

**OREGON TECH**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**OREGON TECH  
SINGLE AUDIT REPORT  
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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***

Oregon Tech  
Klamath Falls, 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 Oregon Tech (the University), a component unit of the State of Oregon, as of and for the years ended June 30, 2018 and 2017, 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 20, 2018. Our report includes a reference to other auditors who audited the financial statements of the Oregon Tech 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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. We did identify certain deficiencies in internal control, described as items 2018-001, 2018-002, and 2018-003 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

### **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*.

### **The University's Response to Findings**

The University's responses to the findings identified in our audit are described in the accompanying corrective action plan. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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**

Denver, Colorado  
December 20, 2018



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**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  
Oregon Tech  
Klamath Falls, Oregon

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

We have audited Oregon Tech'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, 2018. 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 on 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, Oregon Tech complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

### **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 2018-004 and 2018-005. Our opinion on the 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 responses were 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 2018-004 and 2018-005 which we consider to be significant deficiencies.

The University's responses to the internal control over compliance findings identified in our audit is 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 University's Response to Findings**

The University's responses to the findings identified in our audit are described in the accompanying corrective action plan. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 20, 2018, 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**

Denver, Colorado  
December 20, 2018

**OREGON TECH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Cluster	Federal Grantor	Program Title	CFDA Number	Pass-Through Entity	Expenditures
<b>Research and Development</b>					
	Department of the Interior	Fish, Wildlife and Plant Conservation Resource Management	15.231		\$ 7,216
	Department of the Interior	Environmental Quality and Protection	15.236		10,704
	Department of the Interior	Fish and Wildlife Coordination Act	15.517		30,180
	Department of the Interior	Fish and Wildlife Management Assistance	15.608		9,615
	Department of the Interior	Youth Engagement, Education, and Employment	15.676		2,583
	Department of the Interior	National and Regional Climate Adaptation Science Centers	15.820		1,189
	Department of the Interior Total				<u>61,487</u>
	Department of Transportation	University Transportation Centers Program	20.701	Portland State University	158,189
	National Aeronautics and Space Administration	Education	43.008	Oregon State University	14,616
	National Aeronautics and Space Administration	Education	43.008		454
	National Aeronautics and Space Administration Total				<u>15,070</u>
	<i>Total Research and Development Cluster</i>				<b>234,746</b>
<b>Student Financial Assistance</b>					
	Department of Education	Supplemental Educational Opportunity Grants	84.007		129,510
	Department of Education	Work-Study Program	84.033		150,041
	Department of Education	Perkins Loan	84.038		2,353,487
	Department of Education	Pell Grant Program	84.063		5,473,957
	Department of Education	Direct Student Loans	84.268		17,096,618
	<i>Total Department of Education and Student Financial Assistance Cluster</i>				<b>25,203,613</b>
<b>TRIO</b>					
	Department of Education	Student Support Services	84.042		<u>256,673</u>
	<i>Total Department of Education and TRIO Cluster</i>				<b>256,673</b>
<b>Other Programs</b>					
	National Aeronautics and Space Administration	Science	43.001	Oregon State University	111,786
	National Aeronautics and Space Administration	Education	43.008	Oregon State University	41,822
	<i>Total National Aeronautics and Space Administration and Other Programs</i>				<u>153,608</u>
<b>Total Expenditures of Federal Funds</b>					<b><u>\$ 25,848,640</u></b>

See notes to the Schedule of Expenditures of Federal Awards.



**OREGON TECH**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Oregon Tech under programs of the federal government of the year ended June 30, 2018. 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 Oregon Tech, it is not intended to and does not present the financial position, changes in net position, or cash flows of Oregon Tech

**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. Oregon Tech 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 Oregon Tech, and balances and transactions relating to these programs are included in Oregon Tech'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, 2018 consists of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Perkins Loans	84.038	\$ 1,842,652

**OREGON TECH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

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***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

**Name of Federal Program or Cluster**

Student Financial Assistance Cluster

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

\$775,459/\$193,865

Auditee qualified as low-risk auditee?

yes  no

**OREGON TECH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

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**2018-001**

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

**Condition:** During our testing over the information technology (IT) control environment, we noted that certain programmers had the ability to execute, update, and read production programs and data files in Banner.

**Criteria or specific requirement:** When users have the access rights described above, there is a risk of unauthorized programs being introduced into the production environment.

**Context:** Our testing noted four users had these access rights.

**Effect:** Unauthorized programs which have not been approved by the user community may perform illegitimate functions or cause errors due to being poorly tested.

