
**Finance and Facilities Committee
also Sitting as the Audit Committee
Agenda**

	<u>Page</u>
1. Call to Order/Roll/Declaration of a Quorum (8:00am) <i>Chair Vince Jones</i>	
2. Consent Agenda <i>Chair Vince Jones</i>	
2.1 Approve Minutes of the May 30, 2019 Meeting	1
3. Reports	
3.1 Fiscal Operations Advisory Council (8:05am) (5 min) <i>FOAC Chair Richard Bailey</i>	
3.2 Finance, Facilities and Audit Status Update: Fiscal Year 2019 and Quarter One Fiscal Year 2020 Report (8:10am) (35 min) <i>VPFA Brian Fox and AVP Stephanie Pope</i>	5
4. Action Items	
4.1 Recommend the Full Board Approve Fiscal Year 2021 Budget Development Principles (8:45am) (15 min) <i>President Naganathan, VPFA Fox</i>	32
4.2 Approve the Annual Finance & Facilities Work Plan (9:00am) (15 min) <i>VPFA Brian Fox</i>	36
4.3 Accept the Internal Audit: Audit Follow-Up Report (9:15am) (25 min) <i>Kernutt Stokes, Trever Campbell and Hailey Lyons</i>	40
5. Discussion Items	
5.1 Internal Audit Structure (9:40am) (30 min) <i>VPFA Brian Fox</i>	56
6. Other Business/New Business (10:10am) (5 min) <i>Chair Vince Jones</i>	
7. Adjournment (10:15am)	



**Meeting of the
Oregon Tech Board of Trustees
Finance and Facilities Committee
Sunset Room, Klamath Falls Campus
May 30, 2019
8:00am – 11:00am**

**Finance and Facilities Committee
also Sitting as the Audit Committee
DRAFT MINUTES**

Trustees Present:

Jessica Gomez, Vice Chair Grace Rusth Paul Stewart
Nagi Naganathan, President Mike Starr (via phone)

University Faculty and Staff Present:

Connie Atchley, Incoming CIO/ITS
Richard Bailey, FOAC Chair
Anna Clark, Financial Analyst
Marla Edge, Director of Academic Agreements
Brian Fox, VP of Finance and Administration
Don McDonnell, Associate Professor
Cristina Negoita, Mathematics Professor
Dan Peterson, Interim Associate Dean
Stephanie Pope, AVP of Budget and Resource Planning
Di Saunders, AVP of Communication and Public Affairs
Jason Tucker, Medical Technologist

Others Present:

Trever Campbell, Kernutt Stokes, LLP via Skype
Johnathan Nguyen, Portland-Metro ASOIT President
Junmin Yee, Klamath Falls ASOIT President

1. **Call to Order/Roll/Declaration of a Quorum**
Trustee Stewart, in Chair Jones' absence, called the meeting to order at 8:02am. The Secretary called roll and a quorum was declared.
2. **Consent Agenda**
 - 2.1 **Approval of Minutes of the March 21, 2019 Meeting**
With no amendments to the minutes they stand as published.

3. Reports

3.1 Fiscal Operations Advisory Council

FOAC Chair Bailey explained the revamped budget development process including the opportunity for the council to rank proposed initiatives. He voiced concern for the budget given the pressure to increase enrollment, the proposed tuition increases, competing institutions, and the continued deficit spending. He stated the department chairs are having difficulties meeting the budget scenarios because so much of the budget is salary-based and there is not much flexibility of where to cut.

3.2 Fiscal Year 2019 Third Quarter Dashboard

Trustee Stewart requested trustees review the dashboards in advance of the meetings; staff will provide a brief review. **AVP Pope** reviewed the dashboard and quarterly managerial report. She explained the change of fund balance will be approximately negative \$2.2M for the fiscal year which is close to the board adopted budget but varies from the mid-cycle budget projection because of the drop in enrollment. Discussion regarding reasons for enrollment drop and retention, rebalancing faculty engagement and presence on our multiple sites, and on-line offerings. **VP Fox** gave an overview of construction projects, noting projects starting over the summer: Cornett phase two, student rec center remodel, and CEET ground-breaking. The rec center will move to the DOW building temporarily.

3.3 Fraud, Waste, Abuse Ethics Hotline Annual Report

Mr. Campbell reviewed the three-year compilation of data including reporting sources and types of cases, and the six hotline cases opened in 2018-19; five were resolved and closed and the last case was reported recently and is being processed.

4. Action Items

4.1 Acceptance of the Internal Audit Risk Assessment and Approval of the FY 2019-20 Work Plan

Mr. Campbell gave a PowerPoint presentation. Final reports for OMIC and Athletics are anticipated to be complete in early June. He explained the 2019-20 multi-year audit plan and reviewed previous audits. He anticipated a report to the board in summer regarding follow-ups from the prior audits. The management response is still pending for the Faculty Workload Management 2017/18 audit. He explained the process used to identify the proposed audits. Discussion regarding the heat-map and how issues are ranked, including the potential impacts of an audit issue and the likelihood of occurrence.

Trustee Gomez moved to accept the internal audit risk assessment and approve the fiscal year 2019-20 work plan. **Trustee Rusth** seconded the motion. **With all trustees present voting aye, the motion passed unanimously.**

4.2 Authorize Staff to Enter into a Contract for Financial Auditing and Federal Single Auditing Services

VP Fox stated the three year contract with CliftonLarsenAllen is expiring and staff recommended to extend the contract for an additional three years.

Trustee Rusth moved to authorize staff to enter into a contract with CliftonLarsenAllen for financial auditing and federal single auditing services. Trustee Starr seconded the motion. With all trustees present voting aye, the motion passed unanimously.

4.3 Authorize Staff to Enter into a Contract for Internal Auditing Services

VP Fox explained the current contract with Kernutt Stokes is expiring and staff recommended to extend the contract for one year. During the one-year time frame staff will evaluate a multi-year plan.

Trustee Gomez moved to authorize staff to enter into a contract with Kernutt Stokes for internal auditing services. Trustee Starr seconded the motion. With all trustees present voting aye, the motion passed unanimously.

4.4 Recommendation to the Board to Approve the 2019-20 Tuition and Mandatory Fees and Authorize Staff to Forward both to the HECC

ASOIT Presidents Yee and Nguyen and VP Fox reviewed a PowerPoint presentation. **President Yee** gave an overview of the tuition recommendation committee and the committee's recommendation to the President. **VP Fox** reviewed the budget information that the committee used as its assumptions. **ASOIT President Nguyen** shared feedback from the student forums and reviewed the student fees. **VP Fox** reviewed the proposed tuition rates and the tuition reduction proposal related to increased state funding. He suggested the trustees include a note in a motion that the one-half million dollars be removed from the state funding amount when discussing the tuition reduction. Clarification was made that if the state funded \$120 million the university could propose a 5% increase to tuition and would still have to use reserves and propose a deficit budget. **VP Fox** gave an overview of the HECC evaluation criteria and stated the university made the best efforts to meet those criteria. **President Nguyen** shared recommendations from ASOIT for the next year's tuition setting process including to hold meetings in the evenings at the Portland-Metro campus, provide a handout explaining acronyms and other terms to committee members, and to spend funds wisely. **VP Fox** stated the alternatives to increasing tuition and cutting costs include increasing operational efficiency, growing the institution without increasing the cost base, managing PERS and PEBB, and exploring other revenue opportunities. He explained how the proposed tuition recommendations compare with other Oregon public universities. **President Nguyen** suggested using social media as a means to inform and engage students with future tuition setting processes.

Trustee Starr moved to recommend the Board approve the 2019-20 tuition and mandatory fees as presented with the amendment to Staff Recommendation #3 in the agenda report (as shown below) and authorize staff to forward both the tuition and fees to the HECC.

Amended Staff Recommendation #3 (~~deletion~~)

That if additional state funding becomes available through the Public University Support Fund (PUSF), and assuming that the Engineering Technology Sustaining Fund, Oregon Renewable Energy Center and Sports Lottery program are funded at levels equal to or greater than the prior Legislatively Approved Budget (LAB), the university shall decrease base undergraduate resident and non-resident tuition rates by

1% for every incremental \$20 million dollars above the Co-Chairs Budget Framework of LAB +\$40.5 million dollars up until such time as the tuition increase reaches 2%.

Trustee Rusth seconded the motion. With all trustees present voting aye, the motion passed unanimously.

4.5 Recommendation to the Board to Adopt the 2019-20 All Funds Budget

VP Fox showed a PowerPoint presentation reviewing the budget drivers, scenarios, and development principles, and explaining the request for a deficit budget. Discussion regarding the proposed strategic investments and whether some investments could be classified as maintenance or operating costs. **President Naganathan** addressed the plan to bring the budget inline including looking at each position request as the growth staff and faculty has outpaced enrollment, concentrating on revenue and costs, investing in enrollment growth and retention, managing cohort sizes, and investing in initiatives with partner institutions to reduce administrative expenses. **VP Fox** stated the FY19 Adjusted Budget column (the last column) on Page 121 of the agenda packet should be removed.

Trustee Gomez moved to recommend the board adopt the 2019-20 all funds budget as outlined in the agenda report. Trustee Rusth seconded the motion. With all trustees present voting aye, the motion passed unanimously.

4.6 Recommendation to the Board to Authorize Staff to Enter into a Partnership Agreement and Purchase Radiological Sciences Equipment in Excess of One Million Dollars

Trustee Stewart explained the existing radiological sciences equipment is aged out and needs replacement, specific costs will not be discussed today as negotiations are ongoing with the vendor, the purchase will likely be funded through an operating lease, and the final negotiated price will be reported to the board at the next meeting. **Associate Professor McDonnell** reviewed a PowerPoint presentation giving a history of the radiological sciences programs, enrollment, and existing and proposed equipment. **Mr. Tucker** explained the current state of equipment. **VP Fox** explained the proposed partnership and that we will not enter into an agreement unless the cost is manageable. Discussion regarding impacts if the equipment is not replaced. **Trustee Starr** suggested the department see how efficient it can become by maximizing the cohort.

Trustee Rusth moved to recommend the Board authorize staff to enter into a partnership agreement through a sole-source contract, to acquire radiological sciences equipment in excess of one million dollars, enter into a financing agreement, and report back to the committee and board the final negotiated price. Trustee Starr seconded the motion. With all trustees present voting aye, the motion passed unanimously.

5. Discussion Items – none

6. Other Business/New Business - none

7. Adjournment

Trustee Stewart adjourned the meeting at 11:27am.

REPORT

Agenda Item No. 3.2

Finance, Facilities and Audit Status: Quarterly Review

Background

The following Quarterly Finance, Facilities and Audit Status Report provides information on the major areas of responsibility for the Finance and Administration Division of Oregon Tech. This includes budget, forward looking revenue and enrollment indicators, facilities, equipment and capital projects as well as internal and external audit coordination. This information is used by the Vice President of Finance and Administration to track progress of the institution in meeting its financial and operational goals, and reported to the Finance and Facilities Committee on a quarterly basis.

Staff Recommendation

No action required. For discussion purposes only.

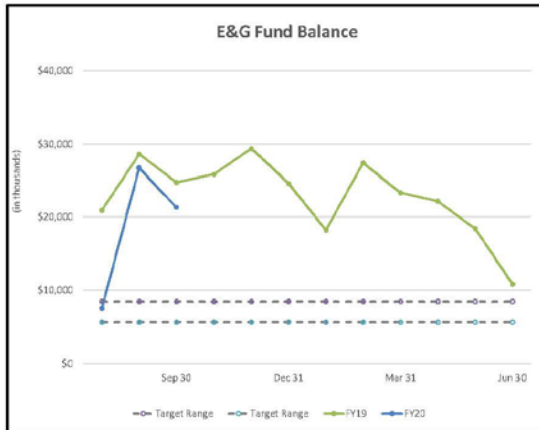
Attachments

Q4 FY 2019 and Q1 FY 2020 Quarterly Finance, Facilities and Audit Status Reports including the following:

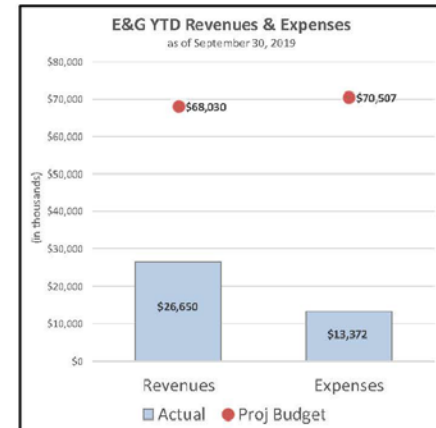
- A. [Financial and Enrollment Dashboard](#)
- B. [Quarterly Managerial Report](#)
- C. [Ratio Analysis](#)
- D. [Facilities and Capital Projects](#)
 - a. Capital Projects Status Report
 - b. Deferred Maintenance and Capital Renewal
- E. [Audit Status Updates](#)
- F. [Quarterly Investment Report](#)

ATTACHMENT A

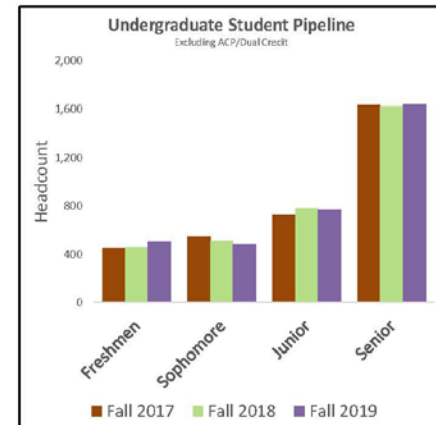
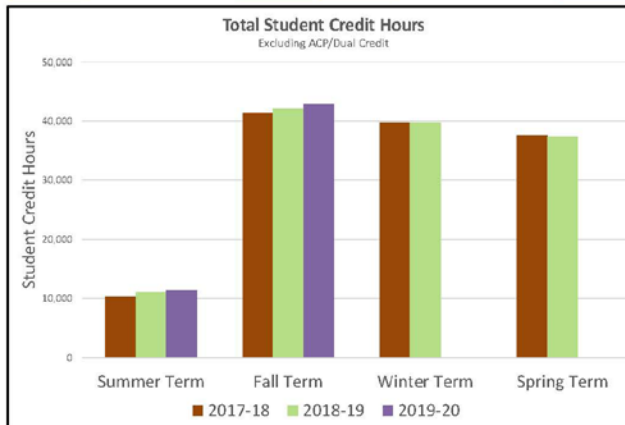
Financial and Enrollment Dashboard Q1 FY2020



Quarterly Financial Dashboard As of September 30, 2019



Key Financial Indicators		
E&G Fund Balance:	\$23,316	As of September 30, 2019
Total Cash on Hand:	\$24,131	As of September 30, 2019
E&G Cash on Hand:	\$13,151	As of September 30, 2019
Days Cash on Hand:	97 Days	As of September 30, 2019*
Debt Burden Ratio:	3.37%	As of June 30, 2019*
Quasi Endowment:	\$7,631	As of September 30, 2019
Foundation Assets:	\$32,288	As of June 30, 2019
Deferred Maint. Backlog:		



Student Tuition		
Undergraduate Tuition		
	2019-20	2018-19
Resident:	\$8,774	\$8,277
Non-Resident:	\$27,926	\$26,345
WUE:	\$13,160	\$12,416
Online:	\$11,565	\$11,025
Differential:	30% Premium	25% Premium
Graduate Tuition		
	2019-20	2018-19
Resident:	\$16,143	\$15,375
Non-Resident:	\$27,100	\$25,809
Online:	\$16,200	\$15,138
ETM Differential:	30% Premium	25% Premium

Degree Completions					
		2018-19	2017-18	2016-17	3 Year Δ
Undergraduate	Resident:	545	515	557	-2.2%
	Non-Resident:	208	212	218	-4.6%
Graduate	Resident:	16	7	4	300.0%
	Non-Resident:	11	11	13	-15.4%

Notes:
 * Undergraduate tuition calculated at 15 credits; Graduate tuition at 12 credits
 * Days Cash on Hand and Debt Burden Ratio are drafts as of October 2019
 * Student Pipeline and SCH as of October 2019 (not 4th week)

