

**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 Sliva</i>	
2. Consent Agenda <i>Chair Sliva</i>	
2.1 Approve Minutes of May 25, 2017 Meeting	1
3. Reports (8:05am)	
3.1 Fiscal Operations Advisory Council (10 min) <i>FOAC Chair, Terri Torres</i>	
3.2 Finance, Facilities and Audit Status: Quarterly Review (8:15am) (20 min) <i>VPFA Fox</i>	4
4. Action Items (8:35am)	
4.1 Review and Approve Fiscal Year 2018 Risk Assessment and Internal Audit Plan (30 min) <i>Kernutt Stokes</i>	16
4.2 Review and Accept Internal Audit Reports (9:05am) (5 min) <i>Kernutt Stokes</i>	47
5. Discussion Items (9:10am)	
5.1 Fiscal Year 2017 Year-End Financial Review (40 min) <i>VPFA Fox</i>	62
BREAK 9:50am – 10:05am	
5.2 Capital Projects Update (45 min) <i>Interim Director Darrab</i>	66
6. Other Business/New Business (10:50am) <i>Chair Sliva</i>	
7. Adjournment (11:00am)	



**Meeting of the
Oregon Tech Board of Trustees
Finance and Facilities Committee
Room 402, Wilsonville Campus
May 25, 2017
9:30am-11:30am**

DRAFT MINUTES

Trustees Present:

Steve Sliwa, Chair
Bill Goloski

Jessica Gomez
Vince Jones

Nagi Naganathan, President
Paul Stewart

University Staff and Faculty Present:

Erin Foley, VP of Student Affairs/Dean of Students
Brian Fox, VP of Finance and Administration
Jim Jones, CIO/AVP IT
LeAnn Maupin, Interim Provost/Dean of the College of HAS
Laura McKinney, VP of Wilsonville
Steve Neiheisel, VP of Strategic Enrollment Management
Di Saunders, AVP of Marketing and Public Relations
Maureen Sevigny, Distance Education Program Director
Terri Torres, FOAC Chair/Associate Mathematics Professor (via SKYPE)
Erika Veth, Dean of Online Learning

Others Present:

Trevor Campbell, Kernutt Stokes
Haley Lyons, Kernutt Stokes
Craig Mays, Johnson Controls International
Ron Young, Johnson Controls International

1. Call to Order/Roll/Declaration of a Quorum

Chair Sliwa called the meeting to order at 9:33am. The Secretary called roll and a quorum was declared.

2. Consent Agenda

2.1 Approve Minutes of February 23, 2017 Meeting
Minutes were approved as published.

3. Reports

3.1 Fiscal Operations Advisory Council

FOAC Chair Torres summarized the actions of the council including participation in the tuition and fee setting process and review of the faculty compensation study; she stated that the Faculty Senate President will likely ask the board to consider adopting a compensation philosophy for faculty. There was discussion regarding comparator

universities. She stated faculty are cautious about the Oregon Manufacturing Innovation Center (OMIC) because of the lack of transparency in the past and previous broken promises. Faculty are also concerned about enrollment and how it will impact the future of the university; they are willing to help but do not feel they influences enrollment much. Concern that the COLA is tied to enrollment and not production in the classroom.

3.2 Finance, Facilities and Audit Status: Quarterly Review

VPFA Fox gave an overview of department accomplishments and explained there are now processes in place to clarify accountability, such as the RAPID decision framework in major goods and services procurements, and customer satisfaction surveys to assess other implemented changes. He reviewed the dashboards in the agenda packet, noting \$7.5M was transferred from the general fund to the quasi-endowment fund, the fund balance is tracking with last year, and he anticipates net reduction in general fund balance of \$1.7M after accounting for transfers to the quasi-endowment. **Chair Sliwa suggested adding a weighting system for the remission portion of the dashboard to understand comparisons.** **VPFA Fox** walked through how vacant positions are considered in the budget, stating there is a need to balance the expense of overload pay for faculty with salary savings so they are offsetting; academic capacity must also be considered. He noted that the cost of utilities are higher than budgeted as the geothermal plant was down for most of the year and there was water intrusion into the sewer system. The Facilities crew is working on assessing physical plant issues and identifying solutions. Discussion regarding funding for deferred maintenance. **Chair Sliwa stated a potential topic for discussion at the board retreat could be a discussion regarding shifting the focus from asking the state for operating dollars to requesting capital dollars and looking at alternative funding sources.** **Trustee Jones** asked about the facility costs of the Wilsonville campus versus the Klamath campus and whether there are cost-saving measures that could be taken. **Chair Sliwa** requested that all board resolutions amending the budget be noted on the dashboard, and for there to be consistency in relating positive figures as good, and negative figures as poor.

4. Action Items

4.1 Recommendation to the Full Board to Adopt the 2017-18 Education and General Operating Fund Budget

VPFA Fox walked through a presentation noting a \$3.2M decline in fund balance, which includes \$1.5M dedicated to a strategic investment pool, some of which is dedicated to salaries. Negotiations with the classified staff union are ongoing and should conclude in the fall. **Chair Sliwa** clarified that if we over-perform and have more than \$1M, the president can spend up to \$1M but anything over that requires board approval. He stated that we cannot continue to work in a deficit and be a thriving institution but that the board previously anticipated, with a new administration and with the investments made, there would be one year of a deficit budget. **Chair Sliwa stated that a possible topic for discussion at the board retreat could be identification of possible strategic actions to address the reality of decreased state funding and increased unfunded mandates.** **VPFA Fox** stated he will be working on academic program capacity and addressing the need to set standards around programing for courses, such as the minimum number of

students per class. Consensus that this will be a one-time deficit budget and reserve surplus funds will be spent to make needed investments.

Trustee Gomez moved to recommend the full board adopt the 2017-18 Education and General Operating Fund Budget as presented. Trustee Stewart seconded the motion. With all Trustees present voting aye, the motion passed unanimously.

4.2 Approval of the Quarterly Internal Audit Report

VPFA Fox introduced **Haley Lyons** and **Trevor Campbell** from Kernutt Stokes. **Ms. Lyons** stated the first area audited was the internal service center and they are now reviewing policies and procedures related to tuition and remissions. Discussion regarding remission caps. A draft action plan, based on the risk assessment report, will be brought before the board for adoption next year. **Mr. Campbell** stated they are receiving reports from the fraud hotline and all issues have been resolved.

Trustee Stewart moved to approve the quarterly internal audit report as presented. Trustee Gomez seconded the motion. With all Trustees present voting aye, the motion passed unanimously.

5. Discussion Items

5.1 Update on Geothermal Power Plant

Ron Young and **Craig Mays** from Johnson Controls International (JCI) gave a background and status update of the geothermal power plant project, explaining that the project has not been accepted by the university, therefore the warranty period has not started. JCI reiterated its commitment to standing up and fully commissioning the project ideally in November 2017.

6. Other Business/New Business

Chair Sliwa stated that Dr. Nagi gained the support of the two other public universities involved with the Oregon Manufacturing Innovation Center and established Oregon Tech as the host university to satisfy concerns of Boeing.

7. Adjournment

Chair Sliwa adjourned the meeting at 11:41am.

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/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.

These reports are designed to provide information and status updates to the Vice President of Finance and Administration as well as to the Board to ensure systematic tracking and execution on operational and financial objectives. Where information is readily available, currently tracked or reported in a systematic fashion it is included. In certain areas information does not currently exist or is not held in a central location. This is particularly true as it relates to equipment purchasing and replacement as well as the condition and replacement of buildings; grounds and major subsystems is underway and will be incorporated in subsequent reports. These areas will be added or detail increased as projects to develop this information come to fruition.

Staff Recommendation

No action required. For discussion purposes only.

