

**EASTERN OREGON UNIVERSITY**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**EASTERN OREGON UNIVERSITY  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Board of Trustees  
Eastern Oregon University  
La Grande, Oregon

We have audited, in accordance with the 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 business-type activities and the discretely presented component unit of Eastern Oregon University (the University), a component unit of the State of Oregon, as of and for the year ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 1, 2016. Our report includes a reference to other auditors who audited the financial statements of of the discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

**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 University'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 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. 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 result of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

### **CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
November 1, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Trustees  
Eastern Oregon University  
La Grande, Oregon

**Report on Compliance for Each Major Federal Program**

We have audited Eastern 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 each of the University's major federal programs for the year ended June 30, 2016. The University's major federal programs are identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on 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 types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, Eastern Oregon University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are 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 responses.

### **Report on Internal Control over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of 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 each 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002, and 2016-003, which we consider to be significant deficiencies.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 business-type activities and the discretely presented component unit of the University, a component unit of the State of Oregon, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated November 1, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions 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.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
November 1, 2016

**EASTERN OREGON UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Cluster:	Federal Grantor:	Program Title	CFDA Number	Entity	Expenditures
<b>Research and Development:</b>					
	Department of Energy	Office of Science Financial Assistance	81.049	Bonneville Power Administration	\$ 176,926
	National Science Foundation	Biological Sciences	47.074		55,623
	National Science Foundation	Education & Human Resources	47.076		989
	National Science Foundation Total				<u>56,612</u>
	<b>Total Research and Development Cluster</b>				<b>233,538</b>
<b>Student Financial Assistance:</b>					
	Department of Education	FSEOG	84.007		120,800
	Department of Education	Work Study	84.033		218,572
	Department of Education	Perkins Loans	84.038		1,618,742
	Department of Education	Pell Grant	84.063		5,503,235
	Department of Education	Direct Student Loans	84.268		16,440,349
	Department of Education	TEACH Grants	84.379		<u>16,716</u>
	<b>Total Department of Education and Student Financial Assistance Cluster</b>				<b>23,918,414</b>
<b>TRIO:</b>					
	Department of Education	Student Support Services	84.042		<u>111,574</u>
	<b>Total Department of Education and TRIO Cluster</b>				<b>111,574</b>
<b>Other Programs:</b>					
	Department of Agriculture	Child & Adult Care Food	10.558	Department of Education	96,827
	Department of Education	Improving Teacher Quality State Grants	84.367	University of California Berkeley	7,987
	Department of Labor	Mine & Health Safety Grants	17.600		124,866
	Department Health & Human Services	Head Start	93.600		1,153,333
	Small Business Administration	Small Business Development Centers	59.037	Lane Community College	<u>49,550</u>
	<b>Total Other Programs</b>				<b><u>1,432,563</u></b>
<b>Total Expenditures of Federal Awards</b>					<b><u>\$ 25,696,089</u></b>

See Notes to the Schedule of Expenditures of Federal Awards



**EASTERN OREGON UNIVERSITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Eastern Oregon University under programs of the federal government of the year ended June 30, 2016. The information in this Schedule 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 Eastern Oregon University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Eastern Oregon University.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual 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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Eastern Oregon University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 FEDERAL STUDENT LOAN PROGRAMS**

The federal student loan programs listed subsequently are administered directly by Eastern Oregon University, and balances and transactions relating to these programs are included in Eastern Oregon University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2016 consists of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Perkins Loans	84.038	\$ 1,418,142

**EASTERN OREGON UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

***Section I – Summary of Auditors’ Results***

***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?  yes  no
  - Significant deficiency(ies) identified?  yes  none reported
3. Noncompliance material to financial statements noted?  yes  no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified?  yes  no
  - Significant deficiency(ies) identified?  yes  none reported
2. Type of auditors’ report issued on Compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

***Identification of Major Federal Programs***

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
84.007, 84.033, 84.038, 84.063, 84.268, 84.379 93.600	Student Financial Assistance Cluster  Head Start

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000/\$187,500

Auditee qualified as low-risk auditee?  yes  no

**EASTERN OREGON UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2016-001**

Federal agency: Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007 – Federal Supplemental Education Opportunity Grants