ATTACHMENT B

Quarterly Managerial Report

Q1 FY2020

General Fund Monthly Report

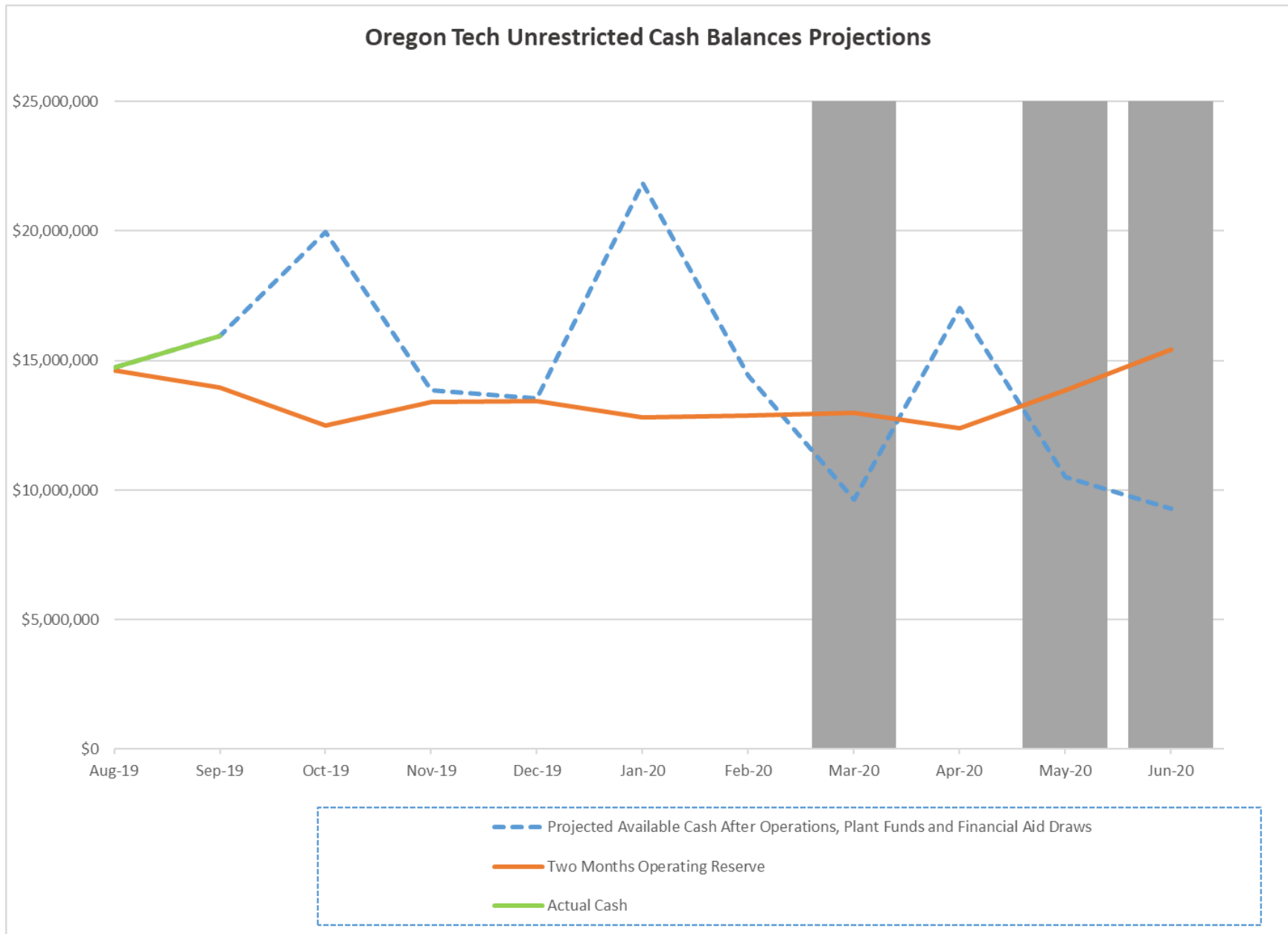
September 2019 (Does Not Include OMIC)

Acct	YTD Comparison		FY20 Forecast				Notes
	FY19 YTD Sept. Actuals	FY20 YTD Sept. Actuals	FY19 Year End Actuals	Board Adopted Budget	Adjusted Budget	Year-End Forecast	
State Allocations	9,994	11,222	28,945	29,259	31,213	31,311	(1)
Tuition & Fees	14,417	15,831	35,791	39,369	38,304	38,304	(2)
Remissions	(1,022)	(1,334)	(3,946)	(4,500)	(4,500)	(4,500)	
Other	778	931	2,309	2,891	2,915	2,915	(3), (4)
Total Revenue	24,167	26,650	63,099	67,019	67,932	68,030	
Unclassified	3,774	3,948	25,519	26,605	26,373	27,190	(5)
Classified	1,371	1,443	5,637	5,738	5,726	6,034	(5), (6)
Student	189	135	904	966	968	968	
GTA	8	9	67	116	121	121	
OPE	3,461	3,748	16,138	18,248	18,063	18,768	(5), (7)
Salary Savings				(2,000)	(1,381)	(1,386)	
Total Labor	8,804	9,284	48,266	49,672	49,870	51,694	(8)
Service & Supplies	3,340	3,799	12,990	13,145	13,187	14,447	(5), (9), (10)
Internal Sales	(251)	(371)	(952)	(1,558)	(1,558)	(1,558)	(11)
Debt Service	608	688	1,514	1,369	1,369	1,939	
Capital	126	112	766	753	740	753	(5)
Utilities	313	241	1,248	1,298	1,298	1,298	
Transfers Out	430	465	1,684	1,882	1,882	1,519	(12)
Total Direct Expense	4,566	4,935	17,251	16,890	16,918	18,398	
Total All Expense	13,370	14,219	65,517	66,562	66,788	70,092	
Net From Operations	10,797	12,432	(2,417)	457	1,145	(2,063)	
Extraordinary Transfers In		1	113	522	524	524	(13)
Extraordinary Transfers Out	(2)	(20)	(819)	-	-	-	
XFR Out Foundation Loan-RCP		(1,800)					
Carryforward & Rollovers from FY19						(1,066)	(14)
Strategic Investment Fund				(1,482)	(1,478)	-	
Contingency Fund				(1,342)	(1,183)	-	
Fund Additions/(Deductions)		127	44	-	-	127	(15)
Change in Fund Balance	10,796	10,739	(3,079)	(1,844)	(993)	(2,478)	
Beginning Fund Balance	13,080	10,001	13,080	10,001	10,001	10,001	
Ending Fund Balance	23,876	20,740	10,001	8,157	9,008	7,523	
Ending Cash Balance	14,916	12,505	9,896				
% Operating Revenues	98.8%	77.8%	15.8%	12.2%	13.3%	11.1%	

Notes:

Education & General

- (1) **Adjusted Budget** - increase of \$1,954k reflects state funding increase to be partially offset by reduction of Resident Tuition rate
- (1) **Forecast** - HECC Settle-Up additional allocation of \$97k
- (2) **Adjusted Budget** - reflects \$1,065k reduction in tuition as agreed from increase in state funding
- (2) **Forecast** - Fall Term SCH enrollment slightly higher than anticipated
- (3) **Adjusted Budget** - increase of \$24k is due to Indirect Cost Recovery from OMIC grant
- (4) **FY20 YTD Actuals** - increase of \$137k from sale of investment & interest, \$82k from ABA Clinic income (not in place yet in FY19), \$8k from cost recoveries and \$29k surplus sales & fees. Decrease of \$58k in legal service revenue and \$46k in Dental Hygiene revenue (stopped selling course kits directly to students)
- (5) **Forecast** - Strategic Investment Fund and Contingency Fund were redistributed to expense areas
- (6) **Adjusted Budget** - Classified salaries will be increasing as SEIU tentatively agreed on contract, which is beyond the amount budgeted and forecasted
- (7) **FY20 YTD Actuals** - are overstated by ~\$789k because of Banner issue-will be corrected in October payroll
- (8) **Adjusted Budget** - increase of \$198k is from moving budget between categories
- (9) **Adjusted Budget** - increase of \$24k is from Indirect Cost Recoveries from OMIC Grant. Remainder is moving budget between categories
- (9) **FY20 YTD Actuals** - increases include \$109k computer purchases, \$89k software & hdwre maintenance contracts, \$77k legal services, \$118k advertising, and \$81k RDS equipment loan payment
- (10) **FY20 YTD Actuals** - increase of \$120k
- (11) **Forecast** - Rebalance Athletics support by \$364k with additional lottery funding
- (13) **Forecast** - Balance for additional revenue of: \$94k Klamath Falls Dental Clinic, \$100k Chemeketa Dental Clinic, and \$327k ABA Clinic
- (14) **Forecast** - Approved carryover requests and rollover budgets from FY19
- (15) **FY20 YTD Actuals** - To record principal payments for Presidio equipment and Foundation Loan against the liability



Quarterly Managerial Report

(PAGE UPDATED 11/19/19)

Q4 FY2019

General Fund Monthly Report
FY19 Year End (Soft Close)

Acct	YTD Comparison		FY19 Forecast				Notes
	FY18 YTD June Actuals	FY19 YTD June Actuals	FY18 Year End Actuals	Board Adopted Budget	Adjusted Budget	Year-End Forecast (May)	
State Allocations	27,657	28,945	27,657	29,301	28,945	28,945	(1)
Tuition & Fees	33,639	35,791	33,639	35,558	37,953	35,785	(2)
Remissions	(3,843)	(3,946)	(3,843)	(4,111)	(4,558)	(3,934)	(2)
Other	1,828	7,067	1,828	1,557	1,557	3,160	(3)
Total Revenue	59,280	67,857	59,280	62,305	63,897	63,956	
Unclassified	23,631	25,519	23,631	24,594	26,181	25,730	
Classified	5,422	5,637	5,422	6,000	5,862	5,811	
Student	769	904	769	1,034	1,034	1,034	
GTA	25	67	25	152	146	146	
OPE	14,633	16,138	14,633	16,616	16,144	15,223	
Salary Savings					(1,000)		
Total Labor	44,481	48,266	44,481	48,396	48,367	47,944	(4)
Service & Supplies	10,654	16,310	10,654	11,640	12,718	12,479	(5)
Internal Sales	(1,154)	(852)	(1,154)	(491)	(829)	(870)	
Debt Service	1,034	1,514	1,034	1,468	1,468	1,468	
Capital	730	766	730	1,179	1,061	692	
Utilities	1,274	1,263	1,274	1,103	1,103	1,101	(6)
Transfers Out	1,334	1,684	1,334	1,551	1,551	1,684	(7)
Total Direct Expense	13,871	20,686	13,871	16,450	17,072	16,554	
Total All Expense	58,352	68,951	58,352	64,846	65,439	64,499	
Net From Operations	928	(1,094)	928	(2,541)	(1,543)	(543)	
Extraordinary Transfers In	291	178	291	302	4	29	(8)
Extraordinary Transfers Out	(366)	(1,938)	(366)	-	(350)	(1,676)	(9)
Special Projects	(205)	-	(205)	-	-	-	
Fund Additions/(Deductions)	(113)	44	(113)	-	-	-	
Change in Fund Balance	535	(2,810)	535	(2,239)	(1,889)	(2,189)	
Beginning Fund Balance	13,114	13,649	13,114	13,649	13,649	13,649	
Ending Fund Balance	13,649	10,839	13,649	11,410	11,760	11,459	
Ending Cash Balance	12,702	10,621	12,702				
% Operating Revenues	23.0%	16.0%	23.0%	18.3%	18.4%	17.9%	

Notes:

Education & General

- (1) FY19 Adjusted Budget: Reflects the True Up adjustments of the SSCM model.
- (2) FY19 Forecast: Had a drop in enrollment Spring Term --> Lower than expected Winter Term to Spring Term retention, causing loss of total SCH and Tuition Revenue. Expect \$124k add'l in Summer Session prior to Final Close of Books
- (3) FY18 Actuals: An adjustment to OMIC revenue pushed other revenue down in FY18;
FY19 Actuals: OMIC Revenues = \$1.295M and are offset by \$1.208M in transfers out below
- (4) FY19 Year End Forecast: Numbers are final. OPE Costs were higher than expected due to an error in July-September 2018. Currently being reconciled.
FY19 Actuals: Increases in faculty compensation due to fewer failed searches and increased health and retirement costs
- (5) FY19 Actuals: S&S includes increased ITS spending on classroom upgrades and equipment allocations made in FY18 and carried forward into FY19
- (6) FY19 Forecast: First phase of Sewer and Storm Water System repairs completed. Anticipated savings of \$100K during FY19, but actuals coming out close to original budget
- (7) FY19 Forecast: Athletics and Shaw Library total adjusted to actual, including additional GF support totals.
- (8) FY19 Actuals: Increase is due to the return of unspent OMIC project funds back into the general fund, plus from closing out some old grant accounts
- (9) FY19 Actuals: Includes \$250k to support capital projects, \$313k FY18 carryover to reserves, and \$1.208M within OMIC

ATTACHMENT C

Ratio Analysis

Oregon Tech Ratio Analysis					
<i>Ratios - without GASB 68 & 75 effect</i>					
	2019	2018	2017	2016	2015
Viability Ratio	0.51	0.79	0.84	0.82	0.27
Primary Reserve Ratio	0.23	0.40	0.45	0.51	0.37
Return on Net Assets Ratio	10.78%	9.19%	9.82%	100.35%	5.61%
Debt Burden Ratio	3.42%	4.08%	4.54%	5.41%	4.37%

Ratio calculations and explanations are from *Strategic Financial Analysis for Higher Education*, 7th Ed., produced by KPMG, Prager, Sealy & Co., LLC and Attain, LLC.¹

Viability Ratio:

Calculation: For public institutions, the numerator is also the same as the numerator for the Primary Reserve Ratio. The denominator is defined as all amounts borrowed for plant purposes from third parties and includes all notes, bonds and capital leases payable that impact the institution's credit, whether or not the institution directly owes the obligation. Plant-related debt includes both the current and long-term portions. This would include debt of the institution's affiliated foundations, partnerships and other special-purpose entities. It would also include amounts owed to a system or state-financing agency as it represents debt issued on the institution's behalf.

Table 13.5 Viability Ratio Calculation

	PRIVATE INSTITUTIONS	PUBLIC INSTITUTIONS
Numerator	Expendable net assets	Expendable net assets plus FASB CU expendable net assets
Denominator	Plant-related debt	Plant-related debt plus FASB CU plant-related debt

The Viability Ratio measures one of the most basic determinants of clear financial health- the availability of expendable net assets to cover debt should the institution need to settle its obligations as of the balance sheet date. For illustrative purposes, we have limited

the liabilities in the calculations to only project-related debt.

Although a ratio of 1:1 or greater indicates that, as of the balance sheet date, an institution has sufficient expendable net assets to satisfy these obligations, this value should not serve as an objective. Many public institutions can operate effectively at a ratio far less than 1:1 since the debt may be reported by a state agency and not the institution, or the institution enjoys the credit rating of the state for its borrowing purposes. Institutions with a ratio of less than 1:1 are, similar to those with a low Primary Reserve Ratio, less self-reliant and have significantly less operating flexibility but can function, and often function well.

Primary Reserve Ratio:

Calculation: For public institutions, the numerator includes all unrestricted net assets and all expendable restricted net assets, excluding those to be invested in plant, on a GASB basis plus unrestricted and

¹ *Strategic Financial Analysis for Higher Education*. 7th Eds. KPMG, Prager, Sealy & Co., LLC and Attain, LLC. 2017. https://emp.nacubo.org/wp-content/uploads/2017/10/NSS_Handbook.pdf.

temporarily restricted net assets on a FASB basis for its FASB component units, excluding net investment in plant and those temporarily restricted net assets that will be invested in plant. The denominator comprises all expenses on a GASB basis in the statement of revenues, expense and changes in net assets, including operating expenses and nonoperating expenses such as interest expense, plus FASB component unit total expenses in the statement of activities. Again, investment losses should be excluded from expenses for both the institution and its component units.

