



Steve Bergmann
Division Director

January 8, 2026

Ben Cannon, Executive Director
Higher Education Coordinating Commission
3225 25th St SE
Salem, OR 97302

Dear Ben Cannon:

We have completed audit work of selected financial accounts at the Higher Education Coordinating Commission (department) for the year ended June 30, 2025. This audit work was not a comprehensive financial audit of the department but was performed as part of our annual audit of the State of Oregon's financial statements. We audited accounts that we determined to be material to the State of Oregon's financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the State of Oregon as of and for the year ended June 30, 2025, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the department's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements of the State of Oregon, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. We identified a deficiency in internal control that we consider to be a significant deficiency.

255 Capitol St NE, Ste 180
Salem, Oregon 97310

Significant Deficiency

Management should ensure accounting balances with state universities are complete and accurate

Criteria: The Oregon Accounting Manual (15.51.00) outlines processes and entries to be used in recording receivable and payable balances with the state universities.

Condition: The state issue bonds under the authority of section XI-F of the Oregon Constitution, which allows the state to issue the bonds in the state's name. For XI-F debt, the Higher Education Coordinating Commission (HECC) enters into a loan agreement with state universities. The loan agreements outline responsibility of HECC to distribute the bond proceeds and the universities' responsibility to reimburse HECC based on the bond's debt service requirements. Under this relationship, specific entries are required for HECC to record both a liability for proceeds owed to the university and a receivable for the principal payments outstanding from the university. At year-end, HECC confirms the receivable and payable balances with each university to ensure the accuracy of financial reporting for both parties.

During the year, HECC issued new XI-F debt and refunded previously issued XI-F debt. This resulted in a change to the amounts due from the universities and new bond proceeds due to a university. HECC did not properly record the receivables and payables with the universities. In one instance, a component unit confirmed a \$25.9 million receivable and HECC did not record the corresponding payable.

In addition, HECC did not recognize that its accounting records had a noncurrent payable of \$19.9 million for a university. The university confirmed \$0 as noncurrent but HECC did not adjust its accounting records. This error was identified and corrected by the Department of Administrative Services during its review in preparation of the State's financial statements.

Cause: Although the department has its own accounting procedures for transactions with the state universities, they are incomplete and do not include all of the required accounting entries necessary for the XI-F bonds.

Effect: Due to these errors, HECC understated its noncurrent receivables by \$20.1 million. In addition, for one university it understated its noncurrent liability by \$26 million and overstated intergovernmental expenditures to multiple universities by \$5.6 million, collectively. Finally, for a different university, HECC overstated its noncurrent liability and expenditures by \$19.8 million.

Recommendation: We recommend department management ensure that agency procedures are in accordance with the guidance described in the Oregon Accounting Manual for XI-F bonds.

The above significant deficiency, along with your response, will be included in our Statewide Single Audit Report for the fiscal year ended June 30, 2025. Please prepare a response to the finding and include the following information as part of your corrective action plan:

1. Your agreement or disagreement with the finding. If you do not agree with the audit finding or believe corrective action is not required, include in your response an explanation and specific reasons for your position.
2. The corrective action planned.
3. The anticipated completion date.
4. The name(s) of the contact person(s) responsible for corrective action.

Please provide a response to Kelly Olson by January 16, 2026, and provide Rob Hamilton, State Controller, a copy of your Corrective Action Plan.

The purpose of this letter is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the department's internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control. Accordingly, this letter is not suitable for any other purpose.

We appreciate your staff's assistance and cooperation during this audit. Should you have any questions, please contact Kelly Olson, Audit Manager or Geoff Hill, Principal Auditor at kelly.l.olson@sos.oregon.gov or geoff.m.hill@sos.oregon.gov.

Sincerely,

Office of the Secretary of State, Audits Division

cc: Ramona Rodamaker, Deputy Executive Director
Christopher Bui, Fiscal Services Director
Terry Robbins, Chief Audit Executive
Greg Hamann, Chair, Higher Education Coordinating Commission
Betsy Imholt, Director, Department of Administrative Services
Robert Hamilton, State Controller, Department of Administrative Services