

OHIO NORTHERN UNIVERSITY

OMB Circular A-133 Audit Report

Year ended May 31, 2003

(With Independent Auditors' Reports Thereon)

OHIO NORTHERN UNIVERSITY

OMB Circular A-133 Audit Report

Table of Contents

	Page
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
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	4
Schedule of Findings and Questioned Costs	6

OHIO NORTHERN UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended May 31, 2003

Federal grantor/ pass-through grantor/program title	CFDA number	Expenditures
Student Financial Aid Cluster:		
U.S. Department of Education:		
Federal Pell Grant	84.063	\$ 1,593,668
Federal Perkins Loan Program	84.038	877,133
Federal Supplemental Educational Opportunity Grant	84.007	784,244
Federal Work Study Program	84.033	801,450
Federal Family Education Loan Program	84.032	<u>16,631,688</u>
Total U.S. Department of Education		<u>20,688,183</u>
U.S. Department of Health and Human Services:		
Health Professions Student Loans, including Loans for Disadvantaged Students	93.342	<u>220,770</u>
Total U.S. Department of Health and Human Services		<u>220,770</u>
Total Student Financial Aid Cluster		<u>20,908,953</u>
Total federal expenditures		<u>\$ 20,908,953</u>

See accompanying independent auditors' report and notes to schedule of expenditures of federal awards.

OHIO NORTHERN UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended May 31, 2003

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Ohio Northern 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*.

(2) Loans Outstanding

The University had the following loan balances outstanding at May 31, 2003. These loan balances outstanding are not included in the federal expenditures presented in the schedule.

<u>Program title</u>	<u>CFDA number</u>		<u>Outstanding balance</u>
Federal Perkins Loan Program	84.038	\$	4,566,869
Health Professions Student Loans, including Loans for Disadvantaged Students	93.342		3,082,942

Loans advanced to students from the loan funds for the Federal Perkins Loan Program and the Health Professions Student Loan Program, including loans for disadvantaged students, during the fiscal year ended May 31, 2003 amounted to \$835,365.

The University is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan Program, and accordingly, it is not practical to determine the balance of loans outstanding to students and former students of the University under this program at May 31, 2003.



KPMG LLP
Suite 2600
One Cleveland Center
1375 E. Ninth Street
Cleveland, OH 44114-1796

**Independent Auditors' Report on Compliance and on Internal Control
over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Trustees
Ohio Northern University:

We have audited the financial statements of Ohio Northern University (the University) as of and for the year ended May 31, 2003 and have issued our report thereon dated November 6, 2003. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting 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 over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting, which we have reported to management of the University in a separate letter dated November 6, 2003.

This report is intended solely for the information and use of the audit committee, 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.

KPMG LLP

November 6, 2003





KPMG LLP
Suite 2600
One Cleveland Center
1375 E. Ninth Street
Cleveland, OH 44114-1796

**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**

Board of Trustees
Ohio Northern University:

Compliance

We have audited the compliance of Ohio Northern University (the 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 its major federal programs for the year ended May 31, 2003, except those requirements discussed in the third following paragraph. The University's major federal programs are identified in the summary of auditors' 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 University's compliance 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 of the University's compliance with those requirements.

In our opinion, the 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 May 31, 2003.

We did not audit the University's compliance with requirements governing the billing, collection, and due-diligence functions of the Federal Perkins Loan Program and the Health Professions Student Loan programs. Those requirements govern functions that are performed by University Accounting Services, Inc. (UAS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.

UAS's compliance with the requirements governing the functions that it performs for the University was examined by other accountants whose report has been furnished to us. The report of the other accountants indicates that compliance with those requirements was examined in accordance with the Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Based on our review of the service organization accountants' report, we have determined that all of the compliance requirements included in the Compliance Supplement that





are applicable to the major program in which the University participates are addressed in either our report or the report of the service organization accountants. Further, based on our review of the service organization accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on the University's major program.

Internal Control over Compliance

The management of the 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Requirements governing billing, collection, and due-diligence functions of the Federal Perkins Loan Program and the Health Professions Student Loan programs are performed by UAS. Internal control over compliance relating to such functions was reported on by other accountants in accordance with the Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. A copy of the service organization accountants' report has been furnished to us. However, the scope of our work did not extend to internal control maintained at UAS.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Ohio Northern University as of and for the year ended May 31, 2003 and have issued our report thereon dated November 6, 2003. 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 audit committee, 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.

KPMG LLP

November 6, 2003

OHIO NORTHERN UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended May 31, 2003

(1) Summary of Auditors' Results

(a) The type of report issued on the basic financial statements:	Unqualified
(b) Reportable conditions in internal control were disclosed by the audit of the financial statements:	None Reported
Material weaknesses:	No
(c) Noncompliance which is material to the financial statements:	No
(d) Reportable conditions in internal control over major programs:	None Reported
Material weaknesses:	No
(e) The type of report issued on compliance for major programs:	Unqualified
(f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133:	No
(g) Major program:	Student Financial Aid Cluster
(h) Dollar threshold used to distinguish between Type A and Type B programs:	\$ 600,955
(i) Auditee qualified as 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