Table 13.2 Primary Reserve Ratio Calculation

	PRIVATE INSTITUTIONS	PUBLIC INSTITUTIONS
Numerator	Expendable net assets	Expendable net assets plus FASB CU expendable net assets
Denominator	Total expenses	Total expenses plus FASB CU total expenses

The Primary Reserve Ratio measures the financial strength of the institution by comparing expendable net assets to total expenses. Expendable net assets represent those assets the institution can access quickly and spend to meet its operating and capital requirements. This

ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations.

Trend analysis indicates whether an institution has increased its net worth in proportion to the rate of growth in its operating size. It is reasonable to expect expendable net assets to increase at least in proportion to the rate of growth in operating size. If they do not, the same dollar amount of expendable net assets will provide a smaller margin of protection against adversity as the institution grows in dollar level of expenses. The trend of this ratio is important. A negative or decreasing trend over time indicates a weakening financial condition

The Primary Reserve Ratio is the first of several ratios that use total expenses to define operating size. For institutions, an analysis of financial statements suggests that a Primary Reserve Ratio of .40x or better is advisable to give institutions the flexibility to transform the enterprise. The implication of .40x is that the institution would have the ability to cover about five months of expenses (40 percent of 12 months) from reserves. Generally, institutions operating at this ratio level rely on internal cash flow to meet short-term cash needs, are able to carry on a reasonable level of facilities maintenance and appear capable of managing modest unforeseen adverse financial events.

Return on Net Assets Ratio

Calculation: For public institutions, the numerator is the change in GASB total net assets plus the change in FASB component unit total net assets regardless of whether they are expendable on nonexpendable, restricted or unrestricted. The denominator is the beginning of the year total net assets that can also be found in the GASB statement of revenues, expenses and changes in net assets and the FASB component unit statement of activities.

Table 13.15 Return on Net Assets Ratio Calculation

	PRIVATE INSTITUTIONS	PUBLIC INSTITUTIONS
Numerator	Change in net assets	Change in net assets plus FASB CU change in net assets
Denominator	Total net assets	Total net assets plus FASB CU total net assets

This ratio determines whether the institution is financially better off than in previous years by measuring total economic return. A decline in this ratio may be appropriate and even warranted if it reflects a strategy to better fulfill the institution's

mission. On the other hand, an improving trend in this ratio indicates that the institution is increasing its net assets and is likely to be able to set aside financial resources to strengthen its future financial flexibility.

The Return on Net Assets Ratio, like all the others, is better applied over an extended period so that the results of long-term plans are measured. Long-term returns are quite volatile and vary significantly based on

the prevailing level of inflation in the economy. Therefore, establishing fixed nominal return targets is not possible. Rather, institutions should establish a real rate of return target in the range of approximately 3 to 4 percent. The real return plus the actual inflation index, either the Consumer Price Index (CPI) or HEPI, will produce the nominal rate of return.

Debt Burden Ratio

Calculation: For public institutions, the numerator of this ratio includes interest on all indebtedness, which is approximated by interest paid, plus the current year's principal payments; both generally are available from the GASB and FASB component unit statements of cash flows. The denominator is total GASB operating expenses plus nonoperating expenses less depreciation expense plus debt service principal payments, plus FASB component unit total expenses less depreciation expense plus debt service principal payments. Investment losses are excluded from the expenditure amount. Including expenses of fund-raising component units is appropriate.

Table 13.8 Debt Burden Ratio Calculation

	PRIVATE INSTITUTIONS	PUBLIC INSTITUTIONS
Numerator	Debt service	Debt service plus FASB CU debt service
Denominator	Total expenditures	Total expenditures plus FASB CU total expenditures

Although not a core strategic financial ratio, the Debt Burden Ratio is a key tool in measuring debt affordability and should be considered a key financial indicator for any institution using debt. This ratio examines the institution's dependence on borrowed funds as a

source of financing its mission and the relative cost of borrowing to overall expenditures. It compares the level of current debt service with the institution's total expenditures. Debt service includes interest and principal payments.

The industry often has viewed an upper threshold for this ratio at 7 percent, meaning that current principal payments and interest expense should not represent more than 7 percent of total expenditures; however, a number of institutions operate effectively with a higher ratio, while others would find this ratio unacceptable.

ATTACHMENT D Facilities and Capital Projects

Capital Bond Projects - Status Report							11/1/2019		
Cornett Renovation - Phase 1 / Phase 2									
Project Start: 9.18.17				Project Completion: 9.31.20					
Project	Progress Highlights			Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE777 / UPE785	* NTP: 9.18.2017								
Bond Type: XI-Q / XI-G	** Phase 1a & b complete / Phase 2 underway.								
Total = \$18,725,000	Phase 1 = \$11,670,000.00			Design (6%):	\$ 1,042,020	\$ 1,089,355	\$ 826,715	76%	\$ 262,640
Design: BBT Architects	Phase 2 = \$7,055,000.00			Construction GMP (89%):	\$ 9,090,000	\$ 16,709,318	\$ 13,764,925	82%	\$ 2,944,393
CM/GC: Adroit Const.	Project Total = \$18,725,000.00			Other (5%):	\$ 1,537,980	\$ 926,327	\$ 356,075	38%	\$ 570,252
	Plan	Design	Bid	Build	Closeout				
Project Totals:					\$ 11,670,000	\$ 18,725,000	\$ 14,947,715	80%	\$ 3,777,285
Budget Breakdown				CO's / Amendments		Percent Complete (%)			
				P1 Amd. 1-9:	\$ 413,155				
				P1 Amd. 13-25	\$ 257,455				
				P1 Amd. 27-32	\$ (1,764)				
				P2 Amd. 11-16	\$ 1,838,415				
				P2 Amd. 22-26	\$ 152,990				
				P2 Amd. 30-33	\$ 4,007,414				
				P2 Amd. 34:	\$ 951,653				
Total:				\$ 7,619,318					
New CEET Building									
Project Start: 6.03.2019				Project Completion: 12.31.2020					
Project	Progress Highlights			Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE785 / FCEET	Visioning: May 2018 - August 2018								
Bond Type: XI-Q / XI-G	Design: November 2018 - September 2019			Replace. Parking Lot (1.5%):	\$ 525,000	\$ 525,000	\$ 525,000	100%	\$ -
	Construction: October 2019 - March 2021			Visioning/Design (7%):	\$ 2,340,000	\$ 2,464,500	\$ 1,577,510	64%	\$ 886,990
Design: TVA Architects				Construction (77%):	\$ 27,000,000	\$ 27,000,000	\$ 585,945	2%	\$ 26,414,055
CM/GC: Adroit Const.				Other (14.5%):	\$ 5,135,000	\$ 5,010,500	\$ 3,145	0%	\$ 5,007,355
	Plan	Design	Bid	Build	Closeout				
Project Totals:					\$ 34,475,000	\$ 34,475,000	\$ 2,691,600	8%	\$ 31,783,400
Budget Breakdown				CO's / Amendments		Percent Complete (%)			
					\$ -				
					\$ -				
					\$ -				
					\$ -				
					\$ -				
					\$ -				
					\$ -				
					\$ -				
					\$ -				
					\$ -				
Total:				\$ -					

Capital Bond Projects - Status Report							11/1/2019																								
Academic Student Rec Center (ASRC)																															
Project Start: 6.04.2018				Project Completion: 9.27.2019																											
Project	Progress Highlights			Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance																						
UPE789	Design: January 2018 - June 2018																														
Bond Type: XI-F	Construction: June 2018 - February 2020																														
	* UPE789 = \$3,500,000			Design (8%):	\$ 280,000	\$ 315,825	\$ 209,232	66%	\$ 106,593																						
Design: BBT Architects	** UPE797 = \$265,000			Construction (85%):	\$ 2,800,000	\$ 3,215,885	\$ 567,915	18%	\$ 2,647,970																						
Build: Modoc Contracting	*** Revised Project Budget = \$3,765,000			Other (7%):	\$ 420,000	\$ 233,290	\$ 43,990	19%	\$ 189,300																						
	Plan	Design	Bid	Build	Closeout	Project Totals:	\$ 3,500,000	\$ 3,765,000	\$ 821,137	22%	\$ 2,943,863																				
Budget Breakdown				CO's / Amendments		Percent Complete (%)																									
				<table border="1"> <tr><td>Amd. 1:</td><td>\$ 37,970</td></tr> <tr><td>Amd. 3:</td><td>\$ 350,325</td></tr> <tr><td>Amd. 4:</td><td>\$ 21,005</td></tr> <tr><td>Amd. 5:</td><td>\$ 1,335</td></tr> <tr><td>Amd. 6:</td><td>\$ 5,250</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td>Total:</td><td>\$ 415,885</td></tr> </table>		Amd. 1:	\$ 37,970	Amd. 3:	\$ 350,325	Amd. 4:	\$ 21,005	Amd. 5:	\$ 1,335	Amd. 6:	\$ 5,250		\$ -		\$ -		\$ -		\$ -		\$ -	Total:	\$ 415,885				
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	\$ -																														
	\$ -																														
	\$ -																														
Total:	\$ 415,885																														
Emerg. Storm - Phase 2b																															
Project Start: 8.20.18				Project Completion: 6.28.19																											
Project	Progress Highlights			Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance																						
UPE769 / FSSTDR	* Design: Completed July 2018																														
Bond Type: XI-Q	** Construction: August 2018 - June 2019																														
				Design (5%):	\$ 24,500	\$ 24,500	\$ 24,500	100%	\$ -																						
Design: Marquess				Construction (92%):	\$ 508,210	\$ 660,220	\$ 660,220	100%	\$ -																						
Build: Bob's Excavating				Other (3%):	\$ 187,290	\$ 35,280	\$ 35,280	100%	\$ -																						
	Plan	Design	Bid	Build	Closeout	Project Totals:	\$ 720,000	\$ 720,000	\$ 720,000	100%	\$ -																				
Budget Breakdown				CO's / Amendments		Percent Complete (%)																									
				<table border="1"> <tr><td>CO 7 - CO 10:</td><td>\$ 14,420</td></tr> <tr><td>CO 12:</td><td>\$ 44,650</td></tr> <tr><td>CO 13:</td><td>\$ 10,530</td></tr> <tr><td>CO 14:</td><td>\$ 6,760</td></tr> <tr><td>CO 15:</td><td>\$ 6,595</td></tr> <tr><td>CO 16:</td><td>\$ 46,650</td></tr> <tr><td>CO 17:</td><td>\$ 725</td></tr> <tr><td>CO 19:</td><td>\$ 17,720</td></tr> <tr><td>CO 20:</td><td>\$ 3,960</td></tr> <tr><td>Total:</td><td>\$ 152,010</td></tr> </table>		CO 7 - CO 10:	\$ 14,420	CO 12:	\$ 44,650	CO 13:	\$ 10,530	CO 14:	\$ 6,760	CO 15:	\$ 6,595	CO 16:	\$ 46,650	CO 17:	\$ 725	CO 19:	\$ 17,720	CO 20:	\$ 3,960	Total:	\$ 152,010						
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CO 20:	\$ 3,960																														
Total:	\$ 152,010																														

Capital Bond Projects - Status Report							11/1/2019																									
Emerg. Storm - Phase 3a																																
Project Start: 6.17.19				Project Completion: 8.30.19																												
Project	Progress Highlights				Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance																						
UPE769 / FSSTDR	* Design: Completed January 2019																															
Bond Type: XI-Q	** Construction: June 2019 - Sept. 2019																															
					Design (4%):	\$ 27,000	\$ 27,000	\$ 27,000	100%	\$ -																						
Design: Marquess					Construction (93%):	\$ 499,995	\$ 605,436	\$ 605,436	100%	\$ -																						
Build: RMC					Other (3%):	\$ 123,005	\$ 17,564	\$ 17,564	100%	\$ -																						
	Plan	Design	Bid	Build	Closeout	Project Totals:	\$ 650,000	\$ 650,000	\$ 650,000	100%	\$ -																					
Budget Breakdown					CO's / Amendments		Percent Complete (%)																									
					<table border="1"> <tr><td>CO 1:</td><td>\$ 39,950</td></tr> <tr><td>CO 2:</td><td>\$ 21,840</td></tr> <tr><td>CO 3:</td><td>\$ 19,635</td></tr> <tr><td>CO 4:</td><td>\$ 11,675</td></tr> <tr><td>CO 5:</td><td>\$ 12,343</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td>Total:</td><td>\$ 105,443</td></tr> </table>		CO 1:	\$ 39,950	CO 2:	\$ 21,840	CO 3:	\$ 19,635	CO 4:	\$ 11,675	CO 5:	\$ 12,343		\$ -		\$ -		\$ -		\$ -		\$ -	Total:	\$ 105,443				
CO 1:	\$ 39,950																															
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CO 5:	\$ 12,343																															
	\$ -																															
	\$ -																															
	\$ -																															
	\$ -																															
	\$ -																															
Total:	\$ 105,443																															
Emerg. Storm - Phase 3b																																
Project Start: 5.06.19				Project Completion: 6.28.19																												
Project	Progress Highlights				Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance																						
UPE769 / FSSTDR	* Design: Completed January 2019																															
Bond Type: XI-Q	** Construction: April 2019 - June 2019																															
					Design (3%):	\$ 24,700	\$ 24,700	\$ 24,700	100%	\$ -																						
Design: Marquess					Construction (96%):	\$ 664,155	\$ 883,600	\$ 883,600	100%	\$ -																						
Build: RMC					Other (1%):	\$ 231,145	\$ 11,700	\$ 11,700	100%	\$ -																						
	Plan	Design	Bid	Build	Closeout	Project Totals:	\$ 920,000	\$ 920,000	\$ 920,000	100%	\$ -																					
Budget Breakdown					CO's / Amendments		Percent Complete (%)																									
					<table border="1"> <tr><td>CO 1 - CO 5:</td><td>\$ 163,706</td></tr> <tr><td>CO 6:</td><td>\$ 17,780</td></tr> <tr><td>CO 7:</td><td>\$ 15,600</td></tr> <tr><td>CO 8:</td><td>\$ 8,891</td></tr> <tr><td>CO 9:</td><td>\$ 2,917</td></tr> <tr><td>CO 10:</td><td>\$ 10,551</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td>Total:</td><td>\$ 219,445</td></tr> </table>		CO 1 - CO 5:	\$ 163,706	CO 6:	\$ 17,780	CO 7:	\$ 15,600	CO 8:	\$ 8,891	CO 9:	\$ 2,917	CO 10:	\$ 10,551		\$ -		\$ -		\$ -	Total:	\$ 219,445						
CO 1 - CO 5:	\$ 163,706																															
CO 6:	\$ 17,780																															
CO 7:	\$ 15,600																															
CO 8:	\$ 8,891																															
CO 9:	\$ 2,917																															
CO 10:	\$ 10,551																															
	\$ -																															
	\$ -																															
	\$ -																															
Total:	\$ 219,445																															

Capital Bond Projects - Status Report							11/1/2019																								
Well 5 Rehabilitation																															
Project Start: 6.17.19				Project Completion: 11.01.19																											
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance																								
UPE773	* Design: Completed June 2019																														
Bond Type:	** Construction: June 2019 - Oct. 2019																														
Design: Fluent Engineering		Design (15%):	\$ 84,500	\$ 109,700	\$ 61,065	56%	\$ 48,635																								
Build: WWD / DCI		Construction (80%):	\$ 598,685	\$ 605,195	\$ 120,000	20%	\$ 485,195																								
		Other (5%):	\$ 66,815	\$ 35,105	\$ 790	2%	\$ 34,315																								
	Plan Design Bid Build Closeout	Project Totals:	\$ 750,000	\$ 750,000	\$ 181,855	24%	\$ 568,145																								
Budget Breakdown		<u>CO's / Amendments</u>		Percent Complete (%)																											
		<table border="1"> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>Total:</td><td>\$ -</td></tr> </table>		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	Total:	\$ -				
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Total:	\$ -																														
LRC/Athletics Transformer Upgrade																															
Project Start: 6.17.19				Project Completion: 8.30.19																											
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance																								
UPE769 / FSSTDR	* Design: Completed January 2019																														
Bond Type: XI-Q	** Construction: June 2019 - Sept. 2019																														
Design: Fluent Engineering		Design (14%):	\$ 28,650	\$ 34,850	\$ 34,850	100%	\$ -																								
Build: Bob's Excavating		Construction (74%):	\$ 179,750	\$ 179,750	\$ 179,750	100%	\$ -																								
		Other (12%):	\$ 36,600	\$ 5,400	\$ 5,400	100%	\$ -																								
	Plan Design Bid Build Closeout	Project Totals:	\$ 245,000	\$ 220,000	\$ 220,000	100%	\$ -																								
Budget Breakdown		<u>CO's / Amendments</u>		Percent Complete (%)																											
		<table border="1"> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>\$</td><td>-</td></tr> <tr><td>Total:</td><td>\$ -</td></tr> </table>		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	Total:	\$ -						
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Total:	\$ -																														

