P6 YTD FY20 Actuals	Variance	Note
Revenues				
Student Fees & Tuition	30,785	28,892	(1,894)	Lower enrollment
Less: Fee Remissions	(3,034)	(4,092)	(1,057)	Increase in fee remissions
Net Student Fees & Tuition	27,751	24,800	(2,951)	
Government Resources & Allocations	15,171	16,745	1,574	HECC higher allocation
Gift Grants and Contracts	395	370	(25)	
Other Revenue	2,000	1,674	(325)	
Total Revenues	45,316	43,589	(1,727)	
Expenses				
Personnel	26,111	28,280	2,169	Salary rate & retirement contribution increases
Service & Supplies	4,367	3,359	(1,008)	
Capital Expense	204	30	(174)	
Total Expenses	30,682	31,668	986	
Net Revenues less Expenses	14,634	11,920	(2,714)	

Western Oregon University
P6 Percent Actual Variance Analysis Education & General Fund
(Unaudited, non-GAAP, for management purposes only)
(in thousands)

As of December 31, 2019
For the Fiscal Year Ended June 30, 2020

	P6 FY19 Realization/ Burn Rate %	P6 FY20 % of Adjusted 2020 Budget	Variance
Revenues			
Student Fees & Tuition (net of remissions)	69.72%	67.36%	-2.36%
Government Resources & Allocations	59.85%	60.86%	1.01%
Gift Grants and Contracts	46.61%	43.52%	-3.09%
Other Revenue	47.50%	39.78%	-7.72%
Total Revenues	64.54%	62.82%	-1.73%
Expenses			
Personnel	43.85%	47.74%	3.89%
Service & Supplies	57.80%	43.96%	-13.83%
Capital Expense	44.96%	14.65%	-30.31%
Total Expenses	45.41%	47.21%	1.79%

Western Oregon University
 FY20 Projected Year-End
 (Unaudited, non-GAAP, for management purposes only)
 (in thousands)

As of December 31, 2019
 For the Fiscal Year Ended June 30, 2020

	FY19 Year-End Actuals	FY20 Year-End Projected	FY20 Adjusted Budget	Variance FY20 Projected Year-End to Adjusted Budget	Note
Education & General Fund					
Recurring Operating Activities					
Student Fees & Tuition (net of remissions)	39,804	35,571	36,819	(1,248)	Lower enrollment/higher fee remissions.
Government Resources & Allocations	25,348	27,512	27,512	0	Projection is based on amount provided by HECC.
Gift Grants and Contracts	848	794	850	(56)	Timing difference.
Other Revenue	4,209	3,525	4,209	(684)	Timing difference.
Total Revenues	70,209	67,401	69,391	(1,989)	
Personnel	58,712	62,572	59,240	(3,332)	Cost Savings Initiatives not reflected - elimination of two positions.
Service & Supplies	7,556	5,812	7,640	1,828	
Capital Expense	454	66	203	137	
Total Expenses	66,722	68,450	67,083	(1,367)	
Interfund Transfers In	(12,350)	(1,319)	(841)	478	Projection is based on transfer schedule.
Interfund Transfers Out	16,971	4,532	4,460	(72)	Projection is based on transfer schedule.
Total Expenses and Transfers	71,343	71,663	70,702	(961)	
Operating Net Revenues less Expenses	(1,134)	(4,262)	(1,311)	2,951	
Other Activities					
Investment in Salem Building	0	(2,698)	(3,500)	(802)	
Retirement Window Payment	(840)	(783)	(783)	0	
Other	(213)	(88)	(45)	43	
Total Other Activities	(1,052)	(3,569)	(4,328)	(759)	
Total Net Revenues less Expenses	(2,187)	(7,830)	(5,639)	2,192	
Fund Balance at the Beginning of the Year	15,143	12,956	12,956		
Fund Balance at the End of the Year	12,956	5,125	7,317		
Fund Balance as a Percentage of Revenues	18.45%	7.60%	10.54%		

Western Oregon University
FY20 Projected Year-End
(Unaudited, non-GAAP, for management purposes only)
(in thousands)