84.033 – Federal Work Study Program

84.038 – Federal Perkins Loans

84.063 – Federal Pell Grant Program

84.268 – Federal Direct Student Loans

84.379 – Teacher Education Assistance for College and Higher Education Grants

Award Period: July 1, 2015 to June 30, 2016

Type of Finding:

- Compliance, Other Matter
- Significant Deficiency in Internal Control over Compliance

**Criteria or specific requirement:** The Code of Federal Regulations, 34 CFR 685.309 requires that enrollment status changes for students be reported to NSLDS within 15 days or within 60 days if the student with the status change will be reported on a scheduled transmission within 60 days of the change in status. Regulations require the status include an accurate effective date. In addition, regulations require that an institution make necessary corrections and return the records within 10 days for any roster files that do not pass the NSLDS enrollment reporting edits.

Uniform Guidance requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that submission errors to the NSLDS are corrected and resubmitted in a timely manner.

**Condition:** Review of enrollment reporting data from the institution showed that errors were not corrected and returned to NSLDS within the prescribed timeframe. In addition, per a sample of 40 students whose underlying enrollment reporting data were tested for accuracy of status and timeliness of reporting to NSLDS, seven were either not timely reported, not reported with correct enrollment status, not reported with correct effective date, or a combination of the above.

**Questioned costs:** None.

**EASTERN OREGON UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Context:** During our review of submission dates of errors, we noted that those errors identified by the NSLDS were not corrected within the prescribed 10-day timeframe. In addition, during testing of underlying enrollment information, we noted seven students, in a sample of 40, whose enrollment data per the University was not updated in NSLDS timely.

**Cause:** The University utilizes the National Student Clearinghouse (NSC) to report student information to NSLDS. After uploading batch roster updates to NSLDS within the required timeframe, the University's error/acknowledgment file from NSLDS is available to them via their NSC services. In an attempt to correct the errors, NSC resubmitted the files within the required 10 days but unfortunately, some of those records continued to not pass the NSLDS enrollment reporting edits and we noted no additional uploads by NSC to correct these errors until the next enrollment roster request from NSLDS. The University also believes that the issues encountered and described above are also the cause of the discrepancies noted in the testing of underlying information. In addition, the University's processes and controls did not ensure that student status changes were properly and timely reported to NSLDS.

**Effect:** The NSLDS system is not updated with the student information, which can cause overawarding should the student transfer to another institution and the students, may not properly enter the repayment period.

**Repeat Finding:** No

**Recommendation:** We recommend the University continue to review its reporting procedures to ensure that students' statuses are accurately and timely reported to NSLDS as required by regulations described above.

**View of Responsible Official:** The University agrees with the finding.

**Planned Corrective Action:** NSC has recognized and published issues of corrections needed at a national level. NSC has made a valiant effort to correct these issues, and the EOU Registrar's Office has been clearing errors earlier now than in prior years. Last month, during an Oregon Registrar's conference, it was discovered by the EOU Registrar, that this was a common issue, and they were all not receiving the error reports between NSC and NSLDS, therefore were not aware of the corrections that needed to be made and appear on the SCHER1 report. After researching the issue further, the Registrar realized NSC was not routinely sending this critical report to any university, unless requested. After confirming the NSC process for reporting errors, the EOU Registrar requested the report upon her return, which is where we first identified the 233 errors that needed attention. The Registrar's Office worked diligently over the next week, and was able to respond and correct every single one of the 233 errors. This gave EOU the ability to start with a clean slate in order to implement their new process for ensuring these errors are cleared before the required timeframe. The Registrar's Office now has procedures to make regular requests for these reports, and make sure that corrections are made within the required time frame.

**Anticipated Completion Date:** Already completed, new process in-place.

**Responsible Individual(s):** EOU Registrar's Office

**EASTERN OREGON UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**2016-002**

Federal agency: Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007 – Federal Supplemental Education Opportunity Grants

84.033 – Federal Work Study Program

84.038 – Federal Perkins Loans

84.063 – Federal Pell Grant Program

84.268 – Federal Direct Student Loans

84.379 – Teacher Education Assistance for College and Higher Education Grants

Award Period: July 1, 2015 to June 30, 2016

Type of Finding:

- Compliance, Other Matter
- Significant Deficiency in Internal Control over Compliance

**Criteria or specific requirement:** The Code of Federal Regulations, 34 CFR 668.56 requires institutions to obtain supporting documentation and perform verification procedures for students selected by the Central Processing System (CPS). Supporting documents must be retained to support the results of students selected for verification. 34 CFR 668.57 lists the acceptable documentation to be obtained for the verification procedures.