Notes:

- 1) Added Value: (AV)
- 2) Errors and Omissions: (EO)
- 3) Unforeseen Conditions: (UC)
- 4) Value Engineering: (VE)

CCR - UPE 773 , FY 17/18						
#	Project Description	Est. Cost	Final Cost	Bond Balance	Status	Date Complete
	UPE 773			\$ 2,760,605		
1	FACP Upgrades-PE/SN	\$ (5,745)	\$ (5,745)	\$ 2,754,860	Completed	Aug. 2017
2	PE Waterline N Upgrade	\$ (23,350)	\$ (23,350)	\$ 2,731,510	Completed	Aug. 2017
3	Chiller CH-1 and CH-2 Overhaul	\$ (125,480)	\$ (101,650)	\$ 2,629,860	Completed	Nov. 2017
4	LRC/Snell/PE Elev. Upgrades	\$ (231,315)	\$ (231,315)	\$ 2,398,545	Completed	Jun. 2018
5	CU Sidewalk Replacement	\$ (5,490)	\$ (5,490)	\$ 2,393,055	Completed	Sept. 2017
6	Well 1-4 Chlorine Syst. Upgrade	\$ (40,000)	\$ (35,365)	\$ 2,357,690	Completed	Dec. 2017
7	Purvine Chiller Compressor	\$ (25,000)	\$ (26,597)	\$ 2,331,093	Completed	May. 2018
8	Facilities Rollup Door (#3)	\$ (5,749)	\$ (5,550)	\$ 2,325,543	Completed	Mar. 2018
9	LRC Ventilator Heaters	\$ (7,350)	\$ (7,135)	\$ 2,318,408	Completed	Jan. 2019
10	Boivin Static Pressure	\$ (6,000)	\$ (5,000)	\$ 2,313,408	Completed	Apr. 2018
11	Athletics Exterior Upgrades	\$ (1,050,000)	\$ (868,609)	\$ 1,444,799	Completed	Dec. 2018
12	Purvine VFD's	\$ (10,000)	\$ (8,211)	\$ 1,436,588	Completed	Dec. 2018
13	Chiller Monitor/Alarm (Warrantied)	\$ (5,968)	\$ (5,968)	\$ 1,430,620	Completed	May. 2018
14	Athletics Hot Water Syst. Upgrade	\$ (134,020)	\$ (136,370)	\$ 1,294,250	Completed	Sept. 2018
15	Well 1 - Pump Replacement	\$ (35,000)	\$ (25,233)	\$ 1,269,017	Completed	Dec. 2018
16	Athletics West Side HC Entry	\$ (10,000)	\$ (6,654)	\$ 1,262,363	Completed	Mar. 2019
17	Powerplant Fall Protection	\$ (25,000)	\$ -	\$ 1,237,363	On Hold	TBD
18	Purvine Geo Pump Replacement	\$ (25,000)	\$ (18,765)	\$ 1,218,598	Completed	Apr. 2019
19	Well 5 Rehabilitation	\$ (750,000)	\$ -	\$ 468,598	Underway	TBD
20	Bottle Fill Upgrades - P1	\$ (45,000)	\$ (34,712)	\$ 433,886	Completed	Jul. 2019
21	Facilities Reroof	\$ (230,000)	\$ (225,188)	\$ 208,698	Completed	Sept. 2019
22	Boivin HC Entry Door Upgrade	\$ (8,500)	\$ (6,216)	\$ 202,482	Completed	Jul. 2019
23	Backflow Replacement (4)	\$ (15,000)	\$ (13,484)	\$ 188,998	Completed	Aug. 2019
24	Chiller Plant - Bearing Replacement	\$ (10,000)	\$ (7,132)	\$ 181,866	Completed	Jul. 2019
25	Replace Geo Fittings In Tunnels.	\$ (10,000)	\$ -	\$ 171,866	Underway	TBD
26	Well 1 Upgrades	\$ (20,000)	\$ (12,101)	\$ 159,765	Completed	Jun. 2019
27	Facilities HVAC Replacement	\$ (85,000)	\$ (72,000)	\$ 87,765	Completed	Sept.2019
28	Geo Heat Upgrades	\$ (10,000)	\$ (7,905)	\$ 79,860	Completed	Sept.2019
29	Bottle Fill Upgrades - P2	\$ (36,000)	\$ -	\$ 43,860	Underway	TBD
30	Purvine Auditorium Door Upgrade	\$ (15,000)	\$ -	\$ 28,860		
	Balance			\$ 28,860		

CCR - UPE 797 , FY 19/20						
#	Project Description	Est. Cost	Final Cost	Bond Balance	Status	Date Complete
	UPE 797			\$ 2,591,025		
	Balance Forward - UPE 773	\$ 28,860	\$ -	\$ 2,619,885		
1	Athletics Entry Lobby Renovation	\$ (265,000)	\$ -	\$ 2,354,885	Design	TBD
2	Campus HX Rehabilitation	\$ (350,000)	\$ -	\$ 2,004,885	Design	TBD
3	Snowmelt Connections	\$ (225,000)	\$ -	\$ 1,779,885	Pending	TBD
4	Replace GEO Isolation Valves	\$ (140,000)	\$ -	\$ 1,639,885	Pending	TBD
5	Bovin/Semon Vault, MDP, Feeders and Se	\$ (440,000)	\$ -	\$ 1,199,885	Design	TBD
6	Athletics Roof	\$ (345,000)	\$ -	\$ 854,885	Pending	TBD
7	Replace 4 FRP Pipe Elbows	\$ (45,000)	\$ -	\$ 809,885	Pending	TBD
8	Replace Facilities MDP, Feeder, Secound	\$ (137,500)	\$ -	\$ 672,385	Pending	TBD
9	Bldg. HX Replacement (5)	\$ (175,000)	\$ -	\$ 497,385	Pending	TBD
10		\$ (500,000)	\$ -	\$ (2,615)	Pending	TBD
11		\$ -	\$ -	\$ (2,615)		
12		\$ -	\$ -	\$ (2,615)		
13		\$ -	\$ -	\$ (2,615)		
14		\$ -	\$ -	\$ (2,615)		
15		\$ -	\$ -	\$ (2,615)		
	Balance			\$ (2,615)		

Note: Facilities Management is actively managing the DM list based on a recent comprehensive facilities system assessment completed by a third party engineering consulting firm and unexpected failures. Systems identified for immediate replacement, except those in Cornett Hall (currently under renovation) and Boivin Hall (currently in front of the legislature for a major renovation) will be prioritized first. At least \$1.0M will be held for FY 2020 projects. Systems eligible for replacement using the \$5.0M infrastructure bond approved by the legislature will first be funded through that project and then DM funds applied as necessary.

Identified Deferred Maintenance - Education & General						
#	Building	Other	MEP Systems	Exterior	Interior	Bldg. Total
1	Boivin	\$ 850,000	\$ 892,000	\$ 1,454,250	\$ 1,853,250	\$ 5,049,500
2	Dow Center	\$ 55,000	\$ 758,000	\$ 10,000	\$ 35,000	\$ 858,000
3	Facilities	\$ 825,000	\$ 425,000	\$ 770,000	\$ 245,000	\$ 2,265,000
4	LRC	\$ 1,100,000	\$ 930,000	\$ 185,000	\$ 300,000	\$ 2,515,000
5	Owens Hall	\$ 350,000	\$ 854,000	\$ 400,000	\$ 178,550	\$ 1,782,550
6	Power Plant C	\$ 905,000	\$ 85,000	\$ 80,000	\$ -	\$ 1,070,000
7	Purvine Hall	\$ 725,000	\$ 679,000	\$ 798,850	\$ 500,000	\$ 2,702,850
8	Semon Hall	\$ 850,000	\$ 404,000	\$ 500,000	\$ 325,000	\$ 2,079,000
9	Snell Hall	\$ 75,000	\$ 304,000	\$ 561,730	\$ 214,000	\$ 1,154,730
10	Portland-Metro	\$ 341,500	\$ 618,780	\$ 540,770	\$ 493,500	\$ 1,994,550
11	Campus	\$ 5,565,000	\$ 16,150,000	\$ 220,000		\$ 21,935,000
	Total					\$ 43,406,180
Identified Deferred Maintenance - Auxiliary Services						
#	Building	Other	MEP Systems	Exterior	Interior	Bldg. Total
1	Athletics	\$ 675,000	\$ 854,000	\$ 285,000	\$ 1,000,000	\$ 2,814,000
2	Stadium/Track	\$ 1,075,000	\$ 235,000	\$ 600,000	\$ 424,000	\$ 2,334,000
3	Residence Hall	\$ 800,000	\$ 354,000	\$ 2,905,650	\$ 4,370,000	\$ 8,429,650
4	College Union	\$ -	\$ 404,000	\$ -	\$ 575,000	\$ 979,000
5	Village	\$ -	\$ 104,000	\$ 600,000	\$ -	\$ 704,000
6	Student Health	\$ 77,350	\$ 143,000	\$ 275,000	\$ 270,550	\$ 765,900
7		\$ -	\$ -	\$ -	\$ -	\$ -
	Subtotals	\$ 2,627,350	\$ 2,094,000	\$ 4,665,650	\$ 6,639,550	\$ 16,026,550
	Total	\$ 16,026,550				

Notes:

- 1) The Deferred Maintenance plan reflects known needs and will be updated as project pricing is finalized to meet institutional priorities or to support unforeseen emergencies.
- 2) Deferred Maintenance for OMIC campus is not included in analysis.
- 3) Costs do not include Furniture, Fixtures, Class equipment or IT Hardware.

ATTACHMENT E

Audit Status

Internal Audit

(Prepared by Kernutt Stokes, LLP)

Oregon Tech has contracted Kernutt Stokes LLP (KS) for internal audit services. KS reports directly to the Audit Committee of the Board of Trustees (Board).

A three year audit plan for FYs 2020-2022 was approved by the Audit Committee in May 2019. Ongoing audit projects and those projects planned and approved for the current fiscal year, and their statuses are as follows:

Internal Audit Projects Update	
Engagement	Status
Monitor Fraud, Waste, and Abuse Ethics Hotline	Report included for Board review
Audit Follow-Up Evaluation and Report	Report included for Board review
Athletics Fiscal Review	Completed – report issued
OMIC	Completed – report issued
Sponsored Projects and Grant Administration	Currently active – estimated completion by December 2019
Academic Agreements	Currently active – estimated completion early 2020
Title IX	Starting in Winter 2020
Housing and Residence Life	Starting in Spring 2020

The Three-Year Internal Audit Plan and Annual Risk Assessment can be found on the Oregon Tech Internal Audit webpage <http://www.oit.edu/faculty-staff/internal-audit> or through the Finance and Administration homepage.

Since the last board meeting Internal Audit (IA) has completed three projects and started two. The Athletics Fiscal Review and the OMIC audits have both been completed and the reports have been issued to the Board. IA will present those reports more fully at the January 2020 Board meeting. Additionally IA completed a follow-up review of six prior audits that were completed over the last three years. IA reviewed the statuses of any audit issues that required action by Oregon Tech management following those audits, and has performed additional inquiry and testing for those issues that had been addressed. The report notes which issues have been completed, which are still in process, and which still need to be addressed. That report is included in today's board packet.

IA is actively working with Oregon Tech on two projects: Sponsored Projects and Grant Administration (SPGA) and Academic Agreements. The SPGA audit was started in September 2019 and is focused on the effectiveness of current policies and procedures, compliance with grant/special project reporting requirements, sufficiency of training, conflict of interest disclosure, sub-recipient monitoring, indirect cost tracking, and close-out procedures and reporting. The SPGA audit is anticipated to be completed by the end of December 2019. The Academic Agreements audit was begun in November 2019 and is focused on sufficiency and effectiveness of policies and

procedures, coordination of agreements, and the process for registering and placing students. The Academic Agreements audit is anticipated to be completed in early 2020.

IA anticipates beginning the audits of Title IX and the Housing and Residence Life auxiliary in winter and spring 2020, respectively. Both audits are anticipated to be complete by the end of FY 2020.

IA also monitors and performs case management for Oregon Tech's Fraud, Waste, and Abuse Ethics Line, engaging the university's General Council and other appropriate offices at Oregon Tech. The most current report log is available below; with dates representing fiscal years.

Currently in FY 2019/2020 there have been seven new cases reported through both the Oregon Tech Hotline and the Oregon State Audits Division. Four of those cases have been investigated and closed. One case is in a monitoring state as it requires a more lengthy analysis as part of the investigation. The two most recent cases are still open and are currently being looked into by the General Council. IA is assisting the General Council with investigation of the complaint submitted through the Oregon State Audits Division to enable the university to remain independent with certain aspects of the complaint.

Fraud, Waste, and Abuse Ethics Line Report Log				
Complaint Source	2017	2018	2019	2020
Hotline	10	5	6	6
Direct to IA	0	0	0	0
Oregon State Audits Division	0	0	0	1
Total	10	5	6	7
Issues Resolved				
Resolved	10	5	6	4
Monitoring	0	0	0	1
Open	0	0	0	2

Annual Financial and Compliance Audit

Internal year-end planning and year-end work have commenced. The financial and compliance audits are scheduled to be issued in November 2019.

The audit opinions, Annual Financial Report, Single Audit Report and results of the fiscal year will be presented as part of the Audit Committee's regularly scheduled first meeting of 2020.

The annual financial and compliance audit function tentative timeline for the fiscal and compliance audits for the year ending June 30, 2019:

- April – May 2019: Internal planning including all audit areas: financial reporting, federal financial aid, and Information Technology Services (ITS) portions of the audit; coordination and planning meetings with various campus departments
- May – June 2019: Auditors on-site conducting interim fieldwork for the financial and financial aid compliance audits;

- May – August 2019: Auditors conduct remote testing over ITS portion of audit (IT-related internal controls); year-end preparation
- June - July 2019: Fiscal year-end close, audit related schedules, financial statement drafting
- August – September 2019: Auditors conduct on-site final fieldwork; financial statement compilation and draft review
- September – November 2019: Auditors conclude testing off-site and audit wrap-up; finalize Annual Financial Report and Single Audit Report
- Audited financial information submitted to the State of Oregon on or before November 15, 2019

Timeline through report issuance includes:

- November 2019: Submission of audit report issuance to State for discretely presented component unit reporting
- January 2020: Presentation to Audit Committee (regularly scheduled Board meeting)

The VPFA Office oversees the progression and completion of the annual financial and compliance audits with work performed by the Business Affairs Office, Financial Aid Office, Human Resources Office, Information Technology Services, and Office of Sponsored Projects and Grants.

ATTACHMENT F

Quarterly Investment Report

September 30, 2019

Public University Fund

(Prepared by the Public University Fund Administrator)

Oregon Tech's operating assets are invested in the Public University Fund (PUF). The PUF gained 1.0% for the quarter. The PUF's three-year average return was 2.4%.