As of December 31, 2019
For the Fiscal Year Ended June 30, 2020

	FY19 Year-End Actuals	FY20 Year-End Projected	FY20 Adjusted Budget	Variance FY20 Projected Year-End to Adjusted Budget	Note
Auxiliary Enterprises Funds					
Enrollment Fees	7,125	6,552	7,032	(480)	
Sales and Services	14,341	14,257	14,339	(82)	
Other Revenue	1,923	2,021	1,725	295	
Total Revenues	23,389	22,830	23,096	(267)	
Personnel	11,374	11,949	12,090	142	
Service & Supplies & Capital Expense	12,719	13,934	13,493	(442)	
Total Expenses	24,093	25,883	25,583	(300)	
Interfund Transfers In	(12,736)	(3,797)	(10,706)	(6,908)	Projection is based on transfer schedule.
Interfund Transfers Out	9,850	318	8,691	8,372	Projection is based on transfer schedule.
Total Expenses and Transfers	21,207	22,404	23,568	1,164	
Net Revenues less Expenses	2,182	426	(472)	897	
Additions/Deductions to Fund Balance	(2,487)	(2,428)			
Fund Balance at the Beginning of the Year	12,851	12,546			
Fund Balance at the End of the Year	12,546	10,544			
Fund Balance as a Percentage of Revenues	53.64%	46.18%			
Designated Operations, Service Departments, Clearing Funds					
Enrollment Fees	107	110	113	(3)	
Sales and Services	288	240	174	66	
Other Revenue	2,337	2,243	2,046	197	
Total Revenues	2,732	2,593	2,333	260	
Personnel	1,144	1,014	1,011	(3)	
Service & Supplies & Capital Expense	1,226	1,373	1,312	(61)	
Total Expenses	2,371	2,387	2,323	(64)	
Interfund Transfers In	(343)	(304)	0	304	Projection is based on transfer schedule.
Interfund Transfers Out	299	96	1	(95)	Projection is based on transfer schedule.
Total Expenses and Transfers	2,327	2,179	2,324	145	
Net Revenues less Expenses	405	415	9	405	
Additions/Deductions to Fund Balance	(420)	(717)			
Fund Balance at the Beginning of the Year	2,965	2,951			
Fund Balance at the End of the Year	2,951	2,649			
Fund Balance as a Percentage of Revenues	108.01%	102.16%			

Western Oregon University
Transfers Schedule - Projected

(Unaudited, non-GAAP, for management purposes only)

	E&G					Auxiliary					Des Ops - Serv Dept.		Plant fund		Other		Total	
Transfers In E&G	(a)					(b)	(c)				(b)	(d)			(d)	(e)		
Actual	17,507					265,613	42,677				2,638	90,000			60,000			478,435
Upcoming	831,735															8,893		840,628
Transfers Out E&G	(a)					(c)	(f)	(g)	(h)	(i)			(j)	(k)	(e)			
Actual	17,507								1,170	53,777				2,698,042				2,770,497
Upcoming	831,735					150,000	3,298,158	87,863					175,000	-	4,804			4,547,560
Transfers In AUX	(c)	(f)	(g)	(h)	(i)						(l)		(m)					
Actual				1,170	53,777						3,336		203,087					261,370
Upcoming	150,000	3,298,158	87,863															3,536,021
Transfers Out AUX	(b)	(c)									(n)							
Actual	265,613	42,677									10,000							318,290
Upcoming																		-
Transfers In DO, SD						(n)							(m)		(h)			
Actual						10,000							288,000		6,440			304,440
Upcoming																		-
Transfers Out DO, SD	(b)	(d)				(l)												
Actual	2,638	90,000				3,336												95,974
Upcoming																		-

Type	Description
(a)	General fund interfund transfers including HECC targeted funding and closing old indices
(b)	Return of FY19 'loans' to cover cash deficits in Athletics, Conference Services, Sundry & Rainbow Dance
(c)	Child Development Center support
(d)	Private scholarship interest earnings and Pepsi contract funds to offset fee remissions
(e)	Endowment matches
(f)	Athletic operations support
(g)	Conference Services support
(h)	Misc. transfers
(i)	Werner University Center Pacific Room remodel support
(j)	Small-Scale Energy Loan Program debt service
(k)	Purchase & remodel of Vick Building in Salem
(l)	Close out old library service index
(m)	Building & equipment replacement reserves for Housing, Dining, Parking, Health & Wellness Center, Telecommunications, and the Werner University Center
(n)	Vending income sponsored scholarships

UNIVERSITY FINANCIAL UPDATE

February 6, 2020

Prepared by: Dr. Ana Karaman, VPFA & CFO;
Camarie Moreno, Director of Budget & Planning;
and
Gabe Dougherty, Controller



Western Oregon
UNIVERSITY

BUDGET CONCEPTS



BUDGET CONCEPTS

General Terms:

- Budget – a plan, projection, estimate
- Revenue – income, money earned
- Expense – cost, money spent
- Funds – separate bookkeeping records for different purposes
- Transfers – moving money between funds
- Fund Balance – similar to a savings account, cumulative difference between revenues & expenses



TYPES OF REVENUES

- Tuition – tuition, mandatory fees (building, health service, incidental, student health building, student recreation center building), fee remissions
- State Appropriations
- Investment – interest from bank deposits & student account outstanding balances
- Grants
- Sales & Services – ticket sales, room & board, dining, bookstore, etc.
- Other – internal sales, reimbursements



TYPES OF EXPENSES

- Personnel – salaries & wages, health insurance, retirement, payroll taxes
- Services & Supplies – office supplies, subscriptions & dues, desks, travel, etc.
- Capital Outlay – equipment, library collections, etc.



