



**WILLAMETTE UNIVERSITY**

OMB Circular A-133  
Supplementary Financial Report

May 31, 2007

(With Independent Auditors' Report Thereon)

**WILLAMETTE UNIVERSITY**

OMB Circular A-133  
Supplementary Financial Report

May 31, 2007

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	1
Schedule of Expenditures of Federal Awards	4
Notes to Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs for the Year Ended May 31, 2007	6



**KPMG LLP**  
Suite 3800  
1300 South West Fifth Avenue  
Portland, OR 97201

**Independent Auditors' Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133**

The Board of Trustees  
Willamette University:

**Compliance**

We have audited the compliance of Willamette University with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular *A-133 Compliance Supplement* (Compliance Supplement) that are applicable to each of its major federal programs for the year ended May 31, 2007, except the requirements discussed in the second paragraph of this report. Willamette 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 Willamette University's management. Our responsibility is to express an opinion on Willamette University's compliance based on our audit.

We did not audit Willamette University's compliance with the requirements governing maintaining contact with borrowers and billing and collection procedures in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. Those requirements govern functions performed by Educational Computer Systems Inc. (ECSI). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ECSI's compliance with the requirements governing the functions that it performs for Willamette University for the year ended May 31, 2007 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ECSI's compliance with such requirements.

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 described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Willamette 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 of Willamette University's compliance with those requirements.

In our opinion, Willamette University complied, in all material respects, with the requirements referred to in the first paragraph above that are applicable to each of its major federal programs for the year ended May 31, 2007.

### **Internal Control over Compliance**

The management of Willamette 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 Willamette 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 Willamette University's internal control over compliance.

Requirements governing maintaining contact with and billing borrowers in the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement are performed by ECSI. Internal control over compliance related to such functions for the year ended May 31, 2007 was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of ECSI's internal control over compliance related to such functions.

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.

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.

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

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of Willamette University as of and for the year ended May 31, 2007, and have issued our report thereon dated October 3, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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.

This report is intended solely for the information and use of the board of trustees, University management, 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.

KPMG LLP

January 9, 2008, except for the schedule of expenditures of federal awards, which is as of October 3, 2007

**WILLAMETTE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended May 31, 2007

	<b>Federal CFDA number</b>	<b>Federal expenditures</b>
		<u>          </u>
Student Financial Aid Cluster:		
Department of Education:		
Federal Pell Grant Program	84.063	\$ 1,028,246
Federal Pell Administrative Allowance	84.063	2,000
Federal Work Study	84.063	424,526
Federal Work Study Administrative Allowance	84.063	99,000
Supplemental Education Opportunity Grant	84.007	506,878
Federal Perkins Loans	84.038	1,436,381
Academic Competitiveness Grant	84.375	95,825
National SMART Grant	84.376	48,000
		<u>          </u>
Total student financial aid cluster		3,640,856
		<u>          </u>
National Science Foundation:		
NSF Grant – Williamson	47.049	74,350
NSF Grant – Stavrianeas	47.049	10,695
NSF Grant – Hawke	47.049	2,230
		<u>          </u>
Total national science foundation	47.049	87,275
		<u>          </u>
Department of Education:		
National Writing Project	84.928	50,411
		<u>          </u>
Total department of education		50,411
		<u>          </u>
Department of Agriculture:		
USDA – Leete	10.250	14,293
		<u>          </u>
Total department of agriculture		14,293
		<u>          </u>
Department of Defense:		
EARP	12.000	44,623
		<u>          </u>
State Department	19.xxx	47,227
		<u>          </u>
Total expenditures of federal awards		\$ <u>3,884,685</u>

See accompanying notes to schedule of expenditures of federal awards.

**WILLAMETTE UNIVERSITY**

Notes to Schedule of Expenditures of Federal Awards

Year ended May 31, 2007

**(1) Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes all federal grants received by the University which had activity during the year ended May 31, 2007. This schedule has been prepared on the accrual basis of accounting and in accordance with OMB Circular A-133.

**(2) Loan Program Administration**

The University administers the following loan programs:

	<u>CFDA number</u>		<u>Amount outstanding May 31, 2007</u>
Perkins loans	84.038	\$	7,965,799

**(3) Federal Family Education Loan Program (FFELP)**

During the fiscal years ended May 31, 2007, the University processed the following amount of new loans under the FFELP (which includes Stafford Loans and Parents' Loans for Undergraduate Students):

	<u>CFDA number</u>		<u>Amount outstanding May 31, 2007</u>
Stafford loans	84.032	\$	15,001,946
Parents' loans for undergraduate students	84.032		<u>6,547,914</u>
Total		\$	<u><u>21,549,860</u></u>

**WILLAMETTE UNIVERSITY**

Schedule of Findings and Questioned Costs

Year ended May 31, 2007

**(1) Summary of Auditors' Results**

(a) The type of report issued on the financial statements: **Unqualified opinion**

(b) Significant deficiencies in internal control disclosed by the audit of the financial statements:  
**None reported**

Material weaknesses: **No**

(c) Noncompliance which is material to the financial statements: **No**

(d) Significant deficiencies in internal control over major programs: **None reported**

Material weaknesses: **No**

(e) The type of report issued on compliance for major programs: **Unqualified opinion**

(f) Any audit findings which are required to reported under Section 510(a) of OMB Circular A-133: **No**

(g) Major programs: **Student Financial Aid Cluster**

(h) Dollar threshold used to distinguish between Type A and Type B programs: **\$958,919**

(i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **Yes**

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: None**

**(3) Findings and Questioned Costs Relating to Federal Awards: None**