

SOUTHERN OREGON UNIVERSITY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2019

**SOUTHERN OREGON UNIVERSITY
REPORT ON SINGLE AUDIT
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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***

Southern Oregon University
Ashland, 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 Southern Oregon University (University), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 13, 2019. Our report includes a reference to other auditors who audited the financial statements of the Southern University Foundation, a 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.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 13, 2019



**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
Southern Oregon University
Ashland, Oregon

Report on Compliance for Each Major Federal Program

We have audited Southern 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 programs for the year ended June 30, 2019. The University's major federal program is 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 the University's major federal program 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 the 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, Southern 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 the major federal program for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on the major federal program is not modified with respect to this matters.

The University's response to the noncompliance 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.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

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 business-type activities and the discretely presented component unit of the University 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 December 13, 2019, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the Southern Oregon University Foundation. 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 expenditure 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
December 30, 2019, except for the Schedule of Expenditures of Federal Awards,
which is dated December 13, 2019

**SOUTHERN OREGON UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Cluster	Federal Grantor	Program Title	CFDA Number	Pass-Through Entity	Passed Through to Subrecipients	Expenditures	
Research and Development							
	Department of Agriculture	Partnership Agreements	10.699		-	\$32,927	
	Department of Defense	Youth Conservation Services	12.010		-	\$10,412	
	Department of Justice	Legal Assistance for Victims	16.524	Regents of the University of Idaho	-	\$14,001	
	Department of the Interior	American Battlefield Protection	15.926		-	\$16,705	
	Department of the Interior	Cooperative Research and Training Programs- Resources of the National Park System	15.945		-	\$99,659	
	Department of the Interior	Cultural and Paleontological Resources Management	15.224		-	\$9,943	
	Department of the Interior	Fish, Wildlife and Plant Conservation Resource Management	15.231		-	\$94	
	Department of the Interior	Recreation and Visitor Services	15.225		-	\$18,160	
	Department of the Interior	Wildlife Resource Management	15.247		-	\$5,422	
	Department of the Interior Total				<u>-</u>	<u>\$149,983</u>	
	National Endowment for the Humanities	Promotion of the Humanities Division of Preservation and Access	45.149		-	\$4,564	
	National Science Foundation	Biological Sciences	47.074	Oregon State University	-	<u>\$24,105</u>	
	<i>Total Research and Development Cluster</i>						\$235,992

See notes to Schedule of Expenditures of Federal Awards.

**SOUTHERN OREGON UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Cluster	Federal Grantor	Program Title	CFDA Number	Pass-Through Entity	Passed Through to Subrecipients	Expenditures
Student Financial Assistance						
	Department of Education	Direct Student Loans (Direct Loan)	84.268		-	\$24,245,440
	Department of Education	Pell Grant Program	84.063		-	\$7,155,868
	Department of Education	Perkins Loan (FPL)	84.038		-	\$2,204,267
	Department of Education	Supplemental Educational Opportunity Grants	84.007		-	\$417,963
	Department of Education	Teacher Education Assistance for College and Higher Education Grants	84.379		-	\$28,470
	Department of Education	Work-Study Programs	84.033		-	\$388,509
	<i>Total Department of Education and Student Financial Assistance Cluster</i>					\$34,440,517
TRIO						
	Department of Education	TRIO-McNair Post-Baccalaureate Achievement	84.217		-	\$223,593
	Department of Education	TRIO-Student Support Services	84.042		-	\$258,168
	<i>Total Department of Education and TRIO Cluster</i>					\$481,761
Other Programs						
	Department of Education	Migrant Education State Grant Program	84.011	Oregon Department of Education	-	\$74,513
	Department of Education	Supporting Effective Instruction State Grants	84.367	The National Writing Project Corporation	-	\$18,677
	Department of Education Total				-	\$93,190
	Institute of Museum and Library Services	Grants to States	45.310	State of Oregon	-	\$7,687
	Small Business Administration	Small Business Development Centers	59.037	Lane Community College	-	\$15,332
	<i>Total Other Programs</i>					\$116,209
Total Expenditures of Federal Funds						\$35,274,479

See notes to Schedule of Expenditures of Federal Awards.

**SOUTHERN OREGON UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Southern Oregon University under programs of the federal government of the year ended June 30, 2019. 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 Southern Oregon University, it is not intended to and does not present the financial position, changes in net position, or cash flows of Southern 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. Southern 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 Southern Oregon University, and balances and transactions relating to these programs are included in Southern Oregon University's basic financial statements. Loans outstanding at the beginning of 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>June 30, 2019 Outstanding Balance</u>
84.038	Federal Perkins Loan	\$ 42,053

**SOUTHERN OREGON UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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

CFDA Number(s)

84.007, 84.033, 84.038,
84.063, 84.268, 84.379

Name of Federal Program or Cluster

Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000 / \$187,500

Auditee qualified as low-risk auditee?

yes no

**SOUTHERN OREGON UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

2019 – 001

Federal agency: Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007 – Federal Supplemental Education Opportunity Grants (FSEOG)

Award Period: July 1, 2018 to June 30, 2019

Type of Finding:

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

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 676.10(a)(1) and (2) states “In selecting among eligible students for FSEOG awards in each award year, an institution shall select those student with the lowest expected family contributions (EFC) who will also receive Federal Pell Grants in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the Federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest EFC who will not receive Federal Pell Grants.”