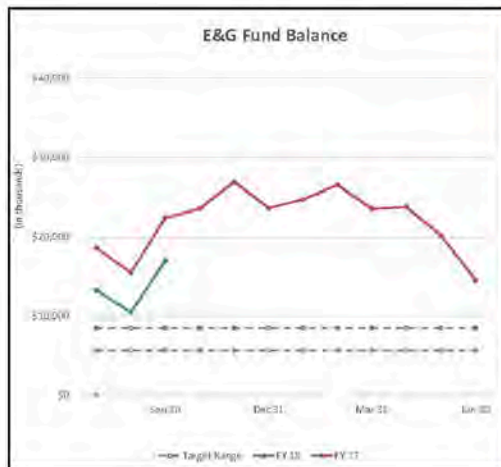
Attachments

Q1 Quarterly Finance, Facilities and Audit Status Reports including the following:

- A. Financial and Enrollment Dashboard
- B. Quarterly Managerial Report
- C. Facilities and Capital Projects
 - a. Capital Projects Status Report
 - b. Deferred Maintenance and Capital Renewal
 - c. Facilities Maintenance Projects *forthcoming*
- D. Audit Status

ATTACHMENT A

Financial and Enrollment Dashboard



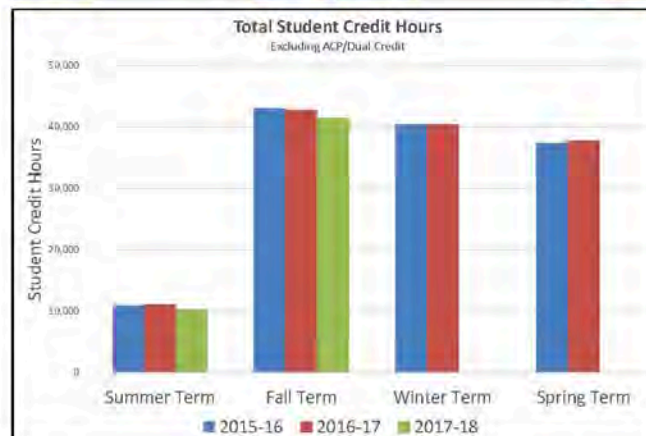
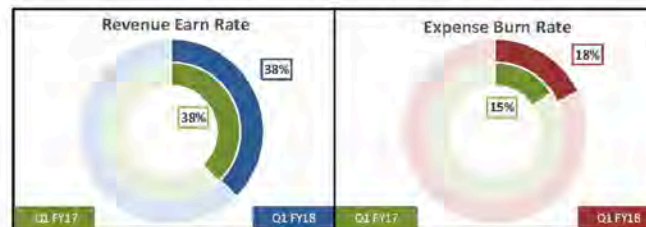
Key Financial Indicators		
E&G Fund Balance:	\$16,981	As of Sept. 30, 2017
Total Cash on Hand:	\$31,441	As of Sept. 30, 2017
E&G Cash on Hand:	\$17,249	As of Sept. 30, 2017
Days Cash on Hand:	153 Days	As of Sept. 30, 2017
Debt Burden Ratio:	4.9%	As of Jun. 30, 2017
Quasi Endowment:	\$7,668	As of Sept. 30, 2017
Foundation Assets:	\$22,829	As of Jun. 30, 2016
Deferred Maint. Backlog:		

Student Tuition		
Undergraduate Tuition		
	2017-18	2016-17
Resident:	\$7,921	\$7,543
Non-Resident:	\$25,211	\$24,010
WUE:	\$11,882	\$11,315
Online:	\$11,025	\$10,215
Differential:	20% Premium	15% Premium
Graduate Tuition		
	2017-18	2016-17
Resident:	\$14,927	\$14,082
Non-Resident:	\$34,886	\$23,639
Online:	\$11,088	\$11,088
ETM Differential:	20% Premium	15% Premium

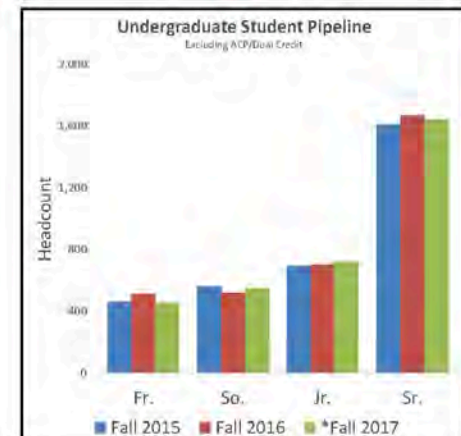
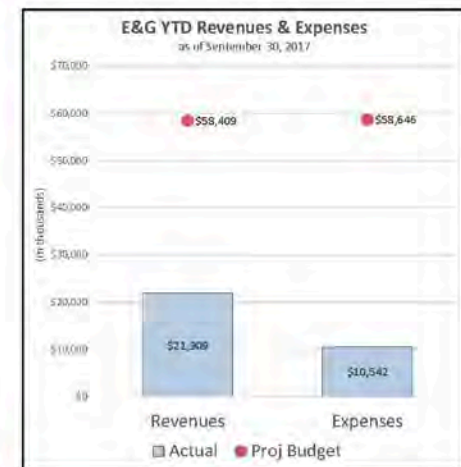
Oregon TECH

Quarterly Financial Dashboard

As of September 30, 2017



Degree Completions				
		2017-18	2016-17 (Est.)	2015-16
Undergraduate	Resident:	557	557	
	Non-Resident:	193	193	
Graduate	Resident:	8	8	
	Non-Resident:	16	16	



Notes:

- FY 2017 numbers are unaudited.
- E&G Fund Balance reduced by \$7.5M in FY17 in June-January to reflect funding of Quasi-Endowment (1/1/2017).
- Tuition calculated at 15 credits.
- Enrollment and completion projection dates as of 10/15/17
- *Fall 2017 Enrollment Data are preliminary.

Definitions

Budget: A financial plan that identifies the resources necessary to meet a set of goals for a period of time.

Cash on Hand: Total amount of any accessible cash or cash equivalents

Days Cash on Hand: Number of days that an organization can continue to pay its operating expense, given the amount of cash available

Debt Burden Ratio: The ratio of total monthly installment of debt and total income. $\text{Ratio} = (\text{Total monthly installment of debt} / \text{total Income})$

Deferred Maintenance Funds: Funds made available to OIT (outside of the institutional budget) from the State of Oregon, which are allocated for capital repair, renewal and deferred maintenance

E&G (Education and General Fund): Represents state approved appropriations, tuition and other funds used for the general operating expenses of instructional programs and support functions

Expense Burn Rate: Percentage of actual expenses as of report date to projected yearly expenses

Endowment Funds: Funds used to record gifts when the principal must remain intact in perpetuity; income earned by the endowment may be unrestricted or restricted as specified by the donor

Fiscal Period: A unit of time into which the fiscal year is divided; period 1 is July 1-31

Fiscal Year: The period of time used of financial reporting purposes. OIT has a July 1 to June 30 fiscal year

Fund Balance: Defined as the difference between the assets and liabilities of a fund

Fund Balance %: Calculated as fund balance divided by revenues

General Fund: The main University fund used to record state appropriation, tuition and expenses related to the University's core mission

Quasi Endowment Fund: Funds functioning as endowments, used to report resources that the University, rather than a donor has determined are to be retained and managed like an endowment

Revenue Earn Rate: Percentage of actual revenues as of report date to projected yearly revenues

ACP: Advanced Credit Program is a partnership between Oregon Tech and participating high schools which offer college level courses at the high school at a reduced tuition rate

