OREGON UNIVERSITY SYSTEM

Communication of Other Matters
and Best Practices

For Audit Year Ending June 30, 2011
October 31, 2011

Oregon Secretary of State Audits Division
Salem, Oregon

Oregon State Board of Higher Education
Eugene, Oregon

In planning and performing our audit of the financial statements of Oregon University System for the year ended June 30, 2011, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of other matters that are an opportunity for strengthening internal controls and operating efficiency as well as industry best practices. The attachment that accompanies this letter summarizes our comments, suggestions and best practices regarding those matters. We would like to mention that these matters are not significant to the financial statements and accordingly have not been categorized as material weaknesses or significant deficiencies. This letter does not affect our report dated October 31, 2011, on the financial statements of Oregon University System.

We have discussed these comments with Oregon University System personnel, and would be pleased to discuss them in greater detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

The management responses (“OUS Response”) included in this letter have not been subject to audit procedures and thus we express no opinion on those responses.

This letter is intended solely for the use of the Oregon Secretary of State Audits Division, the Oregon State Board of Higher Education, management and others within the System and is not intended and should not be used by anyone other than these specified parties.

Very truly yours,

Scott Simpson
For Moss Adams LLP
**Fixed Assets (OIT)**

During our audit procedures performed at Oregon Institute of Technology, we selected a personal property addition that did not begin depreciating on the correct date which resulted in depreciation calculating incorrectly.

*Recommendation:* We recommend Oregon Institute of Technology implement a process of verifying depreciation start dates and comparing to asset in-service dates in order to properly calculate depreciation expense.

*OUS Management Response:* Management agrees and is preparing a report that compares the asset in-service date to the asset depreciation start date to ensure that depreciation expense is properly calculated. The Controller’s Division currently has a Services Agreement with OIT for Capital Asset Accounting Services. This new comparison report will be developed and monitored centrally by the Controller’s Division for all OUS capital assets.

**Journal Entries (SOU)**

During our audit procedures performed over journal entries at Southern Oregon University, we observed one instance where the account codes referenced on the supporting documentation for the journal entry did not agree to the account codes used in Banner. Additionally, we noted that supporting documentation is not provided to the Business Services personnel who approve the journal entry within Banner.

*Recommendation:* We recommend that Southern Oregon University require supporting documentation, including detailed account codes and department authorization, be submitted with journal entry transactions prior to Business Services approval of the transaction.

*SOU Management Response:* In an effort to enhance accuracy, all journal entries pass through a Business Service approval queue to verify accuracy of entry and documentation. We will continue to strive for maintaining a high degree of accuracy, which includes providing ongoing training to the campus community who are responsible for initiating many of the entries impacting their operations.

Business Services also requires departments to submit supporting documentation when documentation reflected in the "text" of the journal voucher does not fully clarify the purpose for the entry. Previously, this documentation was maintained in a separate physical file. However, during this period, SOU has transitioned to saving all additional supporting documentation out on the Business Services central drive, using the JV# as the file name, for future reference purposes. This will enhance the ability for Business Services staff to readily access supporting documentation.
Student Billing and Receipting Credit Adjustments (OSU)

During our audit procedures performed at Oregon State University, we noted that a review of write-offs to student accounts is performed at various times throughout the year. The TBR2120 Banner Report is utilized to select accounts written off during the past 30 days from the date of the report. This process is not necessarily performed on a monthly basis, resulting in gaps in report date ranges.

Recommendation: We recommend that Oregon State University set report parameters to include all dates occurring from the last instance in which the report was reviewed to ensure appropriate review of all write-offs for all months throughout the year.

OSU Management Response: Management agrees and has completed the modification of our practice for review of write-offs. The current TBR2120 report parameter accepts input of any number of months for the data pull. We have modified our practice to include all months within a fiscal year to ensure a complete review of all write-off activity. In addition, if needed we have the ability to pull a data warehouse report using specific date parameters to include write-off activity for a particular time period of interest.

Inventory of Fixed Assets Purchased With Federal Funds - (OSU)

During our audit procedures performed over the inventory of fixed assets purchased with federal R&D funds at Oregon State University, we observed a small number of federally purchased fixed assets that hadn't been physically inventoried during the prior two years. Through subsequent inquiries regarding the status of these assets and discussions with the individual responsible for the fixed assets and inventory program, we determined that failure on the part of some departments to provide feedback led to instances of the inventory process not being timely or sufficient.

