

OREGON TECH
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 30, 2017. 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 a certain deficiency in internal control, described as item 2017-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

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

Denver, Colorado
October 30, 2017



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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, 2017. 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, 2017.

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 2017-002. Our opinion on the major federal program is not modified with respect to this matter.

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 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 a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2017-002 which 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.

Members of the Board
Oregon Tech

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, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 30, 2017, 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
October 30, 2017

OREGON TECH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Cluster:	Federal Grantor:	Program Title	CFDA Number	Pass-Through Entity	Pass-Through Entity ID Number	Passed Through to Subrecipients	Expenditures	
Student Financial Assistance								
	Department of Education							
		Federal Supplemental Educational Opportunity Grants	84.007			\$ -	\$ 126,151	
		Federal Work-Study Program	84.033			-	153,238	
		Federal Perkins Loans	84.038			-	2,142,698	
		Federal Pell Grant Program	84.063			-	5,459,953	
		Federal Direct Student Loans	84.268			-	17,871,576	
		Total Department of Education and Student Financial Assistance Cluster					\$ -	\$ 25,753,616
Research and Development								
	Department of the Interior							
		Fish, Wildlife and Plant Conservation Resource Management	15.231			-	12,731	
		Environmental Quality and Protection	15.236			-	12,805	
		Fish and Wildlife Coordination Act	15.517			-	19,627	
		Fish and Wildlife Management Assistance	15.608			-	9,069	
		Endangered Species Conservation Recovery Implementation Funds	15.657			-	4,595	
		Youth Engagement, Education, and Employment	15.676			-	4,339	
		<i>Department of the Interior Total</i>					-	63,165
	Department of Transportation							
		University Transportation Centers Program	20.701	Portland State University	918211580	-	4,250	
		University Transportation Centers Program	20.701	Portland State University	NITCN-OIT-04	-	2,143	
		University Transportation Centers Program	20.701	Portland State University	NITCN-OIT-06	-	8,607	
		University Transportation Centers Program	20.701	Portland State University	NITCN-OIT-08	-	37,266	
		University Transportation Centers Program	20.701	Portland State University	NITCN-OIT-09	-	14,977	
		University Transportation Centers Program	20.701	Portland State University	NITCN-OIT-10	-	15,000	
		University Transportation Centers Program	20.701	Portland State University	NITCN-OIT-11	-	22,970	
		University Transportation Centers Program	20.701	Portland State University	NITCN-OIT-12	-	62,427	
		<i>Department of Transportation Total</i>					-	167,639

See notes to the Schedule of Expenditures of Federal Awards.

OREGON TECH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Cluster:	Federal Grantor:	Program Title	CFDA Number	Pass-Through Entity	Pass-Through Entity ID Number	Passed Through to Subrecipients	Expenditures
Research and Development (Continued)							
	National Science Foundation						
	Mathematical and Physical Sciences		47.049	University of Nebraska-Lincoln	25-0521-0177-002	-	26,241
	Education and Human Resources		47.076	Worcester Polytechnic Institute	NSF 0168669	-	406
	<i>National Science Foundation Total</i>					-	26,647
	Total Research and Development Cluster					\$ -	\$ 257,451
TRIO							
	Department of Education						
	TRIO Student Support Services		84.042			\$ -	\$ 250,851
	Total Department of Education and TRIO Cluster					\$ -	\$ 250,851
WIA Adult Program							
	Department of Labor						
	WIOA Adult Program		17.258	OR Higher Ed Coordinating Commission	HECC 16-208	-	140,000
	Total Department of Education and WIA Adult Program Cluster					\$ -	\$ 140,000
Other Programs							
	National Aeronautics and Space Administration						
	Science		43.001	Oregon State University	UW143A-A	-	55,747
	Education		43.008	Oregon State University	NS265D-A	-	9,502
	<i>National Aeronautics and Space Administration Total</i>					-	65,250
	National Science Foundation						
	Education and Human Resources		47.076			-	5,064
	<i>National Science Foundation Total</i>					-	5,064
	Total Other Programs					\$ -	\$ 70,314
Total Expenditures of Federal Awards						\$ -	\$ 26,472,232

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, 2017

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, 2017. 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, 2017 consists of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Perkins Loans	84.038	\$ 1,920,840

**OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

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)	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000/\$198,542

Auditee qualified as low-risk auditee? yes no

**OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

2017-001

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: No

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.

Section III – Findings and Questioned Costs – Major Federal Programs

2017-002

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

Award Period: July 1, 2016 to June 30, 2017

Type of Finding:

- Compliance, Special Tests
- Significant Deficiency in Internal Control over Compliance

OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Criteria or specific requirement: The Code of Federal Regulations, 2 CFR 200.303 requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

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 was not properly reviewed.

Questioned costs: None

Context: We selected 40 students for testing of internal controls and compliance over verification. While we noted no instances of noncompliance with verification procedures, we did note one instance where the control process was not followed.

Cause: The student's file was missed in the University's review process.

Effect: Failing to follow internal control procedures in place over verification can lead to noncompliance due to error or fraud over the student verification process.

Repeat Finding: No

Recommendation: We recommend that the University ensure that all students selected for verification are subject to the internal control process in place.

Section IV – Prior Year Findings

FINDINGS – FINANCIAL STATEMENT AUDIT

2016 – 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 not resolved, see 2017-001.

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

2016 – 002

Condition: Review of enrollment reporting data from the University showed that errors were not corrected and returned to NSLDS within the prescribed timeframe (10 days). Yet, per a sample of 40 students whose underlying enrollment reporting data was tested for accuracy of status and timeliness of reporting, no student statuses were reported incorrectly or untimely to NSLDS.

Status: The University was in compliance with reporting requirements during 2017, this item was resolved.

2016 – 003

Condition: During our testing over Federal Aid recipient eligibility, we noted that one student out of our sample of forty, while receiving Pell, was awarded FSEOG despite not having the lowest EFC. The institution did not exhaust the number of students with a lower EFC prior to awarding the student in question.

Status: Shortly after Oregon Tech became aware of the error, Oregon Tech staff adjusted FSEOG awards for any student without a “0” Expected Family Contribution (EFC) for the 2016-2017 award year. Oregon Tech then submitted an adjusted FISAP as a result of the FSEOG corrections. The adjusted FISAP was accepted.



Department of Health and Human Services

Oregon Tech respectfully submits the following corrective action plan for the year ended June 30, 2017.

Audit period: July 1, 2016 to June 30, 2017

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

2017-001 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



FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

Department of Education

2017-002 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

84.379 – Teacher Education Assistance for College and Higher Education Grants

Recommendation: 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, it was noted that there was one student selected for verification that was not properly reviewed.

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

Action taken in response to finding: Management has documented and formalized a policy to review files for verification, which was in place as of July, 2017.

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: Recommendation is in place as of September, 2017.

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.