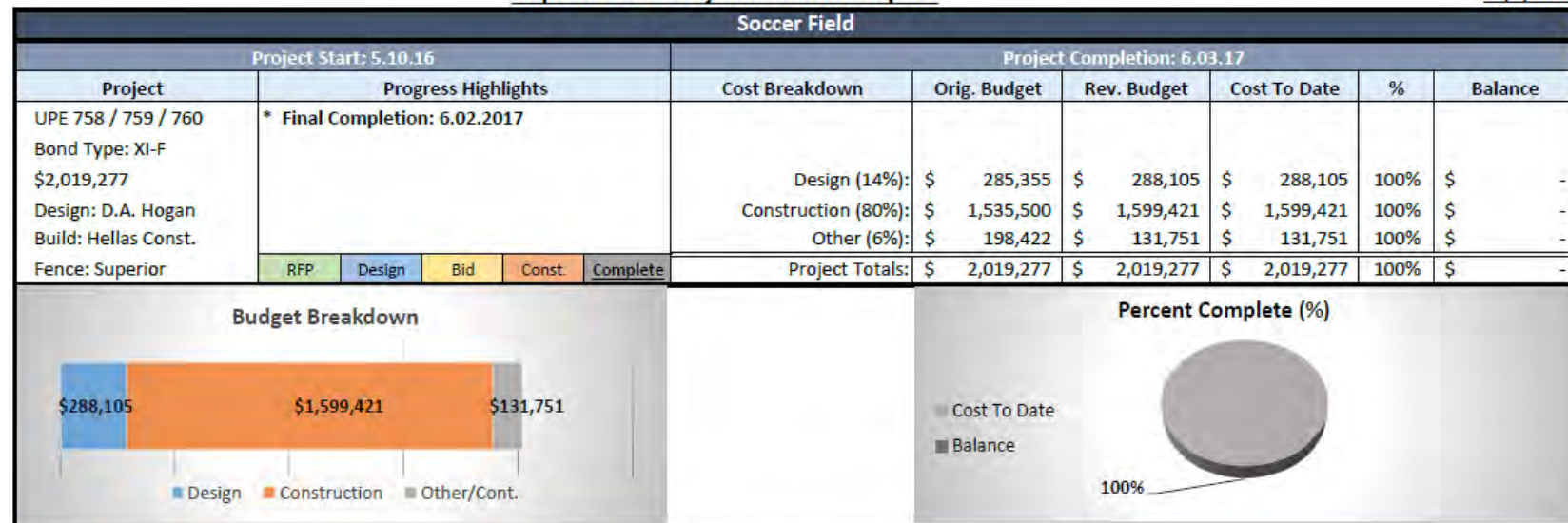
WUE – Students enrolled in the Western Undergraduate Exchange program, which pay 150% of resident tuition

ATTACHMENT B
Quarterly Managerial Report Q1 2017

Handout will be provided separately.

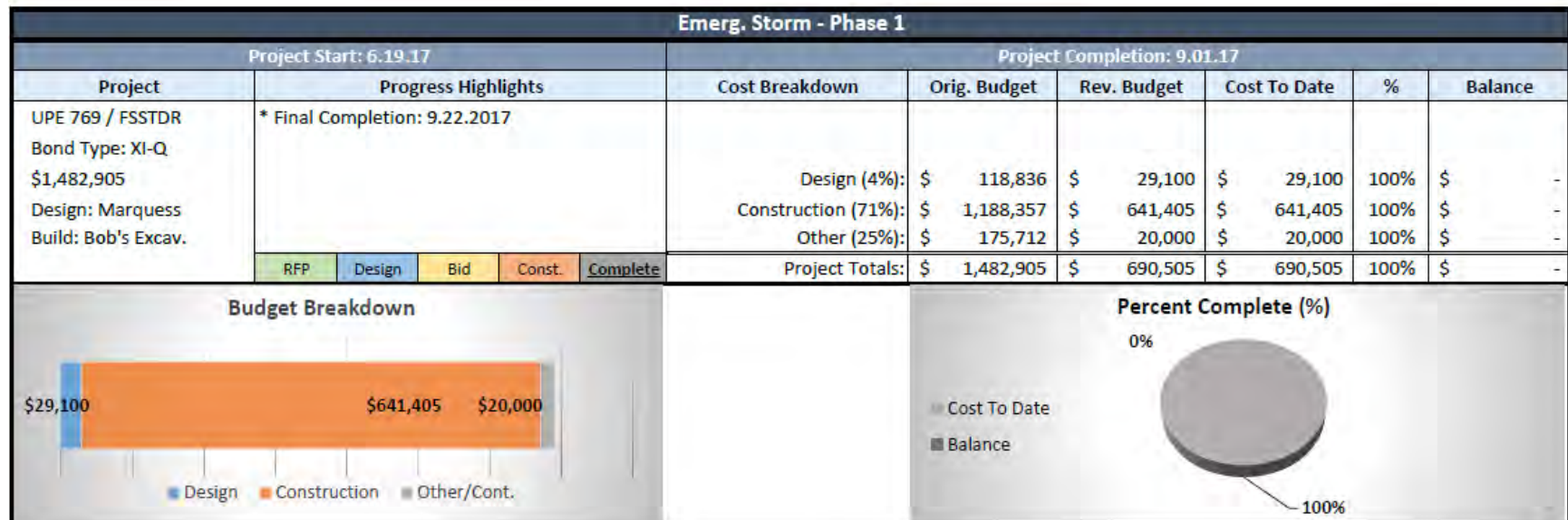
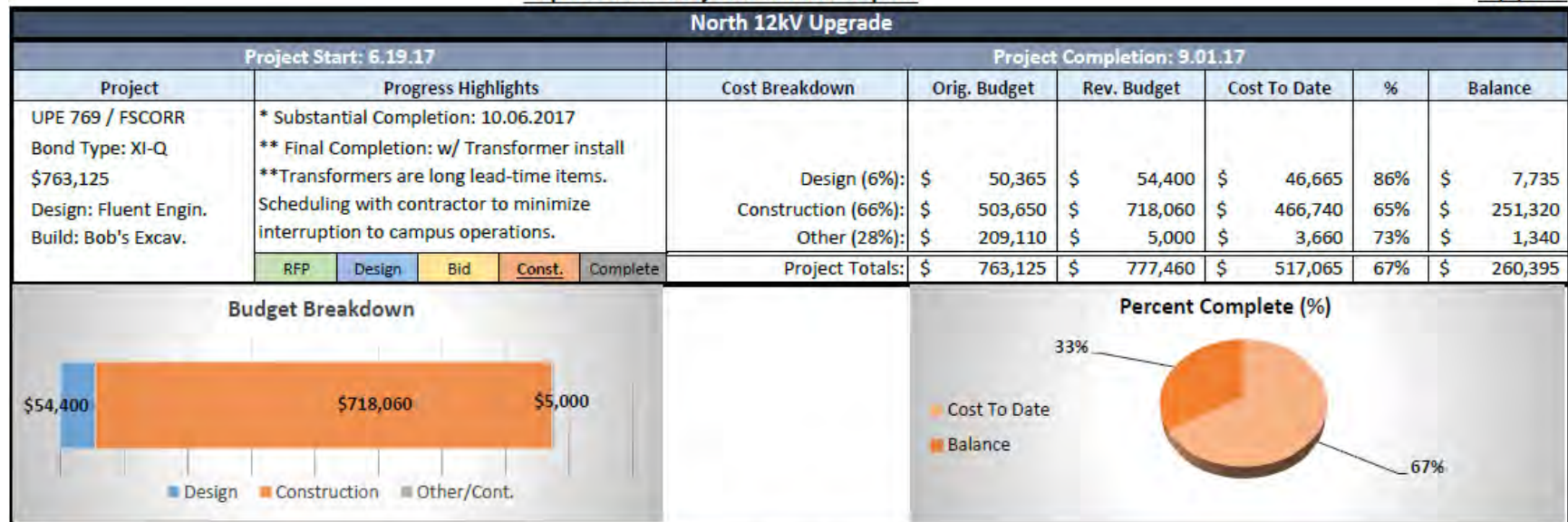
ATTACHMENT C
Facilities and Capital Projects
Capital Bond Projects - Status Report

