Southeast Missouri State University
Accountants’ Report and OMB Circular A-133 Single Audit Report
June 30, 2007
Southeast Missouri State University
June 30, 2007

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<tr>
<th>Cluster/Program</th>
<th>Federal Agency/Pass-through Entity</th>
<th>CFDA</th>
<th>Grant or Identifying Number</th>
<th>Amount</th>
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# Southeast Missouri State University
## Schedule of Expenditures of Federal Awards (Continued)
### Year Ended June 30, 2007

<table>
<thead>
<tr>
<th>Cluster/Program</th>
<th>Federal Agency/Pass-through Entity</th>
<th>CFDA</th>
<th>Grant or Identifying Number</th>
<th>Amount</th>
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<th>Cluster/Program</th>
<th>Federal Agency/Pass-through Entity</th>
<th>CFDA</th>
<th>Grant or Identifying Number</th>
<th>Amount</th>
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## Southeast Missouri State University
### Schedule of Expenditures of Federal Awards (Continued)
#### Year Ended June 30, 2007

<table>
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<tr>
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<th>Amount</th>
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<tbody>
<tr>
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## Southeast Missouri State University
### Schedule of Expenditures of Federal Awards (Continued)
#### Year Ended June 30, 2007

<table>
<thead>
<tr>
<th>Cluster/Program</th>
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<th>CFDA</th>
<th>Grant or Identifying Number</th>
<th>Amount</th>
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Southeast Missouri State University
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Notes to Schedule

1. This schedule includes the federal awards activity of Southeast Missouri State University (the "University") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. No awards were provided to subrecipients.
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

Board of Regents
Southeast Missouri State University
Cape Girardeau, Missouri

We have audited the financial statements of the business type activities and the discretely presented component unit of Southeast Missouri State University as of and for the year ended June 30, 2007, which collectively comprise its basic financial statements and have issued our report thereon dated September 20, 2007, which contained a reference to the report of other accountants. We conducted our audit in accordance with 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. Other accountants audited the financial statements of Southeast Missouri State University Foundation, as described in our report on Southeast Missouri State University’s financial statements. This report does not include the results of the other accountants’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the University’s ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University’s financial statements that is more than inconsequential will not be prevented or detected by the University’s internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University’s internal control.
Board of Regents  
Southeast Missouri State University  

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.  

Compliance and Other Matters  

As part of obtaining reasonable assurance about whether the University’s financial statements are free of 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.  

We noted certain matters that we reported to the University’s management in a separate letter dated September 20, 2007.  

This report is intended solely for the information and use of the Board of Regents, management and others within the University and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.  

BKO, LLP  

September 20, 2007
Independent Accountants’ Report on Compliance and Internal Control Over
Compliance with Requirements Applicable to Major Federal Awards Programs and
Schedule of Expenditures of Federal Awards

Board of Regents
Southeast Missouri State University
Cape Girardeau, Missouri

Compliance

We have audited the compliance of Southeast Missouri State University with the types of compliance
requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133
Compliance Supplement that are applicable to each of its major federal programs for the year ended
June 30, 2007. The University’s major federal programs are identified in the summary of auditor’s results
section of the accompanying schedule of findings and questioned costs. Compliance with the
requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is
the responsibility of the University’s management. Our responsibility is to express an opinion on the
compliance of Southeast Missouri State University based on our audit.

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 OMB Circular A-133, Audits of
States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133
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.
Our audit does not provide a legal determination on the University’s compliance with those requirements.

In our opinion, Southeast Missouri State University complied, in all material respects, with the
requirements referred to above that are applicable to each of its major federal programs for the year ended

Internal Control Over Compliance

The management of Southeast Missouri State University is responsible for establishing and maintaining
effective internal control over compliance with the requirements of laws, regulations, contracts and grants
applicable to federal programs. In planning and performing our audit, we considered the University’s
internal control over compliance with the requirements that could have a direct and material effect on a
major federal program in order to determine our auditing procedures for the purpose of expressing our
opinion on compliance, 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.
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity’s internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity’s internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The University’s responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University’s response and, accordingly, we express no opinion on it.

**Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the business-type activities and the aggregate discretely presented component unit of Southeast Missouri State University as of and for the year ended June 30, 2007, and have issued our report thereon dated September 20, 2007, which contained a reference to the report of other accountants. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Southeast Missouri State University’s basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.
Board of Regents
Southeast Missouri State University

This report is intended solely for the information and use of the Board or Regents, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

September 20, 2007
Southeast Missouri State University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Summary of Auditor’s Results

1. The opinion expressed in the independent accountants’ report was:
   - ☑ Unqualified
   - ☐ Qualified
   - ☐ Adverse
   - ☐ Disclaimed

2. The independent accountants’ report on internal control over financial reporting described:
   - Significant deficiency(ies) noted considered material weakness(es)?
     - ☐ Yes
     - ☑ No
   - Significant deficiency(ies) noted that are not considered to be a material weakness?
     - ☐ Yes
     - ☑ No

3. Noncompliance considered material to the financial statements was disclosed by the audit?
   - ☐ Yes
   - ☑ No

4. The independent accountants’ report on internal control over compliance with requirements applicable to major federal awards programs described:
   - Significant deficiency(ies) noted considered material weakness(es)?
     - ☐ Yes
     - ☑ No
   - Significant deficiency(ies) noted that are not considered to be a material weakness?
     - ☑ Yes
     - ☐ No

