



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 Bailly 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

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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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.

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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	-
			125,411	-
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			1,972,544	30,040
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>			2,021,579	30,040
Total Department of Health and Human Services			2,144,788	30,040
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>			276,518	-
<u>Pass-Through Programs</u>				
Tribal Law and Policy Institute		Tribal Law &		
Tribal Court Assistance Program	16.608	Policy Inst Sub	88,593	-
			88,593	-
Total Department of Justice			365,111	-
Environmental Protection Agency				
<u>Direct Programs</u>				
Environmental Education Grants	66.951		36,502	8,500
Total Environmental Protection Agency			36,502	8,500
Total Expenditures of Federal Awards			\$ 45,635,697	\$ 347,775
* Subtotal of the Research and Development Cluster			\$ 106,466	

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