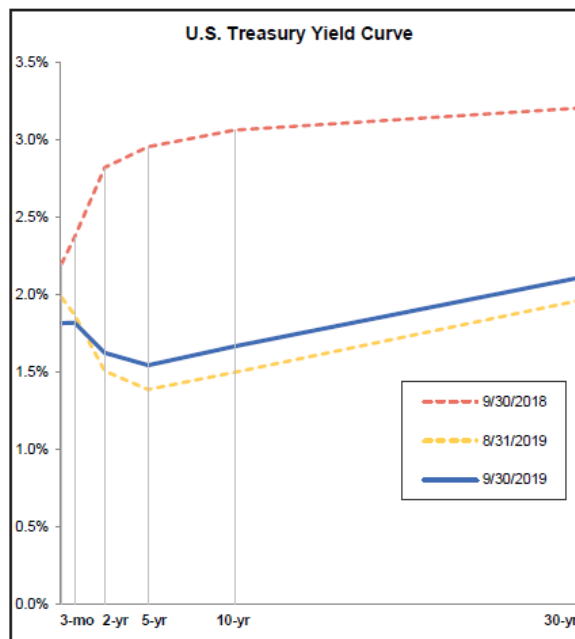
The Oregon Short-Term Fund (OSTF) returned 0.7% for the quarter, outperforming its benchmark by 10 basis points. The Core Bond Fund returned 1.2% for the quarter, underperforming its benchmark by 10 basis points. The investment yield on the PUF portfolio was 0.9% for the quarter.

In November, Oregon State Treasury fixed income portfolio manager, Tom Lofton, conducted a quarterly performance review with university staff. The fixed income market rally continued, during the quarter, as interest rates declined across the yield curve. Foreign investor demand for U.S. credit was strong, driving bond prices higher. Additionally, investor concerns about slowing economic growth and low inflation drove rates lower. To mitigate risk in the portfolio, Mr. Lofton continues to diversify the issuers held in the portfolio and maintain an underweight to corporate credit compared to the benchmark.

Segments of the yield curve remain inverted for a fourth consecutive quarter, particularly the 6-month to 5-year maturities.

Source:

PFM



As depicted by the blue line in the graph (above), the yield on the 3-month Treasury bill (1.82%) was higher than the 5-year Treasury note (1.55%).

A factsheet detailing each investment pool's portfolio characteristics and market exposures is included with this report.

Oregon Tech Quasi-Endowment Fund

The Oregon Tech Quasi-Endowment assets gained 1.1%, for the period ended September 30, 2019. The Oregon Intermediate-Term Pool (OITP) underperformed its benchmark by 20 basis points for the quarter. During the period, \$297,240 of OITP investments were sold to fund the annual endowment distribution. The Endowment assets were valued at \$7.3 million, as of September 30, 2019.

Oregon Tech
Investment Summary
as of September 30, 2019
(Net of Fees)

	Quarter Ended 9/30/2019	Current Fiscal YTD	Prior Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Range
OIT Operating Assets Invested in Public University Fund									
Oregon Short - Term Fund	0.7%	0.7%	0.6%	1.9%	1.4%	1.0%	\$ 11,577,094	47.3%	1
Benchmark - 91 day T-Bill	0.6%	0.6%	0.5%	1.5%	1.0%	0.5%			
PUF Core Bond Fund	1.2%	1.2%	0.1%	N/A	N/A	N/A	12,909,546	52.7%	1
Blended Benchmark ²	1.3%	1.3%	0.1%	2.1%	3.1%	N/A			
Public University Fund Total Return	1.0%	1.0%	0.3%	2.4%			<u>\$ 24,486,640</u>	<u>100.0%</u>	
Public University Fund Investment Yield	0.9%	0.9%	0.6%	2.4%					
OIT Endowment Assets									
Oregon Intermediate-Term Pool	1.1%	1.1%	0.2%	N/A	N/A	N/A	\$ 7,327,245	100.0%	
Benchmark - Bloomberg Barclays 3-5 Year Index	1.3%	1.3%	0.1%	2.3%	2.4%	N/A			
Total Endowment Assets	1.1%	1.1%	0.2%				<u>\$ 7,327,245</u>	<u>100.0%</u>	

¹ The Public University Fund (PUF) policy guidelines define investment allocation targets based upon total participant dollars committed. Core balances in excess of liquidity requirements for the participants are available for investment in the Core Bond Fund. Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.

² Blended Benchmark Composition: 75% Bloomberg Barclay's Aggregate 3-5 Years Index, 25% Bloomberg Barclay's Aggregate 5-7 Years Index.

Note: Outlined returns underperformed their benchmark.

Oregon Short Term Fund

September 30, 2019

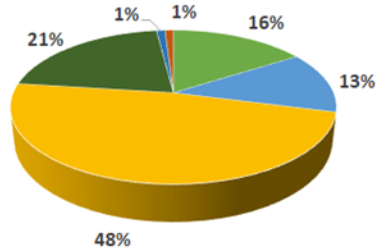
Portfolio Characteristics

Market Value 9/30/2019	\$ 279,778,949
Weighted Average Credit Quality	AA
Book Yield (%)	2.53
Weighted Average Maturity (years)	1.22
Duration (years)	0.52
Spread Duration (rate)	0.94

Top 10 Issuers

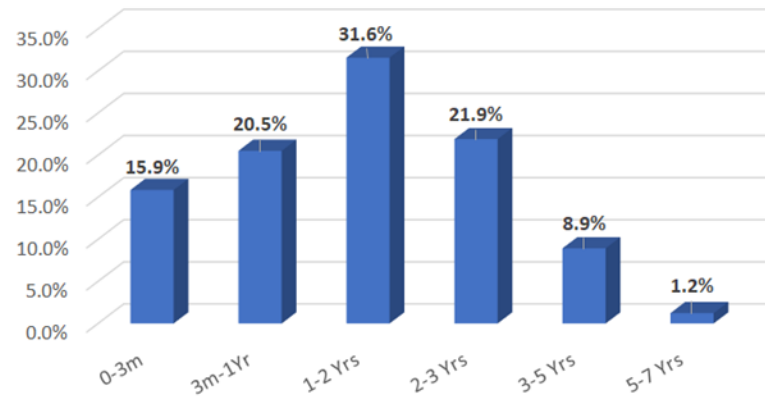
United States Treasury	16.0%
Wells Fargo & Company	3.9%
Federal Farm Credit Banks Funding Corporation	2.6%
Citigroup Incorporated	2.5%
American Express Credit Account Master Trust	2.4%
JP Morgan Chase & Company	2.4%
Federal Home Loan Banks	2.2%
Goldman Sachs Group Incorporated (The)	2.1%
Caterpillar Incorporated	2.0%
Barclays Plc	1.9%
Total	38.0%

Sector Allocations

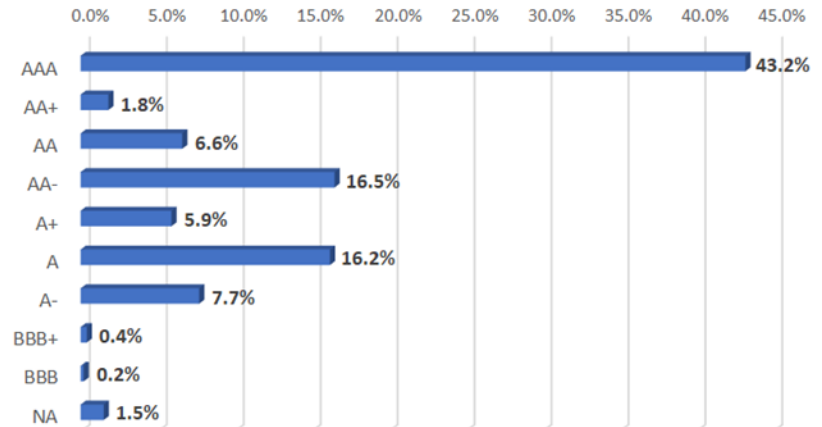


■ Treasuries ■ Government Related ■ Corporates ■ Securitized ■ Funds ■ Cash Securities

Maturity Breakdown



Credit Quality Distribution



Source: Oregon State Treasury

Core Bond Fund

September 30, 2019

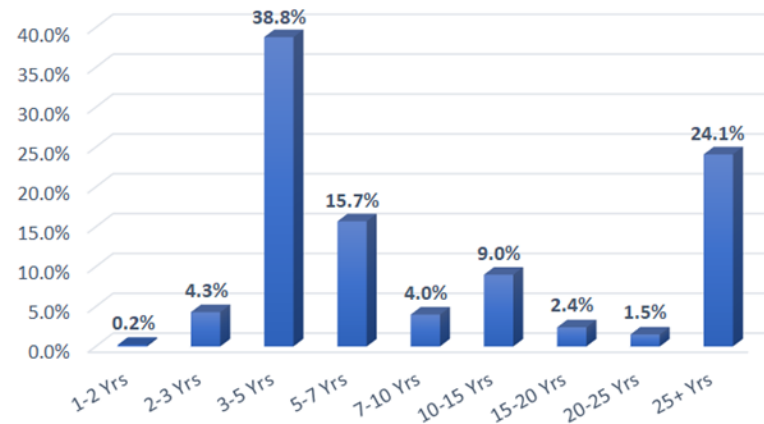
Portfolio Characteristics

Market Value 9/30/19	\$ 311,979,795
Weighted Average Credit Quality	AA+
Book Yield (%)	2.53
Weighted Average Maturity (years)	4.25
Duration (years)	3.14
Spread Duration (rate)	2.49

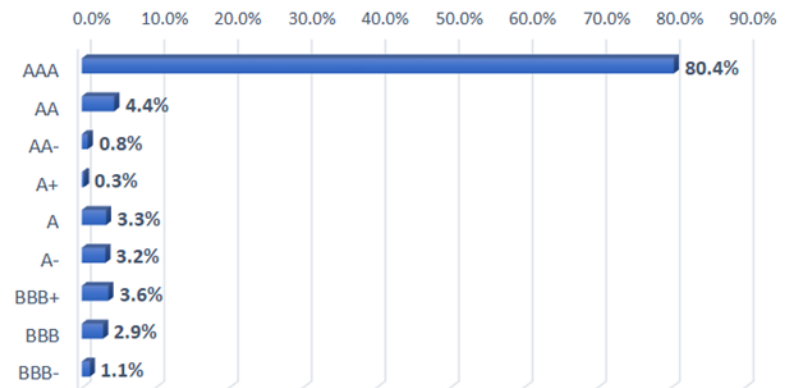
Top 10 Issuers

United States Treasury	45.4%
Federal National Mortgage Association	17.3%
Federal Home Loan Mortgage Corporation	7.3%
Oregon State Treasury (Oregon Short-Term Fund)	3.7%
European Investment Bank	1.9%
Celgene Corporation	0.9%
Freddie Mac FHLMC Trust 4664	0.8%
Ryder Systems Incorporated	0.7%
Freddie Mac FHLMC Trust 4625	0.7%
Walmart Incorporated	0.7%
Total	79.4%

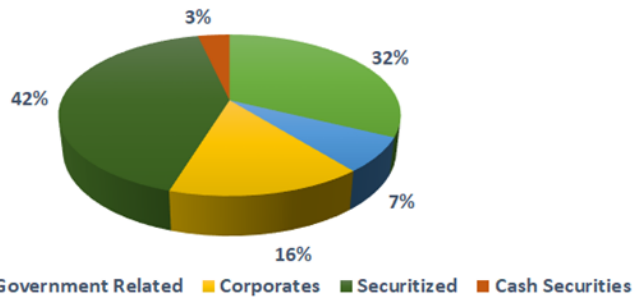
Maturity Breakdown



Credit Quality Distribution



Sector Allocations



Source: Oregon State Treasury

FY2020 Q1 MARKET COMMENTARY*(Prepared by Callan Associates, consultants to the Oregon Investment Council)***Macroeconomic Environment**

The U.S. economy continued to perform reasonably well in the third calendar quarter, with several September data points surpassing expectations. That said, global growth continued to languish, especially in manufacturing where trade wars have taken a toll. Inflation also remained stubbornly low. Against that backdrop, the U.S. dollar was a star performer, up 3.4% versus a basket of trade partner currencies and up 4.3% versus the beleaguered euro. U.S. fixed income also posted another solid quarter, with the Bloomberg Barclays US Aggregate Bond Index up 2.3%. The S&P 500 Index eked out a modest gain of 1.7% and the Morgan Stanley Capital Indices (MSCI) All Countries World Index (ACWI) ex-USA lost 1.8%. The worst-performing sector was emerging market equity, which lost over 4%.

Gross domestic product (GDP) across the 19-country euro zone grew 1.2% (annualized) in the second calendar quarter, but its largest country, Germany, is now widely thought to be in recession; its second calendar quarter GDP contracted modestly from the previous quarter. The European Central Bank (ECB) has lowered its forecast to 1.1% in calendar year 2019 and 1.2% in calendar year 2020. Japan revised its second calendar quarter GDP down from 1.8% to 1.3% (annualized). In China, industrial output growth was an annualized 4.4% in August, its lowest monthly gain in 17 years. Euro zone Purchasing Managers Index, a measure of manufacturing health, fell to 45.6, the lowest in 17 years. Germany saw its manufacturing data decline to the worst level in more than 10 years. Gyration in trade talks continued throughout the third calendar quarter. While the U.S. and China imposed and threatened tariffs on one another, the countries agreed to a 13th round of trade talks in October, thus easing concerns somewhat going into quarter-end.

In an effort to spur growth, central banks around the world in both developed and emerging markets cut rates in the third calendar quarter. The ECB reduced its deposit rate from -0.4% to -0.5% and announced a new bond purchase program at a rate of €20 billion a month, beginning in November. Australia and New Zealand cut their benchmark interest rates to record lows of 0.75% and 1.0%, respectively. And negative-yielding debt ended the quarter at roughly \$17 trillion, leaving investors to grapple with the dire implications of paltry yields and reduced return expectations for both stocks and bonds.

Against this rather gloomy backdrop, the U.S. economy continued to hum along. The consumer continued to be a bright spot, bolstering services sectors, while manufacturing dampened growth. Unemployment remains low (3.7%) and average hourly earnings ticked up (3.2% year over year). The Citi Economic Surprise Index was up sharply in August, surpassing expectations. Consumer confidence remains elevated, though the expectations component ticked down in September. GDP growth in the U.S. was 2.0% for the second calendar quarter (annualized) and 2.3% year over year. Current estimates from the Atlanta and the New York Federal Reserve (Fed) for third calendar quarter GDP growth are just over 2.0%. However, worries over the impact of tariffs and concerns about growth overseas have led to rate cuts here as well. The Federal Open Market Committee cut the Fed Funds rate by 25 basis points at its September meeting, bringing the range to 1.75%-2.00%.

Commentary around the rate cut cited it as being a “mid-cycle adjustment,” but Fed Chair Jerome Powell also recently said that it is his objective to “sustain the expansion.” It is notable that two members voted against a cut and one voted for a 50 basis points (bps) cut. The broad Fed view does not show another cut until after calendar 2020, but expectations are mixed among the members. Market expectations are more dovish.

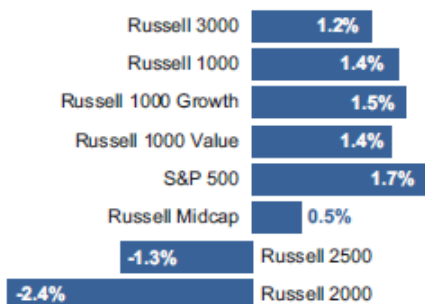
Headline Consumer Price Index in August was 1.7% (Core: 2.4%) and the Fed’s favored indicator, the Core Personal Consumption Expenditure Index, was +1.8% (annualized), below its 2% target. Monetary stimulus has not been able to spur inflation or growth, and thus talks of potential fiscal stimulus packages are beginning to surface in the U.S. and abroad. While this may be politically attractive, it should be noted that the U.S. federal budget deficit hit over \$1 trillion for the first 11 months of federal fiscal year 2019, the highest in seven years, and roughly 5% of GDP. This has not posed a problem in recent years given sufficient overseas buyers of U.S. Treasuries, but it is an important data point to acknowledge.

Economic data along with striking political headlines in the U.S., British Exit (Brexit) uncertainty, Iran/Saudi tensions, civil unrest in Hong Kong, and ongoing trade talks leave much room for uncertainty in the fourth calendar quarter.