10/9/2017



Capital Bond Projects - Status Report

10/9/2017



Capital Bond Projects - Status Report

10/9/2017

Cornett Hall - Phase 1							
Project Start: 6.19.17				Project Completion: 8.31.18			
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE 757 Bond Type: XI-Q / XI-G \$11,705,000 Design: BBT Arch. CM/GC: Adroit Const.	* East wing abatement completed. * Relocation of labs completed. * \$9,090,000.00 GMP reached on 9.1.2017 ** NTP: 9.18.2017						
		Design (9%):	\$ 1,042,020	\$ 988,360	\$ 585,115	59%	\$ 403,245
		Construction (75%):	\$ 9,000,000	\$ 9,307,329	\$ 81,500	1%	\$ 9,225,829
		Other (16%):	\$ 1,662,980	\$ 1,409,311	\$ 187,910	13%	\$ 1,221,401
		Project Totals:	\$ 11,705,000	\$ 11,705,000	\$ 854,525	7%	\$ 10,850,475
Budget Breakdown 		Percent Complete (%) 					

Purvine Reroof							
Project Start: 7.05.17				Project Completion: 9.01.17			
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE 763 Bond Type: XI-Q \$323,000 Design: Skyline Eng. Build: Henris Roofing	* Final Completion: 9.08.2017						
		Design (8%):	\$ 37,000	\$ 25,500	\$ 25,500	100%	\$ -
		Construction (91%):	\$ 324,000	\$ 276,495	\$ 276,495	100%	\$ -
		Other (1%):	\$ 30,000	\$ 310	\$ 310	100%	\$ -
		Project Totals:	\$ 391,000	\$ 302,305	\$ 302,305	100%	\$ -
Budget Breakdown 		Percent Complete (%) 					

Capital Bond Projects - Status Report10/9/2017

Emerg. Storm - Phase 2											
Project Start: 6.18.18						Project Completion: 9.07.18					
Project	Progress Highlights					Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE 769 / FSSTD Bond Type: XI-Q \$1,376,985 Design: Marquess Build:	* Design underway. * Construction RFP - Spring 2018 * Construction - Summer 2018					Design (3%):	\$ 80,283	\$ 40,500	\$ 20,000	49%	\$ 20,500
						Construction (82%):	\$ 1,107,346	\$ 1,131,485	\$ -	0%	\$ 1,131,485
						Other (15%):	\$ 189,356	\$ 205,000	\$ -	0%	\$ 205,000
	RFP	Design	Bid	Const.	Complete	Project Totals:	\$ 1,376,985	\$ 1,376,985	\$ 20,000	1%	\$ 1,356,985
<div>Budget Breakdown</div> <div><div><div>\$40,500</div><div>\$1,131,485</div><div>\$205,000</div></div><div><div>Design</div><div>Construction</div><div>Other/Cont.</div></div></div>						<div>Percent Complete (%)</div> <div><div><div>Cost To Date</div><div>Balance</div></div><div><div>1%</div><div>99%</div></div></div>					

Deferred Maintenance and Capital Renewal Report

Capital Renewal Replacement UPE 763, FY 13/15					
#	Project Description	Est. Cost	Project Cost	Bond Balance	Status
	UPE 763			\$ 1,076,642	
1	Bovin Fanwall	\$ 20,000	\$ 17,618	\$ 1,059,024	Completed
2	Chiller VFD	\$ 10,000	\$ 9,854	\$ 1,049,170	Completed
3	North 12 kV Corridor	\$ 7,185	\$ 7,185	\$ 1,041,985	Completed
4	LRC Air compressor	\$ 10,000	\$ 8,244	\$ 1,033,741	Completed
5	Facilities Rollup Door (#1)	\$ 15,000	\$ 5,352	\$ 1,028,389	Completed
6	Cornett Restroom Remodel	\$ 12,500	\$ 11,938	\$ 1,016,451	Completed
7	Storm Repair @ Soccer Field	\$ 60,000	\$ 57,831	\$ 958,620	Completed
8	Well 1 Rehabilitation	\$ 30,000	\$ 26,376	\$ 931,435	Completed
9	Replace Entry Doors - Bovin	\$ 30,000	\$ 33,210	\$ 898,225	Completed
10	Replace Entry Doors - Snell	\$ 30,000	\$ 26,695	\$ 871,410	Completed
11	Replace Entry Doors - Semon	\$ 32,000	\$ 40,715	\$ 830,695	Completed
12	Well 4 Rehabilitation	\$ 380,000	\$ 515,440	\$ 355,255	Completed
13	Purvine Roof Replacement	\$ 450,000	\$ 314,020	\$ 52,950	Completed
14	City Water Service Upgrade	\$ 8,690	\$ 8,690	\$ 44,260	Completed
15	LRC Gutter Upgrade	\$ 7,135	\$ 7,135	\$ 37,125	Completed
16	Fencing – Lots M & N	\$ -	\$ -	\$ 37,125	Summer 2018
	Balance	\$ -	\$ -	\$ 37,125	

Capital Renewal Replacement UPE 773 , FY 15/17					
#	Project Description	Est. Cost	Project Cost	Bond Balance	Status
	UPE 773			\$ 2,760,605	
1	Chiller CH-1 and CH-2 Overhaul	\$ 125,480	\$ 125,480	\$ 2,635,125	Underway
2	LRC/Snell/PE Elev. Upgrades	\$ 265,495	\$ 265,495	\$ 2,369,630	Underway
3	CU Sidewalk Replacement	\$ 5,490	\$ 5,490	\$ 2,364,140	Underway
4	PE Waterline N Upgrade	\$ 23,350	\$ 23,350	\$ 2,340,790	Underway
5	Well 1-4 Chlorine Syst. Upgrade	\$ 40,000	\$ 35,440	\$ 2,305,350	Spring 2018
6	PE Reroof (E&G Portion)	\$ 362,500	\$ -	\$ 1,942,850	Summer 2018
7	PE Exterior Upgrades (E&G Portion)	\$ 937,500	\$ -	\$ 1,005,350	Summer 2018
8	Soccer Field Sidewalk	\$ 45,000	\$ -	\$ 960,350	Summer 2018
9	Facilities Reroof	\$ 235,000	\$ -	\$ 725,350	Summer 2019
10			\$ -		
	Balance	\$ -	\$ -	\$ 725,350	

Identified Deferred Maintenance					
#	Building	Other	MEP Systems	Exterior	Interior
1	Bovin Hall	\$ 640,500	\$ 987,000	\$ 1,454,250	\$ 1,853,250
2	Cornett Hall	\$ 555,000	\$ 1,125,000	\$ 3,570,000	\$ 1,750,000
3	Dow Center	\$ 178,355	\$ 404,260	\$ -	\$ 598,770
4	Facilities	\$ 451,450	\$ 561,750	\$ 1,181,255	\$ 598,500
5	LRC	\$ 414,000	\$ 819,050	\$ 1,732,275	\$ 1,202,250
6	Owens Hall	\$ 141,750	\$ 402,000	\$ 971,655	\$ 278,550
7	Power Plant C	\$ 905,000	\$ 85,000	\$ 80,000	\$ -
8	Purvine Hall	\$ 605,905	\$ 1,538,255	\$ 1,298,850	\$ 1,979,235
9	Semon Hall	\$ 404,270	\$ 756,970	\$ 1,454,255	\$ 1,170,740
10	Snell Hall	\$ 94,500	\$ 434,775	\$ 561,730	\$ 514,555
11	Wilsonville	\$ 341,500	\$ 618,780	\$ 540,770	\$ 493,500
12	Campus	\$ 5,065,000			
	Subtotals	\$ 9,797,230	\$ 8,187,840	\$ 12,845,040	\$ 10,439,350
	Total	\$ 41,269,460			