Condition: The University awarded FSEOG to a student with a non-zero EFC, while eligible students with a zero EFC did not receive an FSEOG award. The amount incorrectly awarded to this student was \$333.

Questioned costs: \$333

Context: During our eligibility testing, we noted one student out of 40 students (13 of which received FESOG) tested in a statistically valid sample, who was awarded FSEOG funds with a non-zero EFC.

Cause: Initially, the student’s ISIR reported a \$0 EFC and she was properly awarded FSEOG funds. Five months later, upon verification, her EFC was increased to \$1,336 (above \$0) in which she became ineligible for aid. Yet, the University did not make the necessary adjustments to remove the FSEOG award despite having reports showing the EFC did increase above \$0.

Effect: FSEOG was given to a student with an EFC other than zero, when eligible students with zero EFCs did not receive FSEOG.

Repeat Finding: No

Recommendation: We recommend the University evaluate the procedures over the awarding FSEOG funds, specifically when the EFC increases, to ensure that students with greatest financial need receive FSEOG before other eligible students.

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

Section IV – Prior Year Findings

FINDINGS – FINANCIAL STATEMENT AUDIT

There were no financial statement findings reported as part of the June 30, 2018 audit.

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

There were no federal award program findings reported as part of the June 30, 2018 audit.

**SOUTHERN OREGON UNIVERSITY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

Department of Health and Human Services

Southern Oregon University respectfully submits the following corrective action plan for the year ended June 30, 2019.

Audit period: July 1, 2018 to June 30, 2019

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

No findings were noted.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

2019 – 001

Federal agency: Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007 – Federal Supplemental Education Opportunity Grants (FSEOG)

Award Period: July 1, 2018 to June 30, 2019

Type of Finding:

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

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 676.10(a)(1) and (2) states “In selecting among eligible students for FSEOG awards in each award year, an institution shall select those student with the lowest expected family contributions (EFC) who will also receive Federal Pell Grants in that year. If the institution has FSEOG funds remaining after giving FSEOG awards to all the Federal Pell Grant recipients at the institution, the institution shall award the remaining FSEOG funds to those eligible students with the lowest EFC who will not receive Federal Pell Grants.”

Condition: The University awarded FSEOG to a student with a non-zero EFC, while eligible students with a zero EFC did not receive an FSEOG award. The amount incorrectly awarded to this student was \$333.

Questioned costs: \$333

Context: During our eligibility testing, we noted one student out of 40 students (13 of which received FESOG) tested in a statistically valid sample, who was awarded FSEOG funds with a non-zero EFC.

Cause: Initially, the student's ISIR reported a \$0 EFC and she was properly awarded FSEOG funds. Five months later, upon verification, her EFC was increased to \$1,336 (above \$0) in which she became ineligible for aid. Yet, the University did not make the necessary adjustments to remove the FSEOG award despite having reports showing the EFC did increase above \$0.

Effect: FSEOG was given to a student with an EFC other than zero, when eligible students with zero EFCs did not receive FSEOG.

Repeat Finding: No

Recommendation: We recommend the University evaluate the procedures over the awarding FSEOG funds, specifically when the EFC increases, to ensure that students with greatest financial need receive FSEOG before other eligible students.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action in Response to Finding: This is an isolated incident related to the awarding of SEOG funds. SOU pulled a report and awarded correctly all students that had a 0 EFC and were eligible for the funds at that time. This student appeared on the ISIR Discrepancy report that is reviewed by the Financial Aid Counselors and was not caught, resulting in the SEOG not being removed from the student's account. The ISIR Discrepancy report is ran twice a week to catch changes on the student's ISIR. Each Financial Aid counselor is assigned their alpha split to review and respond back to the Director of FA when completed.

Going forward, the Director of Financial Aid will work closely with the Financial Aid Counselors to understand the process of SEOG and the purpose of the ISIR Discrepancy report. The Director of Financial Aid will also cross check this process each time the report is identified as completed.

Name of the contact person responsible for corrective action: Kristen Gast, Director of Student Financial Aid, (541) 552-8019

Planned completion date for corrective action plan: : 12/18/2019

If the Department of Health and Human Services has questions regarding this plan, please call Kristen Gast, Director of Student Financial Aid at 541-552-8019.