

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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Southeast Missouri State University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Cluster/Program	Federal Agency/Pass-through Entity	CFDA	Grant or Identifying Number	Amount
Delta Regional Authority Delta Regional Development	Delta Regional Authority/Southeast Missouri Regional Planning Commission	90.200	MO-2830/MO-2050/MO-2584	\$ 187,859
Total Delta Regional Authority				187,859
Department of Homeland Security State and Local Homeland Security Training Program	Department of Homeland Security/State Emergency Management Agency	97.005	2003-ODP-PHASE-2-3208	1,086
Total Department of Homeland Security				1,086
Institute of Museum and Library Science National Leadership Grants	Institute of Museum and Library Services	45.312	CM-10004-01	12,366
Total Institute of Museum and Library Science				12,366
National Aeronautics and Space Administration Aerospace Education Services Program	National Aeronautics and Space Administration	43.001	NNM05AA06G/NNM05AA39G/NAG5- 12645/NA G5-12645	707,912
Total National Aeronautics and Space Administration				707,912
National Endowment for The Humanities, National Foundation on the Arts and the Humanities Promotion of the Humanities Federal/State Partnership	National Endowment for The Humanities, National Foundation on the Arts and the Humanities/Missouri Humanities Council	45.129	1522/1535	2,272
National Endowment for The Humanities, National Foundation on the Arts and the Humanities				2,272
National Science Foundation Education and Human Resources	National Science Foundation/Missouri State University	47.076	HRD-05277	1,334
Education and Human Resources	National Science Foundation/University of Missouri - Columbia	47.076	01900331-7	2,347
Biological Sciences	National Science Foundation/University of North Carolina - Chapel Hill	47.074	5-37297	34,479
Total National Science Foundation				38,160
Small Business Administration Small Business Development Center	Small Business Administration/University Missouri - Columbia	59.037	E00013997-1/E0000879643	76,197
Total Small Business Administration				76,197

Southeast Missouri State University
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Cluster/Program	Federal Agency/Pass-through Entity	CFDA	Grant or Identifying Number	Amount
U.S. Department of Housing and Urban Development				
Rural Housing and Economic Development	U.S. Department of Housing and Urban Development	14.250	B-05-SP-MO-0520/B-06-SP-MO-0508	693,408
Total U.S. Department of Housing and Urban Development				693,408
U.S. Department of Commerce				
KRCU Backup Generator 2007	U.S. Department of Commerce	11.550	29-01-N06086	16,706
Total U.S. Department of Commerce				16,706
U.S. Department of Agriculture				
Falling Springs Mill National Register Nomination	U.S. Department of Agriculture	10.000	06-CS-11090501-010	448
Child and Adult Care Food Program	U.S. Department of Agriculture	10.558	ERS46-061443/ERS46-07 1443	36,537
Total U.S. Department of Agriculture				36,985
U.S. Department of Education				
Student Financial Aid Cluster				
Federal Supplemental Education Opportunity				
Grants	U.S. Department of Education	84.007	P007A062382	299,214
Federal Family Education Loans	U.S. Department of Education	84.032	-	26,994,865
Federal Work Study Program	U.S. Department of Education	84.033	P033A062382	271,636
Federal Perkins Loan Program	U.S. Department of Education	84.038	P038A--2382	827,151
Federal Capital Contributions				
Federal Pell Grant Program	U.S. Department of Education	84.063	P063P061752	6,468,010
Academic Competitiveness Grant	U.S. Department of Education	84.375	P375A061752	274,640
National Science and Mathematics Access to Retain Talent (SMART)	U.S. Department of Education	84.376	P376S061752	156,251
Student Financial Aid Cluster Subtotal				35,291,767
Trio Cluster				
Trio Student Support Services	U.S. Department of Education	84.042	P042A010981-05/P042A061314	282,706
Trio Upward Bound	U.S. Department of Education	84.047	P047A030579-05/P047A030579-06	246,915
Trio McNair Post-Baccalaureate Achievement	U.S. Department of Education	84.217	P217A030095-06/P217A030095-05	232,596
Trio Cluster Subtotal				762,217

Southeast Missouri State University
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Cluster/Program	Federal Agency/Pass-through Entity	CFDA	Grant or Identifying Number	Amount
Special Education Grants to States	U.S. Department of Education/Missouri Department of Elementary and Secondary Education	84.027	--	356,830
Fund for the Improvement of Postsecondary Education	U.S. Department of Education	84.116	P116Z040127/P116Z050023/P116J020010-04/P116Z040165/P116Z020197/P116Z020197/P116Z040164/P116Z030275	2,060,175
Special Education Grants for Infants and Families with Disabilities	U.S. Department of Education/Missouri Department of Elementary and Secondary Education	84.181	C306024007	299,832
Fund for the Improvement of Education	U.S. Department of Education/Missouri Department of Elementary and Secondary Education	84.215	R215K020304	81,782
Gear Up	U.S. Department of Education/Cooperating School Districts	84.334	P334A050293-06/P334A050293/P334A000072-05	433,248
Reading First State Grants	U.S. Department of Education/Missouri Department of Elementary and Secondary Education	84.357	--	253,789
English Language Acquisition Grants	U.S. Department of Education	84.365	T195N05232-06/T195N040121-05/T195E990026-03	227,343
Improving Teacher Quality State Grants	U.S. Department of Education	84.367	--	133,229
Total U.S. Department of Education				39,900,212
U.S. Department of Energy				
Office of Scientific and Technical Information	U.S. Department of Energy	81.064	--	5,370
Total U.S. Department of Energy				5,370