Identified Deferred Maintenance - Auxiliary Services					
#	Building	Other	MEP Systems	Exterior	Interior
1	Athletic Center	\$ 614,295	\$ 2,128,550	\$ 2,587,910	\$ 2,412,000
2	Stadium/Track	\$ 437,870	\$ 735,000	\$ 1,164,550	\$ 1,085,250
3	Residence Hall	\$ 795,000	\$ 3,970,650	\$ 2,905,650	\$ 4,370,000
4	College Union	\$ 170,000	\$ 390,000	\$ 575,000	\$ 460,000
5	Village	\$ 177,550	\$ 337,500	\$ 327,450	\$ 535,770
6	Student Health	\$ 77,350	\$ 143,000	\$ 275,000	\$ 270,550
7		\$ -	\$ -	\$ -	\$ -
	Subtotals	\$ 2,272,065	\$ 7,704,700	\$ 7,835,560	\$ 9,133,570
	Total	\$ 26,945,895			

Notes:

- 1) The Deferred Maintenance plan reflects known needs and will be updated changes as required.
- 2) Deferred Maintenance for OMIC campus is not included in analysis.
- 3) Costs do not include Furniture, Fixtures, Class equipment or IT Hardware.

ATTACHMENT D

Audit Status

Internal Audit

Oregon Tech has contracted Kernutt Stokes LLP (KS) for internal audit services. The contract was extended through June 30, 2018, and one one-year extension remains in the originally negotiated contract. KS reports to the Audit Committee of the Board of Trustees.

KS has focused over the summer months in revising and updating its Annual Risk Assessment and Internal Audit Plan for FY 2018. This has been informed through the two completed audit engagements during FY 2017 and through structured interviews with members of management, senior leadership and the Chair of the Audit Committee of the Board of Trustees. The risk assessment process culminates with a draft submission to the Audit Committee for review and adoption on a yearly basis. Similarly, on a yearly basis the risk assessment includes an audit plan, including engagements for the current fiscal year, and likely engagements in the upcoming years. The draft risk assessment identified the following themes or areas of focus during its interviews with Oregon Tech employees:

- Cultural & administrative growth
- Policies and procedures
- Information Technology
- Deferred maintenance of buildings and grounds
- Campus safety
- Student communications

Additional information can be found in docket item 4.1, and a full presentation from KS will be heard by the Audit Committee.

During FY 2017 KS also concluded two internal audit engagements relating to the telecommunication service center and tuition remissions in the ITS and Financial Aid units, respectively. The Audit Committee will be asked to accept the reports and management responses to these audits during the Action Items section of the agenda. Additional information can be found in docket item 4.2.

KS continues to monitor and perform case management of Oregon Tech's Fraud, Waste, and Abuse Ethics line.

Annual Financial and Compliance Audit

Staff began internal year-end planning in February 2017 with year-end work beginning in April 2017. The financial and compliance audits are scheduled to be issued in early November, 2017.

CliftonLarsonAllen LLP (CLA) is scheduled to present the audit opinions, Annual Financial Report, Single Audit Report and results of the fiscal year as part of the Audit Committee's regularly scheduled meeting on December 7, 2017.

To-date the annual financial and compliance audit function has met the following milestones for the fiscal and compliance audits for the year ending June 30, 2017:

- February – April 2017: 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
- April 2017: Auditors on-site conducting interim fieldwork for the financial and financial aid compliance audits;
- May – August 2017: Auditors conduct remote testing over ITS portion of audit (IT-related internal controls); year-end preparation
- June - July 2017: Fiscal year-end close, audit related schedules, financial statement drafting
- August 2017: Auditors conduct on-site final fieldwork; financial statement compilation and draft review
- September - October 2017: Auditors conclude testing off-site and audit wrap-up; finalize Annual Financial Report and Single Audit Report

Timeline through report issuance includes:

- November 3, 2017 (tentative): Audit report issuance State discretely presented component unit reporting
- December 7, 2017: Presentation to Audit Committee (regularly scheduled Board meeting)

The scheduling of on-site interim and final fieldwork, as well as internal planning has been initiated in order to meet the goal of report issuance in November 2017 with report presentation by CLA to the Audit Committee during the regularly scheduled December 2017 Board of Trustees 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, Information Technology Services, and Office of Sponsored Projects. The State of Oregon requires audit and compliance reports to be issued and submitted to the State by November 15, 2017. Oregon Tech is on track to meet this requirement.

ACTION ITEM

Agenda Item No. 4.1

Fiscal Year 2018 Risk Assessment and Internal Audit Plan

Summary

Internal Audit, has updated its annual Risk Assessment and Internal Audit Plan for fiscal year 2018. This Internal Audit Plan builds off of the first Internal Audit Risk Assessment developed last fiscal year, which included a university-wide departmental risk questionnaire and follow up interviews. The 2018 assessment included insights derived from prior year internal audit outcomes and input from key members of management, including members of the President and Vice Presidents. Insights derived from the Risk Assessment led to the development of the Internal Audit Plan for fiscal year 2018.

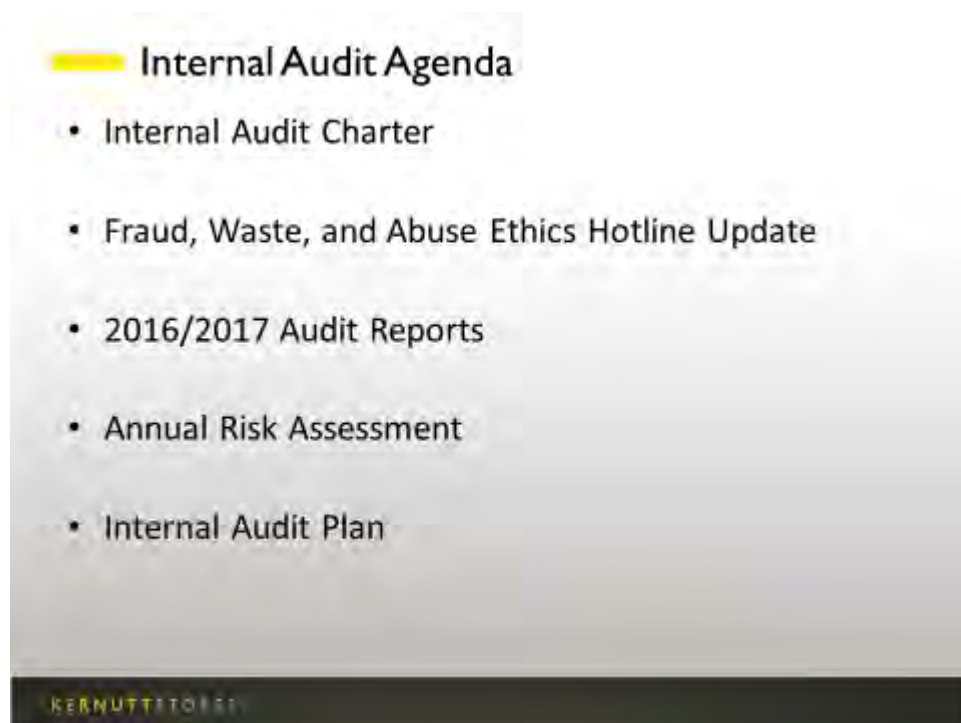
Staff Recommendation

Internal Audit recommends that the Audit Committee of the Board of Trustees approve the Fiscal Year 2018 Risk Assessment and Internal Audit Plan.