Recommendation: We recommend that Oregon State University establish and utilize an escalation process for inventorying fixed assets purchased with federal funds, with the focus being on ensuring that all departments prioritize the process sufficiently to ensure that asset locations and records are reconciled and accounted for every two years.

OSU Management Response: OSU will update our FIS 601 policy “Bar-Code Inventory” to include an escalation clause that includes the Director of Business Affairs becoming involved with the process so that departments prioritize the process sufficiently to ensure that asset locations and records are reconciled in a timely manner consistent with our program. This policy and practice update will be completed by February 1, 2012.
Close Out of Grants - (UO and PSU)

During our audit procedures performed at the University of Oregon and at Portland State University, we selected three closed grants as part of our Period of Availability test work, two at UO and one at PSU, which we noted were not closed within 90 days of the grant end dates for those grants.

**Recommendation:** We recommend that the University of Oregon and Portland State University strengthen their grant close out processes, with the focus being on ensuring that grants are closed out within the required timeframes.

**UO Management Response:** The University of Oregon concurs with this recommendation and has taken a number of steps to enhance closeout processing. The Office of Research Services and Administration (ORSA) has made a concerted effort over the last year to formalize the grant closeout process and address current closeout backlogs. ORSA has revised the Sponsored Project Closeout Checklist and held closeout training for all Post-Award SPAs. The checklist and training manual provide step-by-step guidance on the closeout process. In addition, ORSA has worked with colleagues in Information Services to develop a query to allow us to identify the full volume of outstanding sponsored project closeouts and we have used this query to build a Closeout Tracking worksheet to allow management to monitor the status of closeouts and team workload, and to proactively prioritize team efforts. While we are still addressing a backlog, we have made major progress in the last year and anticipate eliminating a majority of the backlog by the end of calendar year 2012. It is our goal to meet the national industry standard of closing a majority of sponsored projects within 120 days of the award end date by December 31, 2012.

**PSU Management Response:** We concur with this recommendation. Portland State University has taken proactive steps to improve the grant close out process. They include:

1. Implementing an automated email notification system that sends reminders to Principal Investigators (PI) and Departmental Research Administrators (DRA) both 30 and 60 days prior to the anticipated end date of the award. The email contains a link to PSU’s closeout checklist that outlines the responsibilities of the PIs and guides the PIs and DRAs through the close out process (see [http://www.pdx.edu/sites/www.pdx.edu.bao/files/CloseoutChecklistforPIs.pdf](http://www.pdx.edu/sites/www.pdx.edu.bao/files/CloseoutChecklistforPIs.pdf)).

2. Implementing a procedure to ensure all grant funds are placed in trail out prior to the award end date to restrict transaction posting to the grant after the project period end date.

3. Utilizing the events feature in the Banner Grants Billing module to flag due dates of final bills and final financial reports.
4. Revising the internal checklist utilized by Research and Strategic Partnerships (RSP) to streamline the steps in the close out process performed by RSP staff and to ensure all steps are completed in a timely manner.

5. Hiring a part time accounting technician to facilitate the close out process and to track the status of grants approaching their close out deadline.

In addition to the above, we have incorporated information on the close out process into our new PI training. Our goal is to close the majority of sponsored projects within 120 days of the award end date by December 31, 2012.

Sub-recipient Monitoring - (UO)

During our audit procedures performed at the University of Oregon, we selected a sub-recipient where the University did not obtain an A-133 audit certification pertaining to the sub-recipient’s prior fiscal year. MA noted that the University includes audit certifications, to be signed and returned, with each grant award or amendment entered into with a sub-recipient. If the University does not execute a new amendment during the year with a sub-recipient, then an A-133 audit certification is not obtained.

Recommendation: We recommend that the University of Oregon implement an annual process to send out A-133 audit certifications to all sub-recipients, and to track the receipt of those certifications, with subsequent requests being made until all sub-recipients have submitted their certifications.

UO Management Response: The University of Oregon (UO) concurs with this recommendation and has begun to take action to enhance our sub-recipient certification actions. The UO recognizes that an annual process to ensure that all A-133 Audit certifications are received from all institutions with whom we have active subaward agreements is necessary. We are constituting a team to design, document, train and implement an updated business process with a goal of full implementation by July 1, 2012.