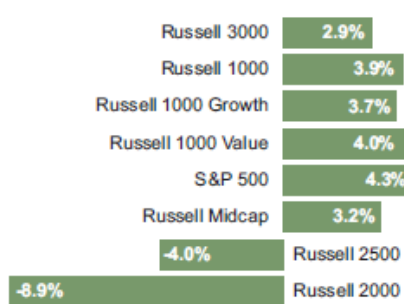
Equity Markets Results

The S&P 500 gained 1.7% in the third calendar quarter, and 20.6% for the calendar year-to-date. However, returns were mixed across sectors. Real Estate (+7.7%) and Utilities (+9.3%) both benefited from lower interest rates. Returns for both sectors are approaching 30% on a calendar year-to-date basis. Energy, hurt by falling oil prices, lost 6.3% and is up only 6.0% for the calendar year. Health Care was another poor performer, down 2.2% for the quarter and up 5.6% calendar year-to-date. From a style perspective, value mounted a comeback late in the quarter, but over the full quarter returns across styles were similar (Russell 1000: +1.4%; Russell 1000 Growth: +1.5%; Russell 1000 Value: +1.4%). Small caps underperformed (Russell 2000: -2.4% vs Russell 1000: +1.4%) and, notably, small cap value outperformed small cap growth by a significant margin (Russell 2000 Value: -0.6% vs. Russell 2000 Growth: -4.2%).

U.S. Equity: Quarterly Returns



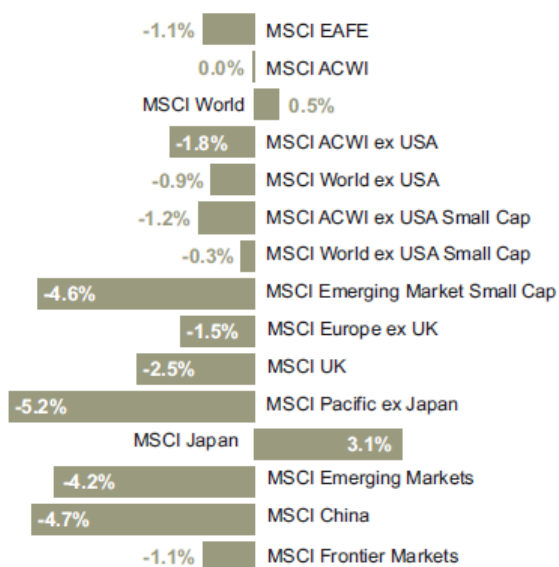
U.S. Equity: One-Year Returns



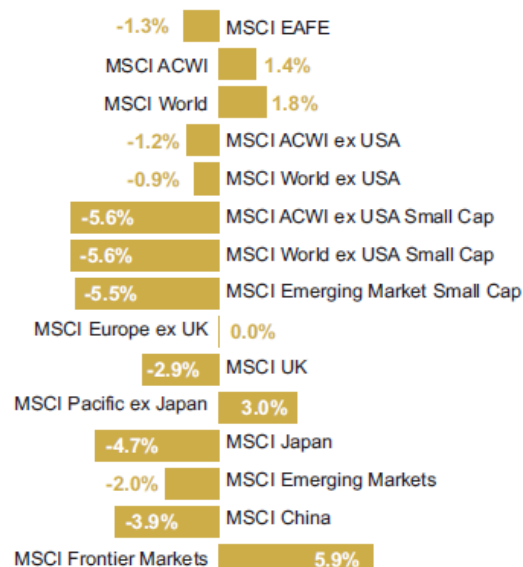
Overseas, the strong U.S. dollar hurt results. The MSCI ACWI ex-USA Index fell 1.8%, with emerging markets (MSCI Emerging Markets: -4.2%) underperforming developed (MSCI Europe Australasia and the Far East: -1.1%). The U.K. sank 2.5% due solely to performance of its currency,

which lost just over 3% versus the U.S. dollar on Brexit-related woes. Japan (+3.1%) was one of the few countries to post a positive return, but the yen was also relatively flat vs the U.S. dollar. Emerging market countries were generally down, with Brazil, India, and China falling about 5% and Russia down a more modest 1.4%. Political uncertainty in Argentina caused its market to lose half its value in August (-47%); that said, Argentina just entered the Index in May 2019 and accounts for a very small slice (less than 1%). Value underperformed growth in both developed and emerging markets for the quarter, widening the spread on a calendar year-to-date basis. From a sector standpoint, Technology (MSCI ACWI ex-USA Technology: +2.2%) was up the most while Materials (-6.5%) and Energy (-4.6%) performed the worst.

Non-U.S. Equity: Quarterly Returns



Non-U.S. Equity: One-Year Returns

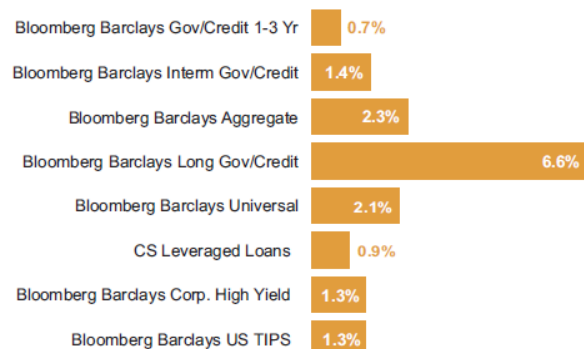


Fixed Income Markets Results

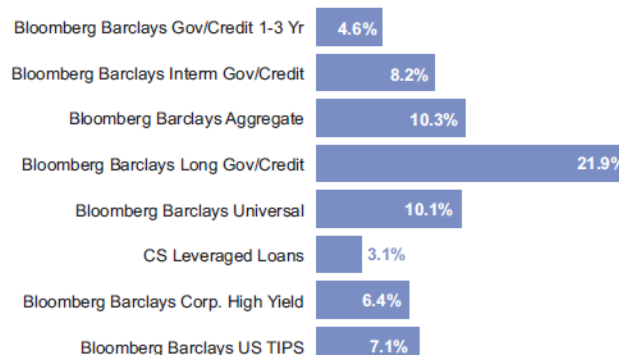
Ten-year U.S. Treasury yields were volatile in the third calendar quarter, especially in September, hitting a calendar year 2019 low of 1.40% on Sept. 4, soaring to 1.90% mid-month and closing the quarter at 1.68%, down 32 bps from June 30. U.S. Treasuries thus posted strong results (Bloomberg Barclays US Treasury Index: +2.4%). Long U.S. Treasuries soared (Bloomberg Barclays Long US Treasury Index: +7.9%; +19.8% calendar year-to-date) in the falling rate environment. The Bloomberg Barclays Aggregate rose 2.3%, bringing its calendar year-to-date result to +8.5%. High yield was up just over 1% (+11.4% calendar year-to-date) but, notably, lower quality credits significantly underperformed (CCC: -1.8% vs BB: +2.0%, and +12.8% vs +5.6% calendar year-to-date) representing some concern about deteriorating quality at the lower end of the spectrum. Treasury Inflation Protected Securities (TIPS) (Bloomberg Barclays TIPS: +1.3%) underperformed as inflation expectations waned; 10-year breakeven spreads were 1.53% as of quarter-end, down from 1.69% as of June 30. The 10-year real yield dipped briefly into negative territory in early September. Municipal bonds performed well, but did not keep pace with U.S. Treasuries (Bloomberg Barclays Muni: +1.6%; +6.7% calendar year-to-date). The shorter duration Bloomberg

Barclays Muni 1-10 Year lagged with returns of +0.8% for the quarter and +4.7% calendar year-to-date.

U.S. Fixed Income: Quarterly Returns



U.S. Fixed Income: One-Year Returns



Rates fell overseas as well, but the U.S. dollar appreciated versus most currencies. The Bloomberg Barclays Global Aggregate ex-US fell 0.6% (unhedged) while the hedged version was up 2.8% for the quarter. Emerging market returns were roughly flat (JP Morgan Emerging Market Bond Global Diversified Index: +1.5%; JP Morgan Global Bond Emerging Markets Diversified Index: -0.8%) but both are up sharply calendar year-to-date (+7.9%; +13.0%) respectively. Within the dollar-denominated benchmark, Argentina (-42%) and Venezuela (-51%) were among the few to post negative returns. Conversely, returns in the local debt benchmark were more mixed with Turkey (+19%) and Argentina (-60%) being outliers.

Other Assets Results

Given the declining rate environment witnessed during the third calendar quarter, several real asset categories performed well, notably both the listed Real Estate (Financial Times Stock Exchange: National Association of Real Estate Investment Trusts Equity Index +7.8%; +27.0% calendar year-to-date) and Infrastructure (Dow Jones Brookfield: Global Infrastructure +2.5%; +23.8% calendar year-to-date) sectors. But while the Master Limited Partnerships (MLP) category also generally benefits from declining rate environments, volatile and falling oil prices weighed more heavily on the space in the quarter (Alerian MLP Index: -5.0%; +11.0% calendar year-to-date). Oil prices slid from \$58.47 to \$54.07 (West Texas Intermediate) during the quarter and the energy-heavy Goldman Sachs Commodity Index was off 4.2%, while Gold (S&P Gold spot price: +4.25; +15.0% calendar year-to-date) benefitted from its safe haven status. Looking across the rest of the Commodity complex, Agriculture Commodities finished in negative territory (Bloomberg Commodity: Agriculture Sub index: -6.2%), weighed down by Coffee, Corn and Cotton in particular, while Nickel (+35.5%) almost single-handedly lifted the Industrial Metals Sub index (+2.4%) into positive territory for the quarter.

Closing Thoughts

Markets were subdued as the quarter ended in spite of an unexpected impeachment inquiry into the President of the U.S., an imminent Brexit outcome that poses the threat of a harsh no-deal

departure, violence in Hong Kong, and other assorted challenges. Trade negotiations are slated to continue, but uncertainty remains. Returns across capital markets have been outsized in calendar 2019, especially in the U.S., where stock markets have rewarded investors with 20% results and fixed income is up nearly 10%. There appears to be ample fuel for lowered expectations going forward, but we continue to guide investors to adhere to a disciplined process that includes an appropriate and well-defined long-term asset allocation policy.

ACTION

Agenda Item No. 4.1

Adoption of Fiscal Year 2020-21 Budget Development Principles

Summary

Oregon Tech is beginning the annual budget development process for Fiscal Year 2021. This will be the second year in which responsibility for developing budget recommendations are distributed to department directors and chairs, with overarching budget targets established for functional vice presidents and deans at the division level. The Budget and Planning Office is managing the budget development process in close coordination with the Senior Leadership Team, the Fiscal Operations Advisory Committee (FOAC) and at the direction of the president. This is particularly important as the university focuses on increasing the openness and transparency with which it sets its budget.

The university will establish budget principles in order to provide guidance for leaders across university in developing and prioritizing budget requests, including both ongoing and new investments. These principles will be used by FOAC and the Senior Leadership Team when reviewing budget requests and by the president when establishing a budget recommendation to the Board of Trustees at its May 28, 2020 meeting.

In order to ensure involvement of the campus community throughout the FY 21 budget development process FOAC was invited to co-develop the budget principles to be recommended to the Board by the Senior Leadership Team and the president.

Through this collaborative process the following principles were developed for discussion and approval by the Finance and Facilities Committee for the Fiscal Year 2021 Education and General Budget:

- 1) Balance revenue and expenses within the operating budget
- 2) Prioritize recruiting, retaining, and graduating students to ensure long-term sustainability
- 3) Align programs and initiatives with industry and other employer demand
- 4) Invest in faculty, staff, and infrastructure to support student and institutional success
- 5) Use an open and transparent budget development process

With appropriate input from FOAC, the university committee charged with supporting the budget development process, these principles take into consideration the Board's one-time investment philosophy and the importance of recommending a balanced operating budget for Fiscal Year 2021 to the Board.

Background

During the past two fiscal years, as well as during the current fiscal year, Oregon Tech has actively repositioned and reallocated funds from vacancies, S&S and utility savings towards investments which are designed to drive enrollment, support faculty and academic programs and enhance the physical infrastructure of the university. This effort will continue in future years to ensure the university is positioned well to thrive in a more competitive and uncertain environment.

As the university heads into 2020-21 budget planning cycle there are both areas of certainty and of significant uncertainty on the horizon. The state of Oregon's utilizes a two-year budget cycle. Fiscal Year 2021 is in the second year of the biennium and barring any exigent circumstances the states 49% / 51% distribution rule will be in force. This provides some level of certainty as it relates to the amount of funds flowing into the HECC's Student Success and Completion Model. However, at this time, the HECC is undergoing a re-evaluation of the SSCM funding model which creates risk in the distribution system related to state funding in the second year of the biennium. It is too early in the process to forecast whether this will have a positive or negative short-term or long-term impact on the university. But changes could go into effect as early as June 2020. Given the current funding formula it is anticipated that approximately \$1.15 million dollars in additional state funding will be available for Oregon Tech during FY2021.

The PERS assessment rates reset biennially during the first year of a biennia. The PERS rates will thus stay at their current levels during the upcoming budget year and adjust only in accordance with overall changes in compensation levels. PEBB (healthcare) rates fluctuate yearly and have historically ranged from 5%-8% increases annually. The university recently settled a contract with SEIU which will be in effect for the remainder of the current and the next fiscal year. Various other expenses are anticipated to experience normal inflationary increases, and some items, such as property insurance are anticipated to increase above normal inflationary rates.

During the tuition approval process at the HECC, Oregon Tech let it be known that its Fiscal Year 2021 tuition planning anticipated staying within the 5% statutory trigger for HECC review, but that it would likely be near that cap.

2021 Budget Development Process

In an institution-wide effort to empower division leaders and department managers across the university, once again the locus of budget development will be at the department level. However, the responsibility for accomplishing budget goals will be at the functional VP (division) level. The Senior Leadership Team, with input from FOAC, will develop division-level budget targets.

During the prior year's budget development process department managers were asked to develop a cut, flat and investment budget scenario for consideration by their respective divisional leaders. This allows division executives to manage trade-offs and prioritize between departments within their division to reallocate funds to the highest and best use. This methodology is anticipated to be used

again for the upcoming budget development process. The Board approved budget principles will be the guidepost by which trade off decisions are made.

The university will establish an investment process, allowing unit leaders to submit investment requests with an executive sponsor at the functional vice president and dean level. These requests will be evaluated in the budget build process, along with ongoing operational needs and weighed against the budget development principles outlined in this document.

FY 2021 Budget Development Timeline

DRAFT FY 2021 Budget Build Calendar	
October 2019	Budget Principles and Targets Developed
November 2019	FOAC reviews budget principles
Oct-Dec. 2019	Budget Office Develops Templates
Dec-Jan. 2020	Sr. Leadership Established Divisional Budget Goals in consultation with FOAC
January 2020	Budget office distributes budget templates
January 2020	Budget office offers departmental and individualized training as needed
Jan.-Feb. 2020	Tuition Recommendation Committee begins developing recommendation
Jan.-Feb. 2020	Incidental Fee Committee begins developing recommendation
TBD by Deans	Budgets due to Deans
Mid-February 2020	Budgets due to Provost
Mid-February 2020	Budgets due to non-Academic Divisional Leads
February 2020	2020 Legislative Session Begins
3/9/2020	<i>Budgets due to Budget Office</i>
March-Mid-April 2020	Budget Office reviews and corrects budgets into templates; Discussions with Deans and Departments as needed
4/2/2019	<i>Board Meeting - Tuition & Fees</i>
Mid-April 2020	FOAC reviews budget recommendations and provides input to Sr. Leadership
Approx. 4/22/20	Sr. Leadership reviews and forwards recommended budget to the President
Approx. 4/29/20	President reviews and approves budget to be forwarded to BOT
May 2020	Budget Office preps final budget documentation and reports for Board
5/28/2020	<i>Board Meeting - Budget Approval</i>
June 2020	Board approved budget loaded into Banner

Budget Development Principles

In establishing budget development principles for FY 2021 FOAC and the Senior Leadership Team incorporated both a forward-looking understanding of what risks and opportunities are likely to be present over the coming three to four months during the development process and over the coming year and years. The Board's upcoming adoption of a new strategic plan as well as proactive input from the Fiscal Operations Advisory Council (FOAC) were incorporated into these principles. These principles are organized by order of importance, though the last principle related to transparency is an operating principle throughout the development and recommendation process and not a ranking principle for establishing budget goals or tradeoffs.