**Cause:** The University was not aware of these incompatible rights at the time the users were set up.

**Repeat Finding:** Yes 2017-001.

**Recommendation:** We recommend that the University review its programmer access rights and ensure that users maintain only inquiry access to the production environment. Privileged access should only be granted in the event of a problem in production which needs to be addressed.

**2018-002**

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

**Condition:** During our audit, through interviews of University personnel, we learned of various control deficiencies in the human resources and payroll processes, including:

- Payments were made to four employees who had either been terminated or whose contracts were no longer active. Amounts were either subsequently returned to the University or checks were later voided.
- Various incorrect payments were made to employees during the year. Subsequently, overpayments were returned to the University. Over the course of multiple fiscal years, the total dollar amount was approximately \$40,000.
- Various former employees did not have their access to information technology systems removed upon separation from the University.

**OREGON TECH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

- Two employees had the ability to add, change, and delete an employee within the payroll system. In addition they had the ability to establish payment methods and rates, process payroll, and update paid-time off accrual thresholds. There were no compensating controls identified.

**Criteria or specific requirement:** Entities should have controls in place to ensure that employees are 1) paid by their approved rate and 2) paid only while an active employee of the entity or contract terms have been met. In addition, procedures should be taken to ensure proper segregation of duties exist within information technology systems. This includes removal of incompatible user access rights, removal of terminated employee access, or where necessary, compensating controls to detect any errors or fraud.

**Effect:** When errors are made by the University in processing payroll, the University could be unable to recoup funds disbursed in error due to incorrect pay rates or terminated employment status. In addition, requesting employees to pay back monies due to the University's error could cause employees to become disgruntled. Lastly, incorrect payments could be made, whether due to fraud or error, in relation to segregation of duties or incorrect user access rights.

**Cause:** Proper controls were not in place to ensure all terminated employees' system access was timely removed and to ensure terminated employees did not receive pay subsequent to their departure from the University. Also, controls were not in place to prevent payments to contract employees whose contracts were no longer active. In addition, per the University, the errors in the payments to current employees were due to changes in the employees' pay rates during the year and the Human Resources and Payroll Departments quickly processing these change in pay rates. Because the Departments were asked to quickly process these changes, proper protocol and controls were not adhered to ensure pay rates were properly updated. Lastly, in regards to the two employees with improper access rights that creates a segregation of duties weakness, these rights were granted given the limited resources of the University. Yet, in the past, a compensating control was in place to prevent/detect any errors or fraud created by the segregation of duty issue. This compensating control was removed in fiscal year 2018.

**Repeat Finding:** No

**Recommendation:** We recommend that the University put key controls in place to ensure only active employees are paid and are paid correct salaries and wages based on approved rates. Further, we recommend that the University implement proper segregation of duties via necessary user access rights in the information technology systems. The University should also implement a process to ensure that all separated employees are promptly removed from having system access.

**2018-003**

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

**Condition:** In fiscal year 2017, the University opened its Oregon Manufacturing Innovation Center (OMIC) and began charging its members a fee. As part of the fiscal year 2017 audit process, we questioned the revenue recognition process for the membership fees as the University was treating the fee as a non-exchange revenue, such a gift or a grant. The University represented that this was the correct accounting treatment, as the University was not providing any type of continuing benefit to the OMIC members. As such, all revenue received from its members was recognized up front and

**OREGON TECH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

approximately \$735,000 in revenue was recognized in 2017. The membership period began June 2017 to June 2018.

In fiscal year 2018, the University changed its stance on the revenue recognition policy and concluded the revenue stream was an exchange revenue and should be recognized over the membership term and not upfront as it had been in 2017. As such, approximately \$735,000 of membership revenue was recognized in 2017 that should have been deferred and recognized in 2018 over the membership term.

**Criteria or specific requirement:** Management is responsible for the preparation and fair presentation of its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. A strong internal control structure includes the adoption of revenue recognition policies to ensure revenue is being recognized in accordance with GAAP and consistently from year to year.

**Context:** Approximately \$735,000 of revenue was recognized in fiscal year 2017 for memberships with 12 months into fiscal year 2018.

**Effect:** Prior year revenues were overstated by \$735,000 while the current year revenues were understated by this same amount. Changing the way revenue is recognized from year to year could be an indicator of earnings management and/or many not provide consistent, comparable data in the financial statements from year to year.

**Cause:** Per the University, during fiscal year 2017, the University determined member dues were a gift in nature as OMIC executive management determined the University was not required to provide access or other benefits over the term covered by the member dues. Fiscal year 2017's determination was based upon OMIC management's interpretation of the OMIC Collaboration Agreement, executed on June 15, 2017. As a result, the University recognized member dues revenue in full at June 30, 2017 for all members who signed the original Collaboration Agreement on June 15, 2017.