TYPES OF FUNDS

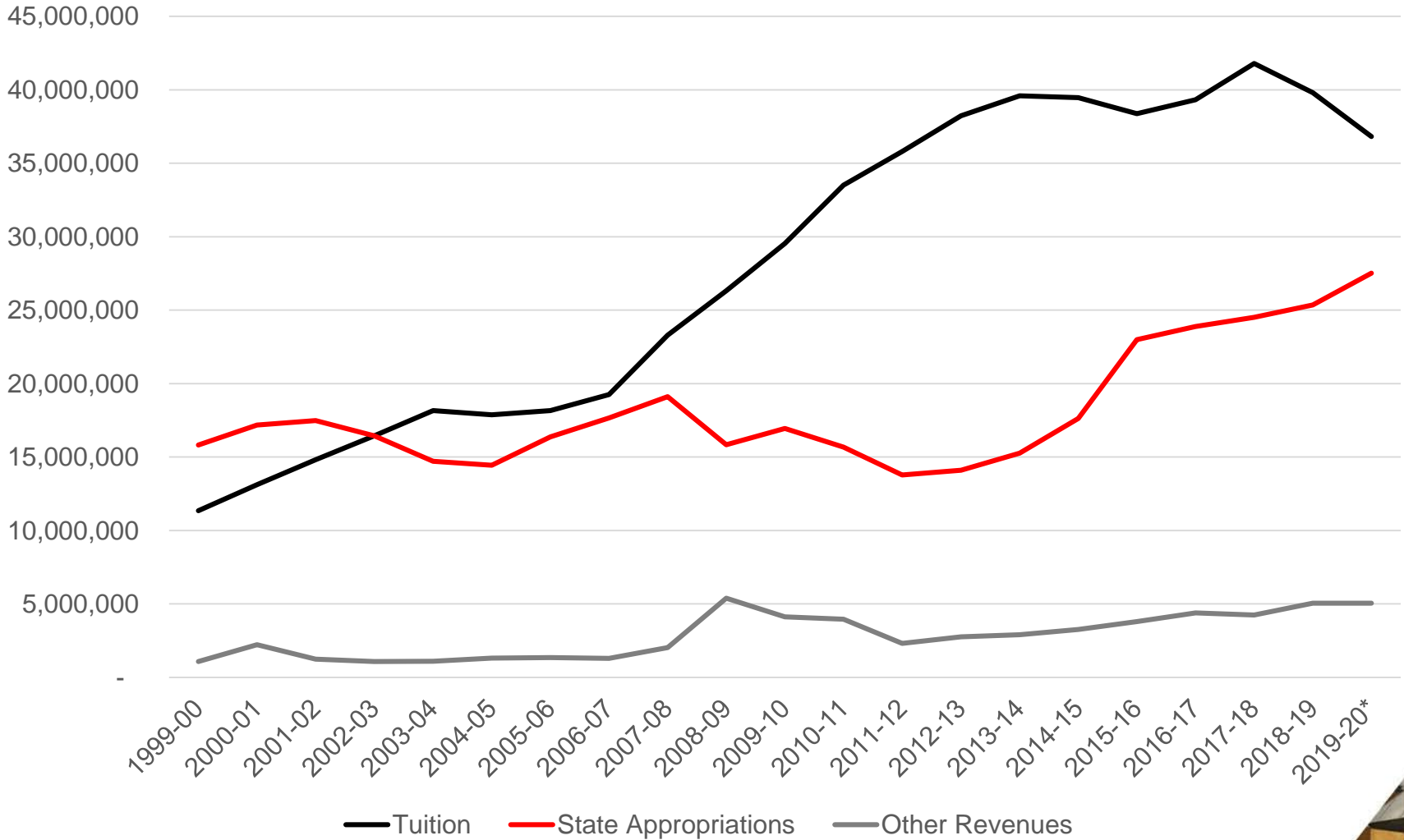
- Education & General (E&G) – operational – tuition & fee revenue, state appropriation, instructional expenses, administrative expenses, institutional support, etc.
- Auxiliaries – bookstore, housing, dining, athletics, Incidental Fee Committee (IFC), etc.
- Capital – buildings, repairs, etc.
- Grants – financial aid, federal & state grants, research, etc.
- Other Funds – DesOps, Service, Restricted