Southeast Missouri State University
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Cluster/Program	Federal Agency/Pass-through Entity	CFDA	Grant or Identifying Number	Amount
U.S. Department of Health and Human Services				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	U.S. Department of Health and Human Services/Area Agency on Aging	93.044	--	17,947
Alzheimer's Disease Demonstration Grants to States	U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services	93.051	C305094002	2,515
National Family Caregiver Support	U.S. Department of Health and Human Services/Area Agency on Aging	93.052	--	11,752
Advanced Education Nursing Grant Program	U.S. Department of Health and Human Services	93.247	D09HP00995-03-01	3,692
Centers for Disease Control and Prevention Investigations and Technical Assistance	U.S. Department of Health and Human Services/Missouri Department of Health and Senior Services	93.283	AOC06380065	55,347
Advanced Education Nursing Traineeship	U.S. Department of Health and Human Services	93.358	A10HP00196	35,115
Child Care and Development Block Grant	U.S. Department of Health and Human Services/Missouri Department of Social Services	93.575	--	272,280
Foster Care Title IV E	U.S. Department of Health and Human Services/Missouri Department of Social Services	93.658	AOC6000110	93,032
Health Care and Other Facilities	U.S. Department of Health and Human Services	93.887	1 C76HF06179-01-00	23,533
Block Grants for Prevention and Treatment of Substance Abuse	U.S. Department of Health and Human Services/Missouri Department of Social Services	93.959	SDA420P0434	99,484
Total U.S. Department of Health and Human Services				614,697
U.S. Department of Justice				
Grants to Reduce Violent Crimes Against Women on Campus	U.S. Department of Justice	16.525	2006-WA-AX-0006	48,415
National Institute of Justice Research, Evaluation, and Development Project Grants	U.S. Department of Justice/Missouri Department of Public Safety	16.560	2004-LP-CX-K049/2004-PCNFS- 001/2004-DN-BX-K177/2005-DA-BX- K108/2001MUMUK004	373,825
Total U.S. Department of Justice				422,240
U.S. Department of Labor				
WIA Adult Program	U.S. Department of Labor/Missouri Department of Economic Development	17.258	99-18-50-05	1,907
WIA Youth Activities	U.S. Department of Labor/Missouri Department of Economic Development	17.259	99-18-50-05	11,865
WIA Dislocated Workers	U.S. Department of Labor/Missouri Department of Economic Development	17.260	99-18-50-05	4,566
WIA Pilots, Demonstrations, and Research Projects	U.S. Department of Labor	17.261	AF-13614-04-60	1,374
Total U.S. Department of Labor				19,712

Southeast Missouri State University
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Cluster/Program	Federal Agency/Pass-through Entity	CFDA	Grant or Identifying Number	Amount
<i>U.S. Department of Transportation</i>				
Highway Planning and Construction	U.S. Department of Transportation/Missouri Highway and Transportation Department	20.205	STP-1500(010)/MO-03-0096/MO-03-0109	1,269,674
Formula Grants for Other Than Urbanized Areas	U.S. Department of Transportation/Missouri Highway and Transportation Department	20.509	MO-18-X027/MO-03-0117/MO-04-0118/MO-18-X026	215,482
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	U.S. Environmental Protection Agency	66.034	XA-98775601-0	12,228
<i>Total U.S. Department of Transportation</i>				<u>1,497,384</u>
U.S. Department of State State and Local Homeland Security Training Program	U.S. Department of State/International Research and Exchanges Board	--	FY06-IEP-SEMO-01	64,436
<i>Total U.S. Department of State</i>				<u>64,436</u>
<i>Total Expenditure of Federal Awards</i>				<u>\$ 44,297,002</u>

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.

BKD, 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 June 30, 2007.

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.

Board of Regents
Southeast Missouri State University

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

Southeast Missouri State University
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

Summary of Auditor's Results (Continued)

7. The University's major programs were:

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

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*

Reference Number	Finding	Questioned Costs
No matters are reportable		

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

Reference Number	Finding	Questioned Costs
07-1	<p style="text-align: center;">Student Financial Aid Cluster - Federal Family Education Loan Program CFDA No. 84.032, U.S. Department of Education, Program Year 2007</p> <p>Criteria or Specific Requirement – Special Tests and Provisions.</p> <p>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 <i>Federal Student Aid Handbook</i>.</p> <p>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.</p> <p>Effect – The University’s system was not correctly processing the returns, which impacts the timing for the return of funds.</p> <p>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.</p> <p>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.</p> <p>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.</p>	None

Southeast Missouri State University
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

Reference Number	Finding	Status
06-1	Student Financial Aid Cluster - Federal Perkins Loans Program, CFDA No. 84.038, U.S. Department of Education, Award Number P038A052382, Program Year 2006	Resolved

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.

Southeast Missouri State University
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2007

Reference Number	Finding	Status
06-2	Student Financial Aid Cluster - Federal Family Education Loan Program CFDA No. 84.032, U.S. Department of Education, Program Year 2006	Resolved

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.