Attachments

Kernutt Stokes PowerPoint Presentation

Risk Assessment and Internal Audit Plan for fiscal year 2018



Internal Audit Charter

- **Independence and Objectivity**
 - IA has no direct operational responsibility or authority.
 - IA will exhibit professional objectivity and make unbiased and balanced assessments.
- **Professionalism**
 - IA will adhere to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards).
- **Authority**
 - IA reports administratively to Management and functionally to the Board.
 - IA is authorized full, free, and unrestricted access to any and all of Oregon Tech's record and to the Board.
 - Management is responsible for risk management and internal control.
- **Responsibility**
 - Examination and evaluation of the adequacy and effectiveness of governance, risk management, and internal controls. As well as the quality of performance to achieve stated goals and objectives.
- **Internal Audit Plan**
 - Presented and approved by the Board at least annually.
- **Reporting and Monitoring**
 - Written report following conclusion of each internal audit engagement.
 - Results will be communicated to the board.

KERNUTTITOTEST

Fraud, Waste, and Abuse Ethics Hotline Update

- 2017/2018 Interview Response
- Best Practices
 - Process
 - Awareness
 - Accessibility
 - Transparency
- Status Update

KERNUTTITOTEST

2016/2017 Audit Reports

- Telecom – Finalized
- Tuition Remissions – Finalized

KERNUTTSTOREE

Annual Risk Assessment

Methodology:

- Utilize 2016/2017 Risk Assessment
 - Identification of audit units: 43
 - University-wide department risk questionnaires: 58
 - Follow-up interviews conducted: 24
- Update for 2017-2018 Changes
 - Interviews with key members of management (president, vice presidents, etc.): 10
 - Refine and refresh for current year changes to risk profile.
 - Identify potential audits based on risks.

KERNUTTSTOREE

Annual Risk Assessment

Interview Response Themes:

- Cultural & administrative growth
- Policies and procedures
- Information Technology
- Deferred maintenance of buildings and grounds
- Campus safety
- Student communications

KERNUTTTORSEN

Annual Risk Assessment

Top 10 Audit Units

- Athletics
- Business Affairs
- Campus Security
- Emergency Management
- Facilities Management
- Human Resources and Affirmative Action
- Information Technology
- Office of the Provost and Academic Affairs
- Procurement, Contracts, & Risk Management
- Title IX

KERNUTTTORSEN

Annual Risk Assessment

Analysis of Audit Units and Associated Risks

- Significant risks identified for each unit through questionnaires, interviews, and peer institution risk models.
- Risks are evaluated based on the following and plotted on a heat map:
 - **Likelihood:** The chance that a risk could occur and have a material impact on the Institution. Vertical axis on heat map.
 - **Velocity:** The speed at which a risk can occur and have a material impact on the Institution. Size of point on heat map.
 - **Impact:** The extent of the consequences a risk could have on the institution. Horizontal axis on heat map.

KERNUTTITOTEST

Annual Risk Assessment

Top 20 Risks:

1. **Information Technology** – Cybersecurity
2. **Information Technology** – Business email compromise: policies and response plan
3. **Information Technology** – Protection of confidential information/ compliance with EITTA standards
4. **Business Affairs** – Unauthorized or illegitimate distributions – sufficient training, healthy culture, clear processes
5. **Various departments** – Insufficient training for staff, faculty, and students
6. **Office of the Provost and Academic Affairs** – Mismanagement of workload, benefits and paid time off
7. **Title IX** – Sufficiency and experience of staffing
8. **Facilities Management** – Deferred maintenance of buildings and grounds
9. **Various departments** – Outdated, inadequate, or inefficient policies and manual or non-routine procedures
10. **Various departments** – Contract procurement, administration, and review
11. **Various departments** – Campus violence or threat – response planning and training
12. **Various departments** – Internal controls over cash, revenues, and expenditures
13. **Athletics** – NAIA and Title IX compliance
14. **Facilities Management** – Capital project management – new major projects
15. **Business Affairs** – Expense reimbursements, P-cards, Corporate Credit Cards
16. **Human Resources and Affirmative Action** – Information security and privacy
17. **Procurement, Contracts, & Risk Management** – Vendor selection, evaluation, and review
18. **Campus Security** – Lack of video surveillance and cameras, insufficient lighting and signage on campus
19. **Various departments** – Natural disaster response planning and training
20. **Human Resources and Affirmative Action** – Affirmative action and non-discrimination practices

KERNUTTITOTEST

Annual Risk Assessment



Internal Audit Plan

Types of audits performed by IA:

- **Performance Audit**
 - Examines use of resources to evaluate whether they are being used in the most effective and efficient manner to fulfill the organization's missions and objectives.
- **Financial Audits**
 - Focuses on accounting and reporting of financial transactions. Verifies that there are sufficient controls over assets and adequate process controls over resources.
- **Compliance Audits**
 - Reviews adherence to laws, regulations, policies, and procedures.

KERNUTTSTOKES

Internal Audit Plan

Proposed Audit Plan – 2017/2018

- **Annual Risk Assessment** – 150 Hours
 - Update Institution-wide risk assessment.
- **Monitor Fraud, Waste, and Abuse Ethics Hotline** – 20 Hours
 - Monitor reports made to hotline as well as items reported directly to IA.
 - Coordinate with Human Resources, Management and Board for appropriate follow-up.
- **Business Affairs** – 200 Hours
 - Accounts Payable – process and controls.
- **Office of the Provost and Academic Affairs** – 120 Hours
 - Management of faculty workload, benefits, and paid time off.
- **Business Affairs** – 100 Hours
 - Expense reimbursement, P-cards, and corporate credit cards.
- **Auxiliaries: Student Health Center** – 90 Hours
 - Fiscal review.
- **Prior Audit Follow-up** – 20 Hours
 - Updates to Telecom contracting structure with adoption of Skype for Business.
 - Implementation of management responses to 2016/2017 review of tuition remissions.

KERNUTTSTOKES

Questions?

KERNUTTSTOKES



Risk Assessment
& Internal Audit Plan - 2017/2018

**OREGON TECH
RISK ASSESSMENT AND INTERNAL AUDIT PLAN – 2017/2018**

CONTENTS	PAGE
EXECUTIVE SUMMARY	1
RISK ASSESSMENT METHODOLOGY	2
INTERVIEW RESPONSE THEMES	3
ANALYSIS OF INSTITUTION AUDIT UNITS AND ASSOCIATED RISKS	5
IDENTIFICATION OF TOP 20 INSTITUTIONAL RISKS	9
HEAT MAP	12
INTERNAL AUDIT PLAN	13
APPENDIX A – RANKING OF ALL AUDIT UNITS	19
APPENDIX B – ADDITIONAL EMPHASIS	20
APPENDIX C – OTHER INFORMATION	21

OREGON TECH

Risk Assessment and Internal Audit Plan – 2017/2018

Executive Summary

This document provides the results of the annual risk assessment for Oregon Tech (the Institution) and fiscal year 2017/2018 internal audit plan. The development of the internal audit plan was based on the results of an Institution-wide risk assessment process. The objective of the risk assessment was to identify the departments, offices, areas, units, or processes that pose the greatest risk to the Institution and then to align internal audit resources, where appropriate, to best help the Institution achieve its objectives. The internal audit plan contains key information on the planned audit activity for fiscal year 2017/2018 and was based on the results of the annual risk assessment process. All internal audit services are provided by Kernutt Stokes LLP (IA).

IA's objectives for fiscal year 2017/2018:

- Interview key members of the Institution's management.
- Identify major themes for the Oregon Tech Board of Trustees (the Board) and Institution management to consider.
- Provide an analysis of the top 10 audit units and the associated risks attributable to those units.
- From the identified potential risks associated with top 10 audit units, identify the Top 20 risks by determining the impact, likelihood, and velocity of the risks to the Institution.
- Review the top 20 risks identified with management and, considering timing and budgetary restraints, select a variety of audits that could be performed in the 2017/2018 fiscal year.
- Provide the Institution with value added recommendations to: improve controls, policies, processes; mitigate identified risks; and increase efficiency of its operations.
- Monitor the Institution's Fraud, Waste, and Abuse Ethics Hotline.