HISTORICAL CHANGES



HISTORICAL E&G REVENUES



* 2019-20 based on budgeted revenues
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STATE ALLOCATION: Students Success and Completion Model

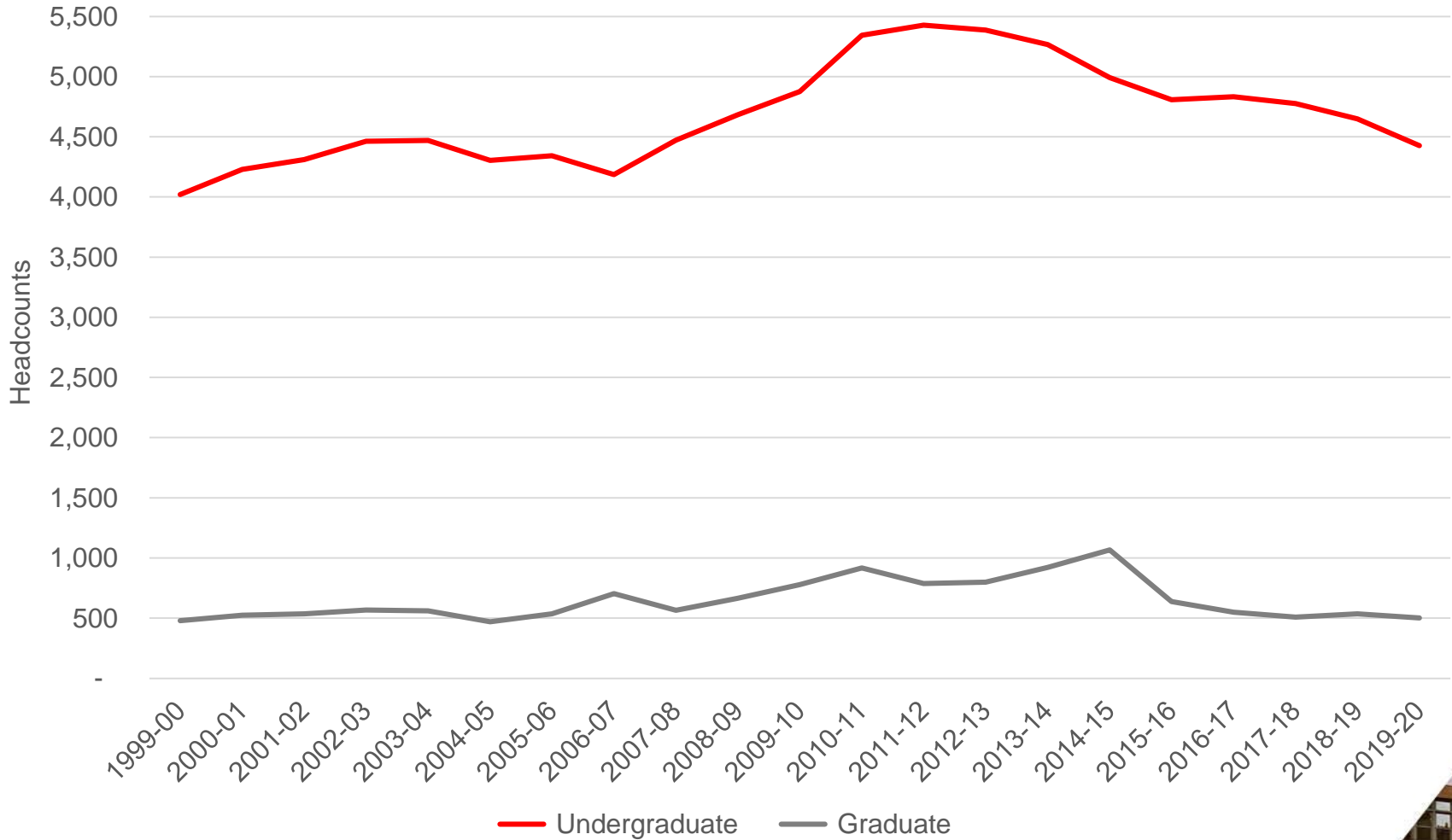
Consists of three components:

- Mission Differentiation Funding Allocation – supports a public university’s activities consistent with Regional Support, Mission Support, and Research Support
- Outcomes-Based Allocation – determined by the most recent three-year average total cost weighted degrees produced, student type, and priority area
- Activity-Based Allocation – determined by the most recent three-year average total, cost weighted, completed, resident student credit hours (SCH)

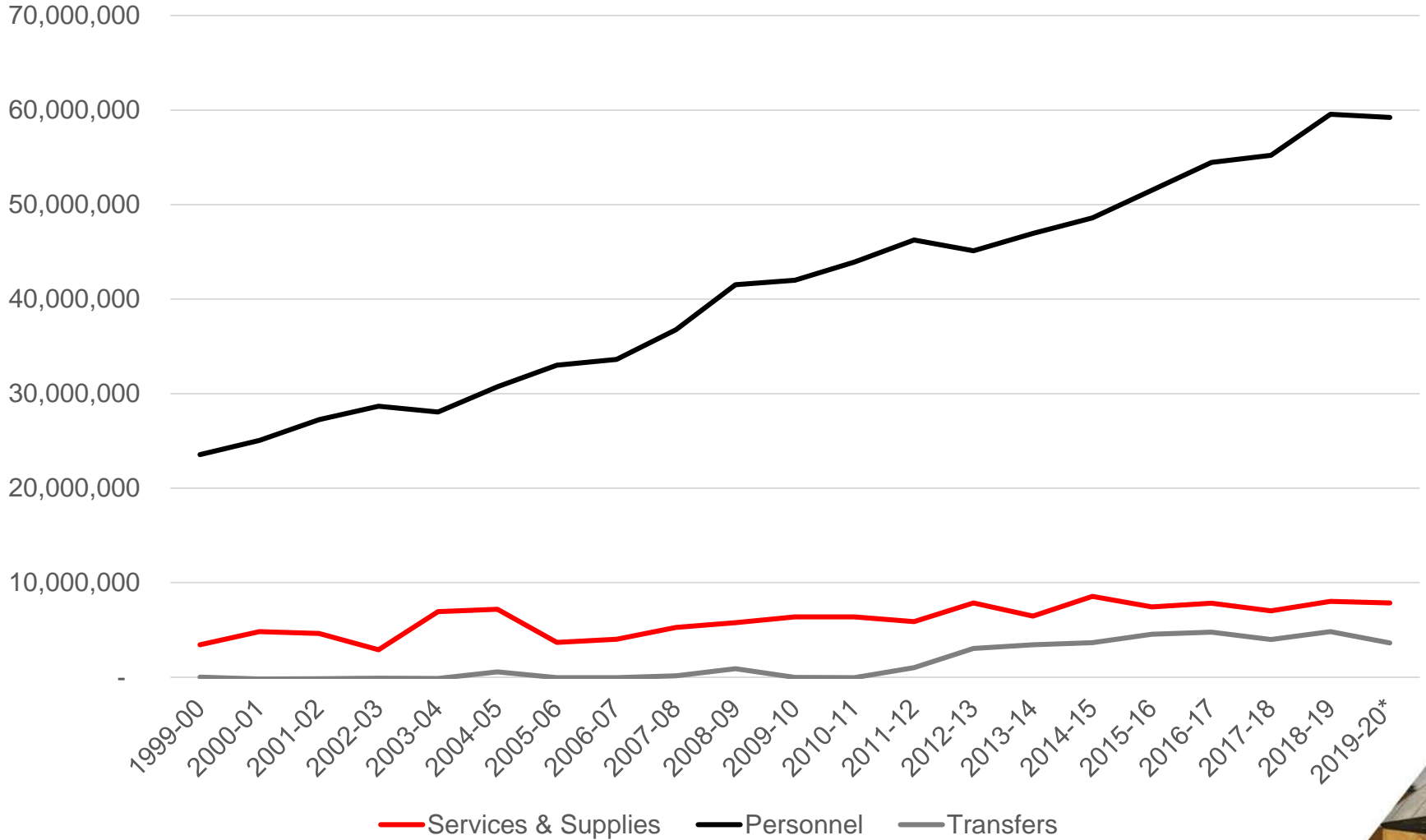
Mission Differentiation Allocation is completed first, with the remaining funds then being allocated 60% to Outcomes-Based and 40% to Activity-Based