New executive management was hired during fiscal year 2018 to oversee OMIC operations. As part of fiscal year-end close for fiscal year 2018, the Business Affairs Office (BAO) confirmed OMIC member dues treatment with OMIC's new executive management. OMIC's new management stated that they had a different interpretation of recognizing OMIC member dues and OMIC members received benefits for member dues that the College would be required to provide over the annual member dues term.

**Repeat Finding:** No

**Recommendation:** We recommend that the University adopt revenue recognition policies to ensure proper application of GAAP and consistent recognition from year-to-year, even in years of staff turnover. As new revenue streams come on board, the University should update such policies. In addition, as new accounting standards are adopted, the University should ensure policies are in compliance with GAAP.

**OREGON TECH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

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**2018-004**

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

Award Period: July 1, 2017 to June 30, 2018

Type of Finding:

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

**Criteria or specific requirement:** The Federal Code of Regulations 34 CFR 668.22 requires nonfederal entities to determine the amount of Title IV aid earned by a student when they withdraw. When a student completes greater than 60 percent of a term, they are considered to have fully earned their aid. If a student completes less than 60 percent of the term, the nonfederal entity is required to return a portion of the aid to the Department of Education based on various criteria discussed. Additionally, 34 CFR 668.22(j) and 668.173(b)(1) require an institution to return amounts of unearned Title IV aid as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew.

**Condition:** During our testing of return to Title IV, we noted four instances where the University had not returned funds within the required 45 days.

**Questioned costs:** None

**Context:** We tested a statistically valid sample of the return calculations and subsequent crediting of student accounts for a total of 12 students. Of the 12 students tested, 4 students had untimely returns where funds were returned beyond the 45 day timeframe.

**Cause:** Per discussion with the University, the Office of Financial Aid was short-staffed during the fall term. Processes and controls were not in place to ensure funds were returned in a timely basis during this time.

**Effect:** The University was not in compliance with federal regulations related to the return of Title IV aid.

**Repeat Finding:** No

**Recommendation:** We recommend that the University implement procedures to ensure that unearned aid is returned timely to the Department of Education.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**2018-005**

Federal agency: Department of Interior

CFDA Numbers: 15.236 – Environmental Quality and Protection Resource Management  
15.517 – Fish and Wildlife Coordination Act  
15.608 – Fish and Wildlife Management Assistance  
15.945 – Cooperative Research and Training Programs

Award Period: July 1, 2017 to June 30, 2018

Type of Finding:

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

**Criteria or specific requirement:** Per the Uniform Grant Guidance and as outlined in the the *OMB Compliance Supplement*, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

**Condition:** During our audit inquiry over grants receivables, we were notified by the University of multiple over-draws of funds from various federal grants in excess of expenses during fiscal year 2017-2018 totaling \$150,562.68. The over-draws were repaid to the federal government in the next fiscal year.

**Questioned costs:** Draws were requested from the projects below in excess of expenses for fiscal year 2017-2018:

- CFDA 15.236 – Environmental Quality and Protection Resource Management
  - Draw amount \$4,656.91
- CFDA 15.517 – Fish and Wildlife Coordination Act
  - Draw amount \$106,046.09
- CFDA 15.608 – Fish and Wildlife Management Assistance
  - Draw amount \$27,072.10
- CFDA 15.945 – Cooperative Research and Training Programs
  - Draw amount \$12,787.58

**Context:** The over draw of funds were from four federal grants during the fiscal year. The funds were returned to the corresponding agencies after fiscal year-end.

**Cause:** The Office of Sponsored Programs drew funds based on budget or contract instead of basing it on actual incurred expenses during the fiscal year.

**Effect:** The University was not in compliance with federal cash management requirements.

**Repeat Finding:** No

**Recommendation:** We recommend that the University implement procedures to ensure that all drawdowns are reviewed and reconciled to actual expenses prior to drawdowns being performed.

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*Section IV – Prior Year Findings*

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**FINDINGS – FINANCIAL STATEMENT AUDIT**

**2017 – 001**

**Condition:** During our audit, we noted that certain users had update capabilities in the Banner production environment assigned to them.

**Status:** This item was repeated in 2018, see corrective action plan 2018-001.

**FINDINGS – FEDERAL AWARD PROGRAMS AUDITS**

**2017 – 002**

**Condition:** The University's process to comply with 2 CFR 200.303, as it relates to the special test verification, involves secondary review of the verification process, During our testing of internal controls over compliance related to verification, we noted that there was one student selected for verification that as not properly reviewed.

**Status:** This item was resolved in 2018.





Department of Health and Human Services

Oregon Tech respectfully submits the following corrective action plan for the year ended June 30, 2018.