During the 2016/2017 fiscal year a new University President took office and several other key members of management were replaced and/or hired including: Human Resources Director, VP of Finance and Administration, Director of Emergency Preparedness, Director of Title IX, Interim Athletic Director, Provost, VP Enrollment Management, Chief Information Officer, Director of Facilities, and more. Transitions of leadership always carry risks, and while many of those risks have been considered as part of larger issues, the full individual effects of these changes in leadership have not been specifically evaluated.

OREGON TECH

Risk Assessment and Internal Audit Plan – 2017/2018

Risk Assessment Methodology

The objective of a risk assessment is to align internal audit resources to those processes that pose the highest risk to the Institution's ability to achieve its objectives. Additionally, it is designed to give the Board a comprehensive risk profile of the Institution which could aid in strategic decision making and allocation of resources. A well-developed risk assessment model will provide an efficient way to:

- Determine the audit units of the Institution
- Measure the risk of each audit unit and identify high risk activities
- Rank the audit units according to risk
- Rank the major activities within audit units according to risk
- Estimate the time necessary to complete potential audits
- Determine the best allocation of resources to perform the audit options
- Develop annual and long-term strategic audit plans

The risk assessment process is a highly collaborative process facilitated by IA, designed to cast a wide net to understand the Institution's risk profile. Heavy reliance is placed on audit unit heads and key Institution management to provide input into the risks that are present in their respective units. Additionally, IA reviews risk assessment models and processes used by peer institutions and utilized their experience and knowledge of Institution operations to ensure relevancy in the risk assessment model. To focus on appropriate areas, IA considered the strategic plans and initiatives of the Institution. IA identified the audit units (a distinct, department, office, area, unit, process, etc. that contains activities structured to obtain common objectives) within the Institution and changes or situations impacting each of these audit units.

In fiscal year 2016/2017 IA developed a risk profile of the entire Institution. This was an extensive process which was accomplished using a Department Risk Questionnaire sent to fifty-eight individuals representing all forty-three audit units. IA performed follow up interviews with twenty four questionnaire respondents, including the Interim President, four Vice-Presidents, select members of the Board, and the Institution's external auditors. For fiscal year 2017/2018 IA conducted new interviews with 10 key members of the Institution's management including the President, Vice-Presidents, and select others. Information from these interviews was used to update the risk profile for changes occurring during the year and new concerns or risks that may have arisen. IA also used their own experience working with the Institution during the year to elevate or reduce risks as considered appropriate. For high risk audit units, a list of identified risks was developed and evaluated across various risk categories summarized below.

The following risk categories were considered in the development of the risk assessment and internal audit plan:

- | | |
|---------------------|---|
| • Strategic Risk | Impairment to implementation of the strategic mission of the Institution. |
| • Operational Risk | Impairment of the ability to carry out the operations of the Institution. |
| • Compliance Risk | Failure to comply with laws, regulations, and policies of the Institution. |
| • Financial Risk | Loss of financial resources, assets, or opportunities. |
| • Reputational Risk | Risk that public image or reputation is damaged by actions of an audit unit or individual connected to the Institution. |

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018****Interview Response Themes**

Listed below is a summary of themes consistently encountered by IA while conducting interviews during the risk assessment update. The themes are summarized here to provide Institution management and the Board with the responses to risks or situations that were presented as being most pervasive throughout the Institution.

- **Cultural & administrative growth**

Many of those interviewed commented on the culture at Oregon Tech remaining “small” even while the Institution has experienced significant growth and success in the last few years. Common thoughts expressed included a general frustration regarding staff not being willing to take ownership of work or make decisions, and a lack of Institution-wide understanding of the bigger picture. It was also felt that the Institution is stuck in a reactive vs. proactive culture that waits for a problem to occur before really searching for a way to solve it. It was noted that administrative growth has lagged behind both student and faculty growth in a way that has potentially impeded a cultural shift toward becoming a larger and better functioning university, and that has made it difficult to create more empowered employees. Additionally, many noted that they felt there was a lack of sufficient training for both faculty and staff that has also impeded growth commensurate to the Institution’s size.

- **Policies and procedures**

Several of those interviewed noted that the Institution has many outdated, inadequate, or inefficient policies and procedures, and that this is a pervasive problem across all departments. Many of the current policies and procedures carry-over from a time when the Institution was smaller, or have simply been adopted from the larger and now defunct Oregon University System without ever modifying them to fit Oregon Tech specifically. This issue was tied to the aforementioned lag in cultural growth of the Institution into a larger organization. It was also communicated that the Institution still has many manual processes that could or should be automated, and that there is an excess of hard-copy paperwork and storage that would be better managed in electronic form. In many cases these outdated policies simply create inefficient work; however, in some cases concern was expressed that they could actually create compliance, financial, or safety issues for the Institution if not corrected or updated.

- **Information Technology**

All interviewees expressed thoughts or concern regarding the Institution’s IT environment. These concerns centered around various IT related issues such as cybersecurity issue response planning and insurance, investment and upgrading of IT systems, the quality and timeliness of data being used to make decisions, improvements to the overall data governance structure, electronic and information technology (EITA) compliance, and protection and retention of sensitive information. Overall there was positivity toward the recent changes being made in that department including the hiring of an experienced CIO; however, it was universally believed that there is still a long way to go for the Institution to be fully protected and considered in-line with or above their peers in the market; as a technical institute would generally be expected to be.

OREGON TECH

Risk Assessment and Internal Audit Plan – 2017/2018

- **Deferred maintenance of buildings and grounds**

Most interviewees noted that the facilities at both campuses are in need of upgrades, improvements, and in some cases complete replacement. It was noted that some of the more recently constructed buildings do not seem built for the long-term growth the Institution is planning for, and that they are already falling into disrepair. These concerns were expressed not only from a safety standpoint, but also from a recruiting standpoint for students, faculty, administrative staff, and potential donors and supporters. It was generally believed that the growth the Institution has experienced has been in spite of the campus facilities and condition, and there is worry that there may come a point where it will become a hindrance in some or all of the ways noted above.

- **Campus safety**

Interviewees noted concerns regarding safety issues at both campus locations. Most noted that some improvements have been made over the last year, but that the Institution is still well behind what would be considered an acceptable or ideal state. Specific concerns expressed related to the lack of campus cameras, insufficient lighting, insufficient signage, difficult ADA accessibility, insufficient plan and training related to campus-wide emergency events, visibility of security staff, physical security of campus grounds, building safety hazards in student dorms, and outdated physical security of buildings.

- **Student communications**

Several respondents noted concerns regarding the quality of the Institution's communication with students and prospective students across multiple areas including: admissions, financial aid, emergency management, and social media. Respondents felt that communication with students was disaggregated, confusing in some cases, and overall mismanaged in ways that have or could cause embarrassment and potentially reputational harm.

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018****Analysis of Institution Audit Units and Associated Risks**

Based on questionnaire results and discussions with executive management, the top 10 Institution audit units are listed alphabetically. The determination of the top 10 audit units was based on the results of the annual risk assessment performed by IA. See Appendix A for a full ranking of all audit units.

Audit Unit
Athletics
Business Affairs
Campus Security
Emergency Management
Facilities Management
Human Resources and Affirmative Action
Information Technology
Office of the Provost and Academic Affairs
Procurement, Contracts, & Risk Management
Title IX

Having identified the top 10 audit units, each unit was evaluated for individual risks within each respective unit. Risks were determined by the questionnaire and interview process as well as through review of peer institution risk models. The most significant potential risks are summarized in the following table.