HISTORICAL ENROLLMENT



HISTORICAL E&G EXPENSES



* 2019-20 based on budgeted expenses



FY20 Budget



FY20 BUDGET CREATION PROCESS

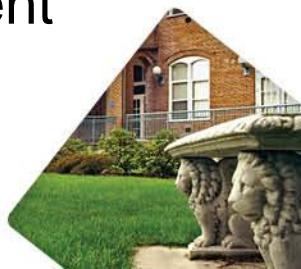
Engage all relevant campus stakeholders

- 26 meetings, including LAS, COE, divisions of Academic Affairs, Student Affairs, General Counsel, Development & Advancement, Finance & Administration, and Auxiliary Services
- Tuition & Fee Advisory Committee (TFAC) – lowest resident undergrad tuition increase of 2.33% (\$4/credit)
- University Budget Advisory Committee (UBAC) – 9 funded proposals, totaling \$997K
- Incidental Fee Committee (IFC) – set incidental fee and allocation (\$16 increase, 4.4%)



FY20 ADOPTED BUDGET ASSUMPTIONS & ENHANCEMENTS

- Tuition revenues were built on assumed flat enrollment & \$6.27M of fee remissions
 - FY18 – 3% down
 - FY19 – 1% up
- State Allocation was unknown ranging from \$40.5M to \$120M being added to the PUSF fund
 - Ultimately, \$100M was added to the PUSF; \$120M (which would have maintained CSL for universities) would have resulted in an additional \$550K to WOU
- Other revenues were assumed flat
- Flat S&S expense, minimum wage increase for students, \$500K for classified raises, \$500K for faculty raises, \$350K for unclassified raises, \$1.25M retirement increase
- Resulted in \$1.3M E&G budget deficit



FY20 ADJUSTED BUDGET

- Tuition revenues built on fall census – an ~5% decline from prior year & \$5.349M of fee remissions
 - Reallocated \$521K of fee remissions to lottery & \$400K due to fewer students
- To maintain the original \$1.3M deficit, \$3.828M of budget cuts were needed
- To date, we have identified & reduced the budget by \$1.943M
- Fee remissions are projected to be \$6.5M (\$1.15M over the revised budget)
- We need to find \$3M additional budget savings



FY20 YEAR-END FORECAST

	FY19 Year-End Actuals	FY20 Year-End Projected	FY20 Adjusted Budget	Variance FY20 Projected Year-End to Adjusted Budget
Education & General Fund				
Recurring Operating Activities				
Student Fees & Tuition (net of remissions)	39,804	35,571	36,819	(1,248)
Government Resources & Allocations	25,348	27,512	27,512	0
Gift Grants and Contracts	848	794	850	(56)
Other Revenue	4,209	3,525	4,209	(684)
Total Revenues	70,209	67,401	69,391	(1,989)
Personnel	58,712	62,572	59,240	(3,332)
Service & Supplies	7,556	5,812	7,640	1,828
Capital Expense	454	66	203	137
Total Expenses	66,722	68,450	67,083	(1,367)
Interfund Transfers In	(12,350)	(1,319)	(841)	478
Interfund Transfers Out	16,971	4,532	4,460	(72)
Total Expenses and Transfers	71,343	71,663	70,702	(961)
Operating Net Revenues less Expenses	(1,134)	(4,262)	(1,311)	2,951
Other Activities				
Investment in Salem Building	0	(2,698)	(3,500)	(802)
Retirement Window Payment	(840)	(783)	(783)	0
Other	(213)	(88)	(45)	43
Total Other Activities	(1,052)	(3,569)	(4,328)	(759)
Total Net Revenues less Expenses	(2,187)	(7,830)	(5,639)	2,192
Fund Balance at the Beginning of the Year	15,143	12,956	12,956	
Fund Balance at the End of the Year	12,956	5,125	7,317	
Fund Balance as a Percentage of Revenues	18.45%	7.60%	10.54%	



FY21 Budget



FY21 BUDGET

- Planning stages
 - TFAC process underway – goal of resident undergrad tuition increase of less than 5%
 - UBAC process underway – 37 proposals received & being reviewed in phase 1
 - IFC process underway – potential restructuring of fee, increase of less than 5%
- Assuming enrollment decline of 2.5%



FY2019 Audited Financial Statements HIGHLIGHTS



CAMPUS ACCOMPLISHMENTS: Highlights

We started a **second campus in Salem** to offer programs tailored to the needs to adult learners. Today, **WOU:Salem** is located in the historic Vick building in downtown Salem.

The Higher Education Coordinating Commission approved the university's **Master's program in Organizational Leadership**.

The **Natural Science renovation** is nearly complete and sports a bevy of upgrades and classroom improvements.

