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Board of Trustees
and Management of Eastern Oregon University
La Grande, Oregon

In planning and performing our audit of the financial statements of the business-type activities and the discretely presented component unit of Eastern Oregon University (the University) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Other deficiencies in internal control and other matters

During our audit, we became aware of a deficiency in internal control and another matter that are opportunities to strengthen your internal control and improve the efficiency of your operations. While the nature and magnitude of the other deficiency in internal control was not considered important enough to merit the attention of the Board of Trustees, it was considered of sufficient importance to merit management's attention and are included herein to provide a single, comprehensive communication for both those charged with governance and management.

- During our audit we identified, and management corrected, adjustments to cash and deposits that did not have an impact on ending net position. Due to the unique relationship between the University and the University Shared Services Enterprise (USSE) following the dissolution of the Oregon University System's Chancellor's Office, certain payroll liability payments were recorded during fiscal year 2015's close period by USSE, on behalf of the University, as cash transfers to USSE in the accounting system that were dated during fiscal year 2015. CLA noted that the cash transfers were actually initiated for payment during fiscal year 2016, and thus resulted in an understatement in the cash and deposit balance in the accounting records of the University. CLA had noted these items in prior audits of the Oregon University System, and had communicated them to management of the Oregon University System, during prior audits these amounts were not considered to have a material impact on the University's financial statements. We recommend that, though the University contracts USSE to complete their payments to vendors for payroll benefit liabilities, the University should ensure they are reviewing USSE work and work together with USSE to ensure that transfers of cash are recorded on the same date in the accounting system as the cash reduction in the bank account.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various University personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Emerging Issues

Closing of the Perkins Loan Program

The Perkins loan program has expired. Congress had until September 30, 2015, to legislate continuation of the 50-year-old, low-interest student loan program, but it let the deadline come and go without action. Until the Department of Education (DOE) releases an official communication on closeout deadlines and expectations, many schools may wait to make further action, but others are looking to exit the program immediately. Understanding how the loans will be parceled out and what protocols the University has to follow (including a mandatory independent audit within 45 days of closing your Perkins program) may help your school choose between acting now or taking advantage of some borrowed time. Every loan in the Perkins program with an outstanding balance must be accounted for in one of two ways: assigned to the DOE or purchased by the school. To decide, the University should begin taking an inventory of your loans and cleaning up your portfolio. The loans should be sorted into three categories: in default, in current repayment, or not yet in repayment. Each category should then be analyzed to determine how your school should best proceed. We recommend the University begin discussions in how it wants to handle the sunset of the Perkins program, while considering the following:

- Before you close out the Perkins loan fund, consider using any opportunity to draw administrative reimbursements as your institution is allowed.
- Be very persistent with the loan portfolio clean up, as any higher risk loan you can assign is less of administrative cost burden on the University.
- Do not wait until you are nearing the sunset of your Perkins loan fund to act. As more time slips by, the more likely it will be that the University must purchase loans you would rather assign.
- Coordinate with your auditor sooner than later so everyone is on the same page as to the processes and timing for the University.

More information can be found at http://www.claconnect.com/Higher-Education/Perkins- Loan-Closeout.aspx.

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This communication is intended solely for the information and use of management, the Board of Trustees, and others within the University, and is not intended to be, and should not be, used by anyone other than these specified parties.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

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Greenwood Village, Colorado
December 10, 2015