**Condition:** During testing of the verification procedures, we noted instances in which the University had incorrectly calculated the student's or parent's earned income.

**Questioned costs:** None.

**Context:** During our testing of the verification procedures, we noted two out of 40 students tested, had incorrectly calculated the student's or parent's earned income by excluding Schedule F income. The errors did not result in improperly awarding the student due to the amount of change on the EFC and to other circumstances in the awarding process.

**Cause:** The University's processes and controls did not ensure that the correct amounts were calculated for earned income during the verification process.

**Effect:** The EFC may not be properly calculated which could cause an overaward or underaward for the student.

**Repeat Finding:** No

**Recommendation:** We recommend the University continue to review its verification procedures and provide appropriate training to staff to ensure the students' estimated family contribution amounts are correctly calculated and properly verified.

**View of Responsible Official:** The University agrees with the finding.

**EASTERN OREGON UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Planned Corrective Action:** Each of the affected verifications were corrected, but these corrections were not due to the Schedule F exclusion, rather just a manual miscalculation. We have reviewed the requirement with all staff that manually complete daily verifications, and they are aware of the requirement for Schedule F, and the process for secondary review. EOU will continue to complete secondary reviews on 20% of the manual verifications, in order to catch any potential human error.

**Anticipated Completion Date:** Already completed.

**Responsible Individual(s):** EOU Financial Aid Office

**2016-003**

Federal agency: Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007 – Federal Supplemental Education Opportunity Grants

84.033 – Federal Work Study Program

84.038 – Federal Perkins Loans

84.063 – Federal Pell Grant Program

84.268 – Federal Direct Student Loans

84.379 – Teacher Education Assistance for College and Higher Education Grants

Award Period: July 1, 2015 to June 30, 2016

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

**Criteria or specific requirement:** The Uniform Guidance requires non-Federal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

**Condition:** The University's internal control over the R2T4 process is to have a person, other than the preparer of the R2T4 calculation, review the calculation for accuracy. During our testing of this process, we noted instances in which R2T4 calculations were not independently reviewed.

**Questioned costs:** None.

**Context:** During our testing of return of Title IV funds, we did not find any noncompliance. However, we noted 15 of the 18 calculations were not independently reviewed by someone other than the person that prepared the R2T4 calculation.

**Cause:** The University's processes for the return of Title IV funds did not include a formal control process over the return of Title IV funds.

**Effect:** Return of Title IV calculations could contain errors that would not be prevented or detected on a timely basis.

**EASTERN OREGON UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Repeat Finding:** No

**Recommendation:** We recommend the University institute a formal control process over the return of title IV funds to ensure the calculations are performed correctly and funds are returned timely.

**View of Responsible Official:** The University agrees with the finding.

**Planned Corrective Action:** The process for secondary review for calculation of R2T4 did not have a timing component in the past, meaning the secondary review only took place when the reports were provided to them. EOU has now modified the process to provide better control and put the responsibility of timing for review on the secondary reviewer, rather than initiator. The secondary review is done by the Student Accounts Director, and this function has been added to the Director's monthly checklist, so she can ensure these reports are reviewed in a timely manner, rather than waiting until they were provided. Regarding FY2016, the secondary review was documented for Summer and Fall term at the time of the audit request. However, Winter and Spring term reviews had not been completed yet, due to them not being submitted to the reviewer before the audit request date. The R2T4 calculations for Winter and Spring term have since been reviewed, and there were no errors or corrections needed.

**Anticipated Completion Date:** Already completed.

**Responsible Individual(s):** EOU Financial Aid Office and EOU Student Accounts Office

**EASTERN OREGON UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

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***Section IV – Prior Year Findings***

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There were no findings in the prior year that were required to be reported.