BALANCE SHEET: Abbreviated Statement

(in thousand dollars)

	FY2019	FY2018	Change	% Change
Assets				
Current assets				
Cash and cash equivalents	21,367	19,350	2,017	10%
Accounts receivable, net of allowances	15,373	8,522	6,851	80%
Other	3,752	4,609	(857)	-19%
Total current assets	40,492	32,481	8,011	25%
Total noncurrent assets	146,465	149,172	(2,707)	-2%
Total assets	186,957	181,653	5,304	3%
Liabilities				
Total current liabilities	20,746	21,136	(390)	-2%
Noncurrent liabilities				
Long-term liabilities	52,631	52,473	158	0%
Net pension liabilities	33,824	35,461	(1,637)	-5%
OPEB liability	2,361	2,438	(77)	-3%
Total noncurrent liabilities	88,816	90,372	(1,556)	-2%
Total liabilities	109,562	111,508	(1,946)	-2%
Net position				
Net investment in capital assets	66,611	63,049	3,562	6%
Restricted net position	10,349	7,532	2,817	37%
Unrestricted net position	11,445	12,171	(726)	-6%
Total net position	88,405	82,752	5,653	7%

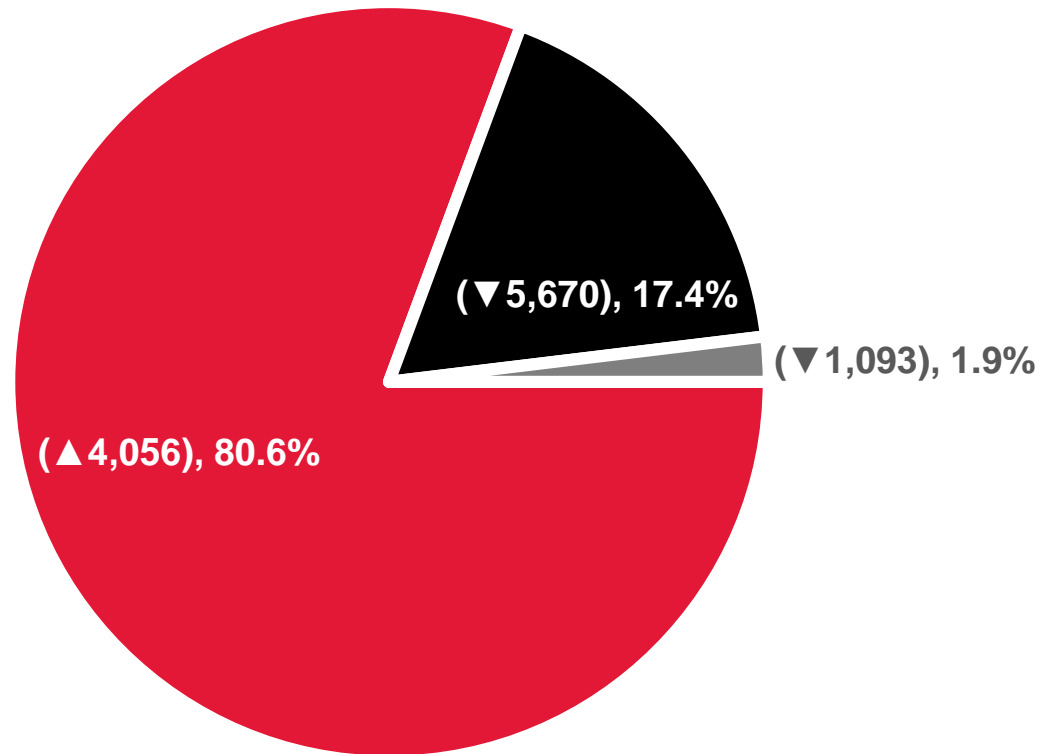
BALANCE SHEET: Accounts receivable

(in thousand dollars)

	FY2019	FY2018	Difference	% Change
Student Tuition and Fees	18,487	19,483	(996)	-5%
Federal Grants and Contracts	2,816	1,485	1,331	90%
State Capital Construction Grants and Contracts	3,301	310	2,991	965%
Auxiliary Enterprises and Other Operating Activities	2,464	1,850	614	33%
State, Other Government, and Private Gifts, Grants, and Contracts	1,052	1,079	(27)	-3%
	28,120	24,207	3,913	16%
Less: Allowance for Doubtful Accounts	(12,988)	(15,874)	2,886	-18%
Accounts Receivable, Net	15,132	8,333	6,799	82%

BALANCE SHEET: Noncurrent assets

Noncurrent assets
FY 2019



- Capital assets, net of accumulated depreciation
- Investments
- Other

INCOME STATEMENT: Abbreviated Statement

(in thousand dollars)