Oregon Tech 2021 Budget Development Principles

- 1) Balance revenue and expenses within the operating budget
- 2) Prioritize recruiting, retaining, and graduating students to ensure long-term sustainability
- 3) Align programs and initiatives with industry and other employer demand
- 4) Invest in faculty, staff, and infrastructure to support student and institutional success
- 5) Use an open and transparent budget development process

Staff Recommendation

Staff recommends the Committee recommend approval of the FY 2021 Budget Development Principles as proposed in the docket by the full Board of Trustees.

ACTION ITEM

Agenda Item No. 4.2

Fiscal Year 2020 and Draft 2021 Finance and Facilities Committee Work Plan

Summary

The following docket item provides a FY 2020 work plan for the Finance and Facilities Committee as well as a draft FY 2021 work plan. The annual work plan is used by Finance and Administration Staff to prioritize work throughout the year to meet Board level deliverables and incorporates annual tasks such as budget and tuition approval.

Background

The Finance and Facilities Committee of the Board of Trustees has several prescribed recurring functions that oversee the financial operations and capital development/maintenance of the University. These include tuition and budget recommendations to the full Board, internal audit planning and approvals, receiving the audited annual financial report, quarterly financial reports and annual capital plan. Adopting an annual work plan allows for an orderly and mindful work process by staff and supports the deliberation and decision making function of the Committee and the Board.

Because of time constraints at the May 2019 meeting of the Finance and Facilities Committee adoption of the FY 20 work plan was pushed back to Fall 2019. In the interim the VPFA has coordinated with the Chair of the Finance and Facilities Committee to ensure work projects are prioritized to meet the Committee's expectation. As usual, the format includes "Major Topics" and "Minor Topics" which are designed to supported each other and build towards actions of the Board.

Major Topics are items with significant strategic importance for discussion, deliberation or information to the Committee or are major decisions reserved for the Board or its Committees. This includes items such as budget and tuition setting as well as major capital projects and bond issuance authorizations.

Minor Topics are items which are either decisions which must reach the Board, but are unlikely to require significant discussion or informational topics which provide background and prepare the Committee for decisions that will be seen in subsequent meetings of the Committee.

Fiscal Year 2020 Finance and Facilities Committee Work Plan

November 21, 2019	
Major Topics:	
<ul style="list-style-type: none"> - Internal Audit Structure Discussion - Financial Dashboard Update – Financial Ratios - Budget Development Principles [Action] 	
Minor Topics:	
<ul style="list-style-type: none"> - FY 2019 Q4 Quarterly Dashboard (Unaudited FYE) - FY 2020 Q1 Quarterly Dashboard - Internal Audit Engagement Follow-Up Report - OMIC Annual Update 	
January 23, 2020	
Major Topics:	
<ul style="list-style-type: none"> - Financial Statement and Single Audit Presentation [Action] - Capital Project Status Report Presentation - Tuition Development Process Update 	
Minor Topics:	
<ul style="list-style-type: none"> - OMIC Annual Update - Receive Internal Audit Report(s) [Action] 	
April 2, 2020	
Major Topics:	
<ul style="list-style-type: none"> - Tuition Recommendation [Action] - Receive Internal Audit Report(s) [Action] 	
Minor Topics:	
<ul style="list-style-type: none"> - FY 2020 Q2 Quarterly Dashboard - Legislative Update/Short-Session Recap 	
May 28, 2020	
Major Topics:	
<ul style="list-style-type: none"> - Budget Recommendation [Action] - Internal Audit Risk Assessment and Annual FY 2020 Work Plan [Action] 	
Minor Topics:	
<ul style="list-style-type: none"> - FY 2020 Q3 Quarterly Dashboard - Capital Projects Summer Plan - FY 2021 Committee Work Plan [Action] 	

Fiscal Year 2021 Finance and Facilities Committee Work Plan

Fall 2020
Major Topics:
<ul style="list-style-type: none"> - Capital Projects Status Report Presentation - Budget Development Principles [Action] - HECC Student Success and Completion Model Update
Minor Topics:
<ul style="list-style-type: none"> - FY 2020 Q4 Quarterly Dashboard (Unaudited FYE) - FY 2021 Q1 Quarterly Dashboard - OMIC Annual Update
Winter 2021
Major Topics:
<ul style="list-style-type: none"> - Financial Statement and Single Audit Presentation [Action] - Long-Term Financial Planning
Minor Topics:
<ul style="list-style-type: none"> - Tuition Development Process Update - Legislative Update - State Budget Forecast
Early Spring 2021
Major Topics:
<ul style="list-style-type: none"> - Tuition Development Process Update - Receive Internal Audit Report(s) [Action]
Minor Topics:
<ul style="list-style-type: none"> - FY 2021 Q2 Quarterly Dashboard - Legislative Update - Capital Projects Summer Plan
Late Spring 2021
Major Topics:
<ul style="list-style-type: none"> - Tuition Recommendation [Action] - Budget Recommendation [Action] - Internal Audit Risk Assessment and Annual FY 2021 Work Plan [Action]
Minor Topics:
<ul style="list-style-type: none"> - FY 2021 Q3 Quarterly Dashboard - Legislative Update - FY 2022 Committee Work Plan [Action]

Staff Recommendation

Staff recommends the Committee adopt the Fiscal Year 2020 Finance & Facilities Committee Work Plan as described in the docket.

ACTION ITEM

Agenda Item No. 4.3

Internal Audit Report

Summary

Internal Audit has completed follow up reviews of six internal audits conducted over the past two years. During this review process Internal Audit inquired with management on the implementation of policy and process changes identified by through the audit and agreed to by management. Where necessary Internal Audit requested relevant documentation and verified implementation. This is a routine process for Internal Audit and provides subsequent testing of management responses/implementation of process improvements as reported to the Audit Committee.

Detailed evaluations of the implementation of process and policy changes for each completed audit are included in the attached docket material.

Staff Recommendation

Internal Audit recommends that the Audit Committee of the Board of Trustees accept the attached Audit Follow-Up Report.

Attachments

- [Kernutt Stokes PowerPoint Presentation](#)
- [Audit Follow-Up Report](#)

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Internal Audit Update

November 21, 2019

Internal Audit Update Agenda

- Audit Follow-Up Report
- 2018/2019 – Project Completion Report
- 2019/2020 – Project Status Update
- Fraud, Waste, & Abuse Ethics Hotline Update

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Audit Follow-up Report

Prior Audit	Audit Issues to Follow-Up	Implemented	In Process	Not Implemented
Telecom	NA	-	-	-
Tuition Remissions	2	2	-	-
Expense Reimbursements	2	-	2	-
Accounts Payable	4	1	2	1
ISHC	5	3	-	2
Faculty Workload*	22	-	-	22

*Management has not provided a formal response to the audit issues reported by IA.

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2018/2019 – Project Completion Report

Oregon Manufacturing Innovation Center (OMIC)

- Reviewed policies and procedures, compliance and reporting
- Completed: IA will present to Board in January

Athletics: Fiscal Review

- Proper execution of contracts and agreements, cost reimbursements, budget management, cash handling, protection of sensitive information, policies and procedures
- Completed & Issued: IA will present to Board in January

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2019/2020 – Project Status Update

Sponsored Projects and Grant Administration

- Review policies and procedures, compliance and reporting, conflicts of interest, sub-recipient relationships, indirect costs allowed under agreements, close-out procedures.
- In process: expected completion December 2019

Academic Agreements

- Registering and placing students, coordination of agreements.
- In process: expected completion January 2020

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2019/2020 – Project Status Update

Title IX

- Policies and procedures, processing complaints, communication and documentation, victim and whistleblower confidentiality.
- Not started: expected start in Winter 2020

Housing and Residence Life

- Fiscal Review: Proper execution of contracts and agreements, cost reimbursements, budget management, cash handling, protection of sensitive information, policies and procedures.
- Not started: expected start in Spring 2020

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Fraud, Waste, and Abuse Ethics Hotline Update

- Status Update
 - 6 cases opened through hotline in 2019/2020, 1 case opened through Oregon Secretary of State Audits Division
 - 4 resolved and closed
 - 2 open and being reviewed/investigated (submitted late April 2019)
 - 1 in monitoring

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Questions?

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Audit Follow-Up Report
Internal Audit Report
November 7, 2019



To: Board of Trustees and Management of Oregon Tech

From: Kernutt Stokes, Contract Internal Auditors (IA)

Date: November 7, 2019

Subject: Audit Follow-Up Report

EXECUTIVE SUMMARY

IA has completed subsequent review procedures to follow-up on six audit reports issued between May 17, 2017 and October 5, 2018 based on the actions that were reported to the Board of Trustees, intended to be taken by University management in response to audit recommendations arising in those reports.

IA inquired with management, and requested documentation when appropriate, to support the status of each recommendation and intended follow-up response from management. IA reviewed the validity of the response, along with the supporting documentation, to determine if the action plan implemented was in-line with previously communicated actions, and sufficient to resolve any issues that had previously been reported.

The title and date of each issued audit report is noted along with a summary of each audit issue requiring response, the original audit recommendation, and status of the recommendation at this time. The status of each issue is classified as follows:

- **Implemented** – Management fully implemented the recommendation as originally described in the audit report or in a manner that resolves the issue.
- **In Process** – Management has begun to implement the recommendation and intends to complete the implementation process as described.
- **Not Implemented** – Management has not taken action to implement the recommendation.

At this time IA has received management responses and action plans on five of the six audit reports issued. We have not yet received management responses or an action plan regarding the Faculty Workload audit.

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Of the other five audits where management responses and action plans are in place there were 13 total issues requiring action. Of those 13 issues, six have been implemented and resolved, four are in the process of being resolved but are still open, and three have not yet been addressed. Four of the six audits conducted have issues that IA will continue to monitor in conjunction with management's intended action plans. These audits will continue to be reported on in subsequent audit follow-up reports.

Below is a schedule of the issues on the six completed audits and their current status:

Prior Audit	Page	Audit Issues to Follow-Up	Implemented	In Process	Not Implemented
Telecom	3	NA	-	-	-
Tuition Remissions	4	2	2	-	-
Expense Reimbursements	5	2	-	2	-
Accounts Payable	6	4	1	2	1
ISHC	8	5	3	-	2
Faculty Workload	10	22	-	-	22

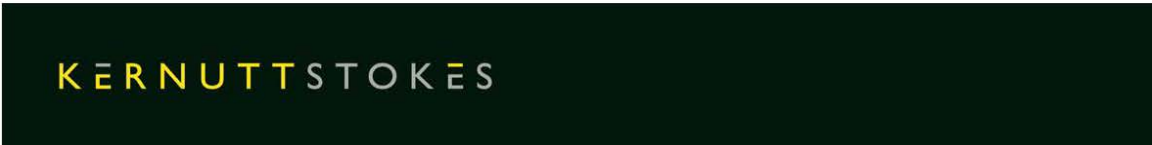
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Telecom Internal Service Center

Audit Report Date	Total Issues Reported	Issues Requiring Follow-Up
May 17, 2017	3	0

Conclusion: All issues reported in the Telecom Internal Service Center audit were resolved at the time the report was issued and do not require additional follow-up or status reports.





Tuition Remissions

Audit Report Date	Total Issues Reported	Issues Requiring Follow-Up
August 1, 2017	4	2

1. Incomplete policies and procedures for administering tuition remissions (Observation)

Recommendation: Increase the level of detail included in the financial aid policies and procedures manual including, but not limited to, the following:

- Identification of who can override amounts and criteria of institutional aid.
- Level of documentation required when entering comments in student accounts, specifically as it relates to the change of aid.
- Verification and authorization of non-routine changes of aid.

Status: Implemented

The financial aid department now requests email support for non-routine authorization or changes of aid that fall outside the timeline for awards or the published documented amount. The email documentation initiates the transaction and is supported by internal comments made within RHACOMM. RHACOMM was previously the only record of authorizations or changes and was difficult to corroborate. Management notes that there is no official policy manual for fee remissions, but that they have internally documented who is allowed to give approvals or make changes of this nature.

2. Undergraduate fee remission issued to graduate student (Observation)

Recommendation: Student contracts should be reviewed and cross checked against student information before the award is dispersed.

Status: Implemented

Management has created a clear outlined process for the registrar's office to use when transitioning a student from undergraduate to graduate status. There is also a designated staff member in EPO who works with the departments to process these types of awards. Both the business office and financial aid office review the student's class standing, major, schedule, etc. before funds are released to ensure amounts and types of funds are appropriate.

Conclusion: All issues reported in the tuition remission audit report have been resolved and appropriate changes based on recommendations have been implemented.



Expense Reimbursements

Audit Report Date	Total Issues Reported	Issues Requiring Follow-Up
May 1, 2018	6	2

1. The Core Check “policy” was not a documented policy (PIR)

Recommendation: It was noted that the Core Check procedure is not documented in the policies and procedures manual. IA recommends Management evaluate the current \$5,000 threshold and evaluate the purpose of the procedure. If it is determined this is a desired procedure to retain, evaluate an increase in the approval threshold to help reduce the number approvals needed on smaller disbursements.

Status: In Process

Management has evaluated the threshold for review based on disbursement volume and coverage and increased the Core Check threshold to \$10,000. A formalized policy has not yet been established, but management intends to have this in place by end of Fall term 2019/2020.

2. Reimbursements for per diem employee meals were often manually adjusted and employees did not appear to have a clear understanding of the policy (PIR)

Recommendation: IA recommends incorporating the per diem policy into employee training to ensure that all staff and employees understand the policy and can more accurately fill out the reimbursement forms and potentially avoid disputes or one-off approved meals.

Status: In Process

Management has redesigned the travel and reimbursement forms and is still working to streamline the processes and update guidelines and procedures. Trainings are being developed that will be deployed at Convocation 2019. The BAO is working with HR to standardize trainings for different groups within the University.

Conclusion: Both issues reported in the expense reimbursements audit report are in process, but the appropriate changes based on recommendations have not been fully implemented. The BAO has gone through a variety of organizational changes over the last two years and the current management intends to resolve these remaining matters as soon as possible.



Accounts Payable

Audit Report Date	Total Issues Reported	Issues Requiring Follow-Up
May 1, 2018	6	4

1. **“Projects” are defined by the facilities department, depending on the nature of the work to be performed. It was noted that project managers are not always required to approve “Project” related invoices. (Observation)**

Recommendation: The BAO and facilities department should formulate a policy that all “Projects” require PO approval by the project manager. All Projects should be given a “Project” designation through Banner, to more effectively track which PO is project related.

Status: In Process

Management has begun updates on the Accounts Payable Policies and Procedures manual but due to organizational changes in the BAO they have not yet been completed and are still a work in progress.

2. **Not all disbursements over \$5,000 were supported by a PO as required by documented University procedures. (Finding)**

Recommendation: Management should develop a formal policy to ensure all purchases over \$5,000 have an associated PO in Banner.

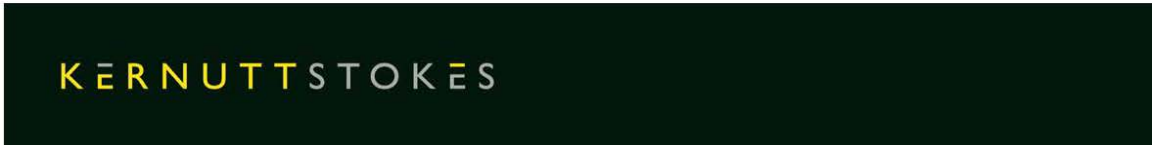
Status: Implemented

The language on the Purchasing-at-a-Glance document has been revised to reflect the updated policy and new PO guidelines outlined in management’s original response. Additionally the PO requirement threshold has been increased to \$10,000 for all orders with the exception of retainers or monthly expense commitments (such as lease expense) which would be required from \$5,000. The new guidelines are available to all departments across the campus and on the website.

3. **The Core Check “policy” was not a documented policy (PIR)**

Recommendation: It was noted that the Core Check procedure is not documented in the policies and procedures manual. IA recommends Management evaluate the current \$5,000 threshold and evaluate the purpose of the procedure. If it is determined this is a desired procedure to retain, evaluate an increase in the approval threshold to help reduce the number approvals needed on smaller disbursements.