5. The opinion expressed in the independent accountants’ report on compliance with requirements applicable to major federal awards was:
   - ☑ Unqualified
   - ☐ Qualified
   - ☐ Adverse
   - ☐ Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133?
   - ☑ Yes
   - ☐ No
Summary of Auditor's Results (Continued)

7. The University's major programs were:

<table>
<thead>
<tr>
<th>Cluster/Program</th>
<th>CFDA Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Financial Aid Cluster</td>
<td></td>
</tr>
<tr>
<td>Federal Family Educational Loan Program</td>
<td>84.032</td>
</tr>
<tr>
<td>Federal Work Study Program</td>
<td>84.033</td>
</tr>
<tr>
<td>Federal Perkins Loan Program</td>
<td>84.038</td>
</tr>
<tr>
<td>Federal Pell Grant Program</td>
<td>84.063</td>
</tr>
<tr>
<td>Federal Supplemental Education Opportunity Grant Program</td>
<td>84.007</td>
</tr>
<tr>
<td>National Science and Mathematic Access to Retain Talent (SMART)</td>
<td>84.376</td>
</tr>
<tr>
<td>Academic Competitiveness Grant</td>
<td>84.375</td>
</tr>
<tr>
<td>Rural Housing and Economic Development</td>
<td></td>
</tr>
<tr>
<td>Fund for the Improvement of Postsecondary Education</td>
<td></td>
</tr>
<tr>
<td></td>
<td>14.250</td>
</tr>
<tr>
<td></td>
<td>84.116</td>
</tr>
</tbody>
</table>

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $519,064.

9. The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133?  ☑ Yes  ☐ No
Southeast Missouri State University
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

Findings Required to be Reported by Government Auditing Standards

<table>
<thead>
<tr>
<th>Reference Number</th>
<th>Finding</th>
<th>Questioned Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No matters are reportable</td>
<td></td>
</tr>
</tbody>
</table>
**Southeast Missouri State University**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2007**

Findings Required to be Reported by OMB Circular A-133

<table>
<thead>
<tr>
<th>Reference Number</th>
<th>Finding</th>
<th>Questioned Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>07-1</td>
<td>Student Financial Aid Cluster - Federal Family Education Loan Program CFDA No. 84.032, U.S. Department of Education, Program Year 2007</td>
<td>None</td>
</tr>
</tbody>
</table>

**Criteria or Specific Requirement** – Special Tests and Provisions.

**Condition** – Federal Regulations provide the University is responsible for calculating the Return of Title IV funds in accordance with 34 CFR 668.22, 682.607 and 685.306 as described in the Institutional Eligibility Section of the *Federal Student Aid Handbook*.

**Context** – Out of a population of 637 students who received FFEL loans and withdrew or dropped out during the fiscal year, a sample of 30 students was selected for testing. For two of the students selected for testing, the funds were not returned within the required 45 day time period.

**Effect** – The University’s system was not correctly processing the returns, which impacts the timing for the return of funds.

**Cause** – University personnel cited errors within the new Banner system in identifying withdrawn students, calculating original charges and the automatic processing feature to be the cause of the errors. Due to the system errors, University personnel had to create manual processes to identify and process return of Title IV calculations.

**Recommendation** – The University should monitor its compliance with Title IV Return of Funds regulations by periodically performing quality control reviews of the Return of Title IV funds process to ensure its continued compliance with these regulations.

**Views of Responsible Officials and Planned Corrective Action** – The University experienced errors with the new Banner system requiring the University to utilize manual processing and ultimately resulting in delays with the Return of Title IV process. The errors have been corrected by SCT Banner and additional identifying, reporting, tracking and notification processes have been created in order to comply with the Return of Title IV regulations. The University does not anticipate such errors in fiscal year 2008 based on the changes implemented in fiscal year 2007 but will continue to monitor the processing of Return of Title IV funds to help ensure compliance with federal regulations.
<table>
<thead>
<tr>
<th>Reference Number</th>
<th>Finding</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>06-1</td>
<td><strong>Student Financial Aid Cluster - Federal Perkins Loans Program,</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>CFDA No. 84.038, U.S. Department of Education, Award Number P038A052382, Program Year 2006</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Reporting**

Summary – Federal regulations provide that the University is responsible for submitting the Fiscal Operations Report and Application to Participate (FISAP) by October 1 of each year. The FISAP is an application to receive Federal funds and to report award information from the prior year. As part of the FISAP, the University is required to report all funds received and disbursed, in addition to the number of students associated with these funds. One of the specific items the University is required to submit on the FISAP is the total principal and interest related to the Perkins program repaid by borrowers from all sources during the award year. The FISAP submitted by the University did not report an accurate amount, as the reported amount did not include related interest.
Student Financial Aid Cluster - Federal Family Education Loan Program CFDA No. 84.032, U.S. Department of Education, Program Year 2006

Eligibility

Summary - The University initially assumes all students are full time students when entering in the University’s system. The University is responsible for subsequently adjusting a student’s enrollment status upon receipt of the Award Letter, indicating the student’s most current status. The enrollment status is pertinent to the cost of attendance calculation, which determines the amount of aid a student is eligible to receive. One student indicated the individual would be enrolled part time on the individual’s Award Letter, but no adjustment was made by the University to the individual’s file. The cost of attendance calculation and ultimately the amount of aid awarded were therefore overstated.