Audit period: July 1, 2017 to June 30, 2018

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**

### **SIGNIFICANT DEFICIENCY**

2018-001      Developer access rights in IT production environment

Recommendation: We recommend that the University review its programmer access rights and ensure that users maintain only inquiry access to the production environment. Privileged access should only be granted in the event of a problem in production which needs to be addressed.

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

Action planned in response to finding: The current Banner application is in the process of being upgraded and migrated to a hosted infrastructure platform. The Banner upgrade will be a “baseline” installation (no modifications) and the permissions structure for all users, including developers, will be modified as part of the upgrade. The upgraded Banner application will be implemented with standard best practices, thus, programmers will no longer be able to use their credentials to modify source code, databases, web forms, or any other aspect of the production environment. Standard change management procedures will be utilized for the transition of code from the development and test environments into production. The Banner upgrade project will be completed by January, 2019. At that time the current risk presented by unauthorized program changes will be resolved.

Name(s) of the contact person(s) responsible for corrective action: Jim R. Jones, Associate Vice President for Information Technology and Chief Information Officer.

Planned completion date for corrective action plan: January 2019



2018-002 Control Deficiencies Payroll Process

Recommendation: We recommend that the University put key controls in place to ensure only active employees are paid and only paid based on approved rates. Further we recommend that the University implement proper segregation of duties via necessary user access rights in the information technology systems. The University should also implement a process to ensure that all separated employees are promptly removed from having system access.

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

Action planned in response to finding: Finance and Administration will review its processes and procedures in the payroll workflow, including IT processes, to reassign duties, limit access and delegate as necessary to achieve proper segregation of duties. In addition, Finance and Administration will review assignment of duties on a periodic basis and will engage accounting staff for internal control analysis to ensure proper segregation of duties is achieved on a consistent basis. Finance and Administration will also implement procedures to ensure only active employees are paid. Review and approval procedures will also be implemented to ensure employee pay is paid at approved rates. Lastly, Finance and Administration will implement additional procedures to ensure system access is promptly removed from separated employee on a timely basis.

Name(s) of the contact person(s) responsible for corrective action: Sandi Hanan, Acting Director, Human Resources

Planned completion date for corrective action plan: April 2019

2018-003 Control Deficiencies Non-Exchange Revenue Recognition

Recommendation: We recommend that the University adopt revenue recognition policies to ensure proper application of GAAP and consistent recognition from year-to-year, even in years of staff turnover. As new revenue streams come on board, the University should update such policies. In addition, as new accounting standards are adopted, the University should ensure policies are in compliance with GAAP.

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



Action planned in response to finding: Finance and Administration will review its revenue streams and adopt revenue recognition polices so that revenue recognition may be followed consistently on a year-to-year basis. Finance and Administration will also put procedures in place for new revenue streams to be communicated to and analyzed by accounting staff as part of the planning and development process.

Name(s) of the contact person(s) responsible for corrective action: Brian Fox, Vice President for Finance and Administration.

Planned completion date for corrective action plan: April 2019

**FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

Department of Education

2018-004 Student Financial Assistance Cluster –

- CFDA No.
- 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

Recommendation: We recommend that the University implement procedures to ensure that unearned aid is returned timely to the Department of Education.

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

Action taken in response to finding: The Financial Aid Office and the Business Affairs Office will develop and implement a standard of communication escalation to address student attendance information not received in a timely manner so that Department of Education compliance requirements may be met. Additional cross-training will also be implemented as to maintain adequate staff coverage during busier times of the year.

Name(s) of the contact person(s) responsible for corrective action: Tracey Lehman, Director of Student Financial Aid.

Planned completion date for corrective action plan: March 2019



2018-005 Department of Interior –

CFDA No.

15.236 – Environmental Quality and Protection Resource Management

15.517 – Fish and Wildlife Coordination Act

15.608 – Fish and Wildlife Management Assistance

15.945 – Cooperative Research and Training Programs

Recommendation: We recommend that the University implement procedures to ensure that all drawdowns are reviewed and reconciled to actual expenses prior to drawdowns being performed.

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

Action taken in response to finding: The Sponsored Projects & Grants Office will handoff post-award accounting duties, including billing and grant drawdowns to the Business Affairs Office. The Business Affairs Office will utilize current staff and procedures already in place to ensure that all drawdowns are reviewed and reconciled to actual expenses prior to performing drawdowns.

Name(s) of the contact person(s) responsible for corrective action: Barbara Neal, Director of Sponsored Projects & Grants.

Planned completion date for corrective action plan: January 2019

If the Department of Health and Human Services has questions regarding this plan, please call Tracey Lehman, Director of Student Financial Aid at (541) 885.1291.