	FY2019	FY2018	Difference	% Change
Operating Revenues	64,507	68,552	(4,045)	-6%
Operating Expenses	107,904	108,080	(176)	0%
Operating Loss	(43,397)	(39,528)	(3,869)	10%
Nonoperating Revenues, Net of Expenses	41,162	37,441	3,721	10%
Other Revenues	7,888	7,547	341	5%
Increase in Net Position	5,653	5,460	193	4%
Net Position, Beginning of Year	82,752	77,292	5,460	7%
Net Position, Ending of Year	88,405	82,752	5,653	7%

INCOME STATEMENT: Total Revenues

(in thousand dollars)

	FY2019	FY2018	Difference	% Change
Student Tuition and Fees	32,253	34,304	(2,051)	-6%
Grants and Contracts	8,034	9,085	(1,051)	-12%
Auxiliary Enterprises	20,025	20,943	(918)	-4%
Educational and Other	4,195	4,220	(25)	-1%
Total Operating Revenues	64,507	68,552	(4,045)	-6%
Appropriations	25,929	25,087	842	3%
Financial Aid Grants	14,284	13,954	330	2%
Gifts	1,050	984	66	7%
Investment Activity	2,487	401	2,086	520%
Capital Grants and Gifts	7,506	7,165	341	5%
Gain (Loss) on Sales of Assets, Net	(41)	0	(41)	0%
Total Nonoperating Revenues	51,215	47,591	3,624	8%
Total Revenues	115,722	116,143	(421)	0%

STATEMENT OF CASH FLOWS: Abbreviated Statement

(in thousand dollars)	FY2019	FY2018	Difference	% Change
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and Fees	30,565	32,736	(2,171)	-7%
Grants and Contracts	6,636	10,204	(3,568)	-35%
Educational Department Sales & Services	688	857	(169)	-20%
Auxiliary Enterprises	19,464	20,931	(1,467)	-7%
Payments to Employees for Wages & Benefits	(74,804)	(70,838)	(3,966)	6%
Payments to Suppliers	(19,705)	(20,377)	672	-3%
Student Financial Aid	(6,789)	(7,075)	286	-4%
Other Operating Receipts	3,435	3,362	73	2%
Net Cash Used by Operating Activities	(40,510)	(30,200)	(10,310)	34%
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Government Appropriations	25,547	24,705	842	3%
Financial Aid Grants	14,284	13,954	330	2%
Other	916	882	34	4%
Net Cash Used by Noncapital Financing Activities	40,747	39,541	1,206	3%
Net Cash Used by Capital Financing Activities	(7,277)	(5,682)	(1,595)	28%
Net Cash Used by Investing Activities	8,157	(783)	8,940	1142%
NET INCREASE IN CASH AND EQUIVALENTS	1,117	2,876	(1,759)	-61%
CASH AND CASH EQUIVALENTS				
Beginning Balance	20,200	17,324		
Ending Balance	21,367	20,200	1,167	6%

KEY PERFORMANCE INDICATORS: Financial Ratios

	2019	2018	2017	Benchmark
Viability Ratio	0.48	0.46	0.42	1.00
Primary Reserve Ratio	0.24	0.23	0.21	0.40
Net Revenues Ratio	-1.28%	-1.78%	-6.39%	2-4%
Net Assets Ratio	7.16%	7.18%	-2.49%	3-4%
Debt Burden Ratio	4.03%	3.94%	3.94%	4.5%

KEY PERFORMANCE INDICATORS: Financial Ratios

Viability Ratio

The viability ratio determines the ability of an institution to continue to achieve its operating objectives and fulfill its mission over the long term. The ratio is used to measure the ability of the institution to liquidate debt from its *expendable* resources.

Primary Reserve

The primary reserve ratio provides a snapshot of financial strength and flexibility by indicating how long an institution could function using its *expendable* resources without relying on additional assets.

$$x_{\text{reserve}} \times 12 = \text{months of funding}$$

Net Revenues Ratio

The net revenues ratio measures an institution's operating surplus or deficit. The ratio answers the question, "Did the institution balance operating expenses with available revenue?"

KEY PERFORMANCE INDICATORS: Financial Ratios

Net Assets Ratio

The net assets ratio measures an institution's total economic during a fiscal year. The ratio is used to determine if the institution is better off than it was a year ago.

Debt Burden Ratio

The debt burden ratio examines the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures.

NEXT FINANCIAL REPORT

Current Fiscal Year

- Management report through February 2020
- Year-end forecast based on period 8 actuals
- Update on current capital projects

Next Fiscal Year

- Tuition recommendation from TFAC
- IFC decision on incidental fee
- Management recommendation on other tuition and fees
- Update on future capital projects