Status: In Process





Management has evaluated the threshold for review based on disbursement volume and coverage and increased the Core Check threshold to \$10,000. A formalized policy has not yet been established, but management intends to have this in place by end of Fall term 2019/2020.

4. **There was no formal policy and process for outgoing wires. However, it was apparent that a consistent process is followed for each outgoing wire based on the reviewed support. Further, none of the wire transfer documentation was available in Nolij and was instead kept in manual files. (Observation)**

Recommendation: The BAO should formalize a policy related to wire transfers for both recurring and non-recurring wire transfers. Further, IA recommends all documentation be uploaded to Nolij on a go forward basis to reduce the need for paper storage.

Status: *Not Implemented*

A written policy has not yet been developed. Management intends to complete this policy regarding wire transfers by the end of Fall term 2019. Wire transfer information often contains FERPA protected information that cannot be stored in Nolij, therefore the policy will not comply with that aspect of the original recommendation when it is complete.

Conclusion: One of the issues reported in the accounts payable audit report has been resolved and appropriate changes based on the recommendations were implemented. Two of the issues are in process but the necessary changes have not yet been fully implemented. One of the issues has not yet been addressed. The BAO has gone through a variety of organizational changes over the last two years and the current management intends to resolve these remaining matters as soon as possible.

ISHC (Integrated Student Health Center)

Audit Report Date	Total Issues Reported	Issues Requiring Follow-Up
August 1, 2018	12	5

1. Not all patients had a Consent to Treat form on file (Finding)

Recommendation: Front desk personnel should open the consent form in the EMR system and verify that it was previously completed as a part of the check in process for each patient. If the form is not found in the file, it should be completed at that time. In addition, we recommend the ISHC review all patient files to ensure required forms are present and properly signed according to current policies and procedures.

Status: *Implemented*

ISHC staff check compliance with the Consent to Treatment at every check-in and the ISHC Director can run a report of all students who are non-compliant for having a form on file if needed.

2. Student health fees are refunded in a manner that is different from other University fees after the drop date. (PIR)

Recommendation: The ISHC Policies & Procedures Manual should be updated so that the student health fees are charged and refunded in the same manner as other University fees which are based on drop date.

Status: *Implemented*

The BAO has implemented a new model which has been tested and is currently in use to ensure fees are refunded appropriately.

3. Students are charged the student health fee even when enrolled in online only course programs, as fees are based on the location of degree program, not the location of courses taken. (PIR)

Recommendation: The University should evaluate whether students should be charged the Student Health Fee based on the location of their degree program or based on courses they are registered for. Further, the University should evaluate the consistency of the fees compared to how other University fees are assessed.

Status: *Not Implemented*

Based on management's original response plan, the BAO, Strategic Enrollment, Registrar's Office, and Student Affairs staff were scheduled to meet and discuss this matter during the summer of 2018 to review policies on student health fees and other University fees. At this time no decision has

been made regarding whether fees are charged to student's based on physical location of degree program or where registration occurs. This matter remains open pending a future resolution.

4. There is no reconciliation of student health fees being performed that allows any determination if eligible or ineligible students are correctly being charged, or not charged, the fees. (PIR)

Recommendation: The BAO, the Office of the Registrar, and Institutional Research should work together to create a comprehensive description about who is charged the Student Health Fee and a report which can be used to review and reconcile the Student Health Fees each term.

Status: Not Implemented

No reconciliation is currently being performed. The BAO is able to provide the ISHC Director with a list of students who were charged the Student Health Fee each term. However, the ISHC is waiting for a complete determination to be made regarding which students will and will not be charged the fee before performing the reconciliation. IA believes that even without a complete determination, the reconciliation would still be beneficial to students based on current policies and practices.

5. There is no contract or description in place between the BAO and ISHC describing what is covered by the General Admin Overhead Fee. (PIR)

Recommendation: Annually the ISHC and BAO update and sign a contract which specifies what services the fee covers.

Status: Implemented

All auxiliary units are now provided with a break-down of the General Assessment Fee to provide clarity on the amount and coverage of services. A formal signed contract is not considered necessary as the amounts are not negotiated, but assessed. Management and IA consider the break-down of costs and services to be an adequate response to this matter.

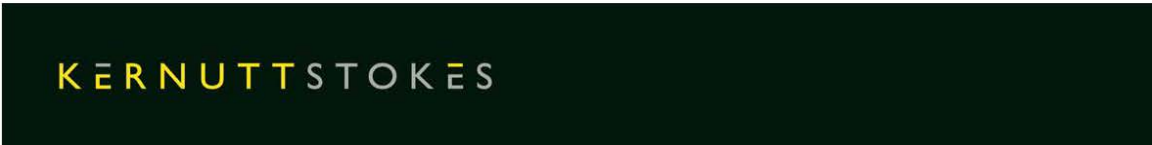
Conclusion: Three of the five issues reported in the ISHC audit report have been resolved and appropriate changes based on recommendations have been implemented. The additional two issues require additional work to be resolved as noted.



Faculty Workload Management

Audit Report Date	Total Issues Reported	Issues Requiring Follow-Up
October 5, 2018	22	22

Conclusion: Management has not developed responses or intended action plans to any of the issues noted in the Faculty Workload Management audit report. As no response plan is currently in place IA is unable to determine if any issues have been resolved at this time.



DISCUSSION ITEM

Agenda Item No. 5.1

Internal Audit Structure

Summary

When establishing itself as an independent university, Oregon Tech's Board of Trustees elected to use an external firm to provide internal audit services. Kernutt Stokes, LLP, (Kernutt Stokes) a professional audit firm based in Eugene, Oregon was selected as the vendor of choice through a competitive bid process. Internal Audit reports to the Board of Trustees Audit Committee, with most operational interaction flowing through the Chair of Finance and Facilities Committee, acting in their capacity as the Chair of the Audit Committee. Functionally Internal Audit reports to the Vice President of Finance and Administration. Internal Audit meets monthly with the VPFA and the President to discuss ongoing matters as well as with the General Counsel on a case by case basis.

The original term of the Internal Audit contract was a single-year contract, ending June 30, 2017 with the ability to extend the contract for two additional single-year terms, concluding at the end of this fiscal year, June 30, 2019. After discussion and the advice of the administration and Chair of the Audit Committee, the Audit Committee voted to authorized the VPFA to extend the contract with the Kernutt Stokes for an additional year through June 30, 2020 by mutual assent of the vendor maintaining the current terms and conditions.

There were three identified pathways forward had the Audit Committee not wished to extend the Internal Audit contract with Kernutt Stokes;

- 1) Run a formal procurement process by issuing a Request for Proposal (RFP)
- 2) Insource Internal Audit by hiring an internal auditor or auditors
- 3) Seek an amendment to existing agreements with the University Shared Service Enterprise (USSE) to assume internal audit services²

The Audit Committee determined that extending the current contract made tactical sense to ensure continuity of services and coverage as well as to ensure ongoing audits were completed as anticipated. During discussion members of the Committee requested that staff return in Fall 2019 with an analysis of potential options for the future structure of Internal Audit at Oregon Tech.

Potential Internal Audit Structures

Staff has identified two primary means for accomplishing internal audit services at Oregon Tech, insourcing or outsourcing the function. These can each be done at different service levels or in tandem as a hybrid approach including elements of both. Of the six other public universities in Oregon, five have insourced internal audit services, one of these utilizes a hybrid approach. One does not currently have internal audit after the phase out of USSE services and is currently in the

² Note: Subsequent to the Board's decision to extend the Kernutt Stokes contract in May 2019 USSE exited the internal audit service line and those institutions which were participating in the service have already, or are migrating, to alternative approaches.

analysis and discovery phase of selecting a new structure. A brief overview of each institution's internal audit function is provided below as background for the Committee.

Eastern Oregon University previously relied on USSE to provide internal audit services. This approach split a part-time internal auditor between multiple institutions. EOU is evaluating options for internal audit services going forward.

Southern Oregon University has an Internal Auditor reporting to the President. It is a single person office. The incumbent has a background in public accounting and financial leadership positions. Designations/qualifications include: Certified Public Accountant (CPA), Certified Internal Auditor (CIA). The IA function includes risk management, fraud line monitoring and traditional assurance services.³

Western Oregon University recently hired an Internal Auditor who directs the IA process for the university and has a partial position shared between purchasing, accounting and internal audit providing additional capacity within the office. Additional information is not available on WOU's website.

Oregon State University has established an Office of Audit, Risk and Compliance (OARC). ORAC links together three offices to maximize resources available and link together process evaluation/improvement, assurance services and risk management. Staffing includes eight total FTE, a Chief Audit, Risk and Compliance Executive, a deputy director, four staff level auditors including an IT auditor (currently vacant).⁴

Portland State University's Office of Internal Audit is composed of two staff members, a Director and Senior Auditor. Staff in the Office of Internal Audit maintain the following designations: Certified Public Accountant (CPA), Certified Fraud Examiner (CFE) and Certified Internal Auditor (CIA). The Director has over 15 years of internal audit and state audit experience.⁵

The **University of Oregon** has a multi-person internal audit team led by a Chief Audit Executive, internal auditors, operations manager and an IT auditor with an external vendor supporting their work.⁶

³ <https://inside.sou.edu/ia/index.html>

⁴ <https://leadership.oregonstate.edu/oarc>

⁵ <https://www.pdx.edu/internal-audit/>

⁶ <https://internalaudit.uoregon.edu/about>

Internal Audit Structure Analysis

Outlined in the following table are areas by which internal audit functions can be evaluated, including service level, areas of expertise and pricing structure.

Method	Inourced	Outsourced	Hybrid
FTE	1.0 FTE	N/A	1.0 FTE
Fixed Cost	\$98,000-\$110,000 (Sal + OPE)	N/A	\$98,000-\$110,000 (Sal + OPE)
Variable Cost	\$10,000-\$15,000	\$100,000-\$125,000	\$25,000 or greater
Annual Hours	2,000	500-1,300	2,080 (staff) + 90-250+ (Firm)
Expertise			
Internal Controls	Strong experience in assurance work probable, may have operational experience as well as, or in lieu of audit background.	Strong assurance background. Staff auditors are likely to lack experience within operating entity by nature of CPA firm structure/recruiting.	External firm could offset the capability of university staff with external capability/experience in internal control design/assessment.
External Practices	Possible depending on experience, likely to come with either private audit practice or state/university audit/internal audit experience.	Highly developed understanding of control structures/operational trends in private and possibly not-for-profit or governmental entities, many of which will be highly relevant to Oregon Tech.	External firm could bring to bear insights from non-university environments to augment the capability/experience of university staff.
University Practices	Possible depending on experience, likely to come with either private audit practice or state/university audit/internal audit experience.	Possible experience in university setting depending on firm selected.	External firm could bring to bear insights from other universities to augment the capability/experience of university staff if the firm had other university audit or internal audit clients.
Independence	Internal relationships inherent with small institution, but strong industry standards for independence.	External firm assures highest possible level of independence between the audit personnel and units being audited	External firm could be brought in from time-to-time to assure the highest possible level of independence. This is particularly true if the Internal Audit is used consultatively in the design of internal control systems.
Risk Assessment	Deep knowledge of the operating environment of the university (over time) and understanding of higher education trends may increase the	Deep knowledge of internal controls throughout multiple industries and risk environment. Understanding of unique operating environment/risk	External firm could bring to bear insights from other universities to augment the capability/experience of university staff in conducting risk

	depth of risk assessments. Lack of external/comparative work environments may limit breadth of risk assessment.	environment of universities may be limited depending on expertise of the firm. Lack of deep internal knowledge/institutional strategy may limit utility of risk assessment, particularly in the first year or years with a firm.	assessments. The external firm may support data gathering and interviewing of key staff as they will be viewed as fully independent of the university.
Breadth of Experience	Depending on experience.	Ability to bring to bear significant depth/breadth of experience across audit engagements from different staff members within the audit firm.	External firm could bring to bear insights from other universities to augment the capability/experience of university staff in areas that are idiosyncratic and thus significantly add versatility to the internal audit staff.
IT Audit Functionality	Unlikely to have significant IT audit functionality in single individual structure.	Likely to have well developed IT audit capability in-house or through sub-contracting.	IT audit capability is likely to be missing in a single person internal audit office. This is a strong candidate for outsourcing/hybrid approaches.
Notes	By increasing the FTE associated with an internal audit function additional capabilities/depth can be provided to the university. For example an IT auditor or additional audit staff with offsetting experience to an internal audit director could increase the overall capabilities of the office. However, this approach would increase the fixed-cost to the university. Alternatively having a partially assigned FTE such as WOU's model could allow for flexing capacity or expertise into the internal audit function, but this is done at the actual or perceived cost of independence. Linkage with risk/insurance may be of value as in OSU's model, but would likely	Outsourcing allows for variable spend based on Board directives/areas of risk. However, it may decrease the total number of available hours due to cost considerations. Because of cost considerations university leaders (from director level to senior executives) may under-utilize the internal audit function for process improvements initiatives, risk assessments or internal control design consultations. The breadth/depth of experience of the selected firm is important to the overall value extracted from the engagement as is the duration. Short-term contracts are likely to limit the value of the risk assessment, follow up engagements and depth of audits.	They hybrid approach allows for the selective outsourcing of certain internal audit functions which are either hard to recruit for or benefit from an external vantage point. This includes IT related audit capabilities/testing as well as risk assessments or internal control design/consultative services to support the operating units. In order for this to be effective a minimum number of hours would need to be purchased/placed on retainer and could be the most expensive structure, assuming that a one person internal audit unit would otherwise be selected. Interest from properly qualified firms may be limited.

	require additional staffing levels and may dilute efforts/independence of the IA function.		
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Current Audit Scope

Contractor shall provide an independent, objective examination and consulting activity designed to add value and improve Oregon Tech operations. This function will be designed to help Oregon Tech accomplish goals by bringing a systematic, disciplined approach to evaluate effectiveness of risk management, control, and process and that the results of operations are consistent with goals and objectives. Contractor must uphold the principles of integrity, objectivity, confidentiality, and competency as defined in the AICPA Code of Professional Conduct and/or Institute of Internal Auditors – Code of Ethics. Contractor shall provide Oregon Tech with the services usually expected of a top quality accounting firm.

Oregon Tech management will be responsible for the risk management and internal control structure over the areas audited. Contractor shall have no direct responsibility or authority over any of the activities or operations that it reviews. Contractor shall not develop and install procedures, prepare records, or engage in activities which would normally be reviewed under their services.

Objectives:

Contractor shall meet the following objectives:

1. Annual Risk Assessment. In conjunction with key Oregon Tech staff, Contractor shall perform an annual risk assessment of the institutional operations. Such risk assessment shall not include a financial statement review.
2. Annual Internal Audit Work Plan. In conjunction with key Oregon Tech staff and the Audit Committee of the Board of Trustees, contractor shall use the first annual risk assessment as a guide to prioritize the areas for internal audit work to be performed throughout the term of the Contract. From the prioritization, a multi-year internal audit schedule shall be developed to encompass the necessary departments or functions. Contractor shall perform a maximum of up to four audits each fiscal year. The audit schedule shall be reviewed with Oregon Tech administration on an annual basis and shall be adjusted accordingly to reflect any changes in the internal or external control environment. All work plans shall be approved by the Oregon Tech Board Audit Committee prior to execution.⁷
3. Campus Fraud, Waste, and Abuse Ethics Line. Oregon Tech currently receives service from a third party to provide the ability for anonymous reporting of real or potential fraud and abuse on the campus. Contractor shall be responsible for monitoring and case management of the Fraud, Waste, and Abuse Ethics Line (“Ethics Line”) tips. Contractor shall be the sole point of contact and coordinator for all questions, concerns, and follow-up issues related to future Ethics Line tips. Any investigation of tips beyond clarifying, follow-up questions is outside the scope of this contract.

Recommendation No action necessary, for discussion purposes only.

⁷ Note: the Annual Risk Assessment has been adjusted by mutual agreement of the current Internal Audit Firm and the Audit Committee to be a Three-year comprehensive risk assessment with annual updates. This has allowed for additional hours to be focused on audit engagements.