Audit Unit	Summary of Potential Risks
Athletics	<ul style="list-style-type: none"> • NAIA compliance • Title IX compliance • Contract procurement and administration • Internal control over cash collection, revenues, and expenditures • Condition of facilities and equipment • Changes in management • Sufficient and appropriate insurance coverage • Student athlete medical evaluations and records • Award processing and communication of financial aid • Alcohol and drug policies and enforcement

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018**

Audit Unit	Summary of Potential Risks
Business Affairs	<ul style="list-style-type: none"> • Unauthorized or illegitimate distributions • Outdated, inadequate, or inefficient policies and manual or non-routine procedures • Cash management, receipts, and disbursements • Contract management • Expense reimbursements, P-cards, corporate credit cards • Integrity of financial projections • Campus fixed asset and inventory utilization and tracking • Capital accounting and debt compliance • Significant and consistent employee turnover • Lack of training and expertise
Campus Security	<ul style="list-style-type: none"> • Lack of video surveillance and cameras, insufficient lighting and signage on campus • Physical security of buildings - particularly building access control and antiquated key systems • On campus sexual assault or harassment • Campus violence or threatening persons • Insufficient training for staff, faculty, and students • Staffing and visibility of personnel at remote campuses • Visitor management and soft-point access control • Clery Act compliance • Social privacy concerns (threats from drones, smartphone recordings, etc.)
Emergency Management	<ul style="list-style-type: none"> • Insufficient training and education for staff, faculty, and students • Natural disaster response plan • Campus violence or threat • Lack of attention or customization for remote campuses • Lack of effective department customization • Inexperienced or insufficient management and staff • Reactive vs proactive planning measures • Insufficient internal and external communications • Facilities create poor visibility and communication issues during an event • Mutual aid agreements

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018**

Audit Unit	Summary of Potential Risks
Facilities Management	<ul style="list-style-type: none"> • Capital project management – new major projects • Deferred maintenance of buildings and grounds • ADA accessibility – inherent challenges with hilly terrain • Inclement weather response • Outdated facilities master plan and infrastructure assessment • Student housing safety issues • Employee utilization, minor projects, maintenance and janitorial planning • Insufficient funding
Human Resources and Affirmative Action	<ul style="list-style-type: none"> • Outdated, inadequate, or inefficient policies and procedures • Information security and privacy • Affirmative action and non-discrimination practices • Insufficient staff and faculty training • Performance evaluations • Affordable Care Act compliance • ADA accessibility • Recruitment, selection, and hiring practices and procedures • Workplace safety • Payroll and time keeping • Pay and benefits inequality, classification, and eligibility
Information Technology	<ul style="list-style-type: none"> • Cybersecurity • Business email compromise policies and response plan • Protection of confidential information and personally identifiable information • Outdated, inadequate, or inefficient policies and procedures • Localized back-ups of data at risk in natural disaster scenarios • Change management (access and permissions) • Network integrity and system capacity • EITA compliance and planning • Software pre-implementation review • IT and core business strategic alignment

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018**

Audit Unit	Summary of Potential Risks
Office of the Provost and Academic Affairs	<ul style="list-style-type: none"> • Management of faculty workload, benefits, & paid time off • Leadership turnover and unfilled positions • Insufficient support staff • Inequality of work distribution and linkage to compensation • Faculty conflict of interest • Promotion and tenure planning • Course planning and mapping • Incorporation of state funding model with retention and completion objectives • Academic quality • Graduation rates
Procurement, Contracts, & Risk Management	<ul style="list-style-type: none"> • Outdated, inadequate, or inefficient policies and procedures • Selection, administration, and review of contracts • Vendor selection, evaluation, and review • Change order abuse • Unbalanced bidding • Bid collusion • Split purchases • Inadequate purchase thresholds • Contract review (for both legal and business purpose) • Cost mischarging
Title IX	<ul style="list-style-type: none"> • Outdated, inadequate, or inefficient policies and procedures • Sufficiency and experience of staffing • Insufficient education and training for staff, faculty, and students • Complaints process • Investigation, documentation, and retention compliance • Internal and external incident communications • Reputational damage • Loss of federal funding • Victim and whistleblower care, protection, communication, and confidentiality • Nondiscrimination notifications

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018****Identification of Top 20 Institutional Risks**

The significant Institution risks, identified previously, were evaluated based on the impact, likelihood, and velocity that each risk would have based on standard internal audit practices. The top 20 Institution risks were then plotted on a heat map (see page 11). Below is the criteria used to make those evaluations:

Likelihood: The chance that a risk could occur and impact the Institution. Likelihood is represented by the vertical axis of the heat map. Likelihood is determined and evaluated based on the following factors:

Descriptor	Frequency		Probability
Almost Certain	Immediate	Very often or expected	90% chance
Likely	<= 3 months	Often or multiple times per year	60%-90% chance
Possible	12 months	Periodically or annually	30%-60% chance
Unlikely	24 months	Occasionally or bi-annually	10%-30% chance
Rare	60 months	Rarely or remote possibility	<10% chance

Velocity: The speed at which a risk can occur and have a material impact on the Institution. Velocity is represented by the size of the point plotted on the heat map such that the larger the point, the faster the potential onset of the risk. Velocity is determined and evaluated based on the following factors:

Descriptor	Speed	Time Period
Fast	Rapid or instantaneous onset with little or no warning	Occurs within hours or a few days
Moderate	Quick onset with some warning requiring a response	Occurs in a matter of a couple of weeks or months
Slow	Slow onset with enough warning to attempt remedy	Occurs over many months or years

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018**

Impact: The extent of the consequences a risk could have on the Institution. Impact is plotted on the horizontal axis of the heat map. Impact is determined and evaluated based on the following factors:

Descriptor	Strategic	Operational	Compliance	Financial	Reputational	Safety
Extreme	Loss of confidence by all stakeholder groups. Potential closing of Institution.	Enterprise wide. Inability to continue normal operations across entire Institution. Multiple board members or senior leaders leave.	Board and/or management indictments. Significant prosecution and fines. Large scale legal action. Regulatory sanctions.	Financial cost or lost opportunity greater than \$5M	Significant and long-term national negative media coverage. Major loss of market share.	Loss of life
Major	Loss of confidence by two or more stakeholder groups. Multiple changes in senior leadership. Significant changes to Institution's strategic plan. Potential closing of multiple Institution branches or services.	Significant interruptions to Institution operations. Some senior leaders leave. High turnover of experienced staff. Not perceived as an employer of choice.	Management challenges. Large legal liabilities. Reports to regulators requiring major corrective action. Regulatory fines.	Financial cost or lost opportunity between \$1M - \$5M	Substantial state-wide media coverage. Potentially temporary or remediable situation. Significant loss of market share.	Permanent or significant injury
Moderate	Loss of confidence by more than one stakeholder group. Changes in senior leadership or staffing. Significant changes to Institution's execution of strategic plan.	Moderate interruptions to Institution operations. Widespread staff morale problems and high turnover.	Review of management decisions. Legal action considered or reserved for. Report of breach to regulator with immediate corrective action implemented. Regulatory investigation.	Financial cost or lost opportunity between \$100K - \$1M	Minor local media coverage. Likely temporary and remediable. Potential harm to market share.	Minor injury
Minor	Loss of confidence by one stakeholder group. Refinements or adjustments to Institution's strategic plan and/or execution.	Minor interruptions to Institution operations. General staff morale problems and increasing turnover.	Management unaffected. Minimal liabilities. Reportable incident to regulator with no follow-up required. Increased regulatory attention.	Financial cost or lost opportunity between \$25K - \$100K	Local media coverage easily remedied. No harm to market share.	Chance of injury and perception of danger
Incidental	Minor concern by 1 or more stakeholder groups. Minimal or no changes to Institution plans.	Minimal or no interruption to Institution operations. Isolated staff dissatisfaction.	Minimal or no liabilities. Not reportable to regulator. No regulatory impact.	Financial cost or lost opportunity less than \$25K	No impact.	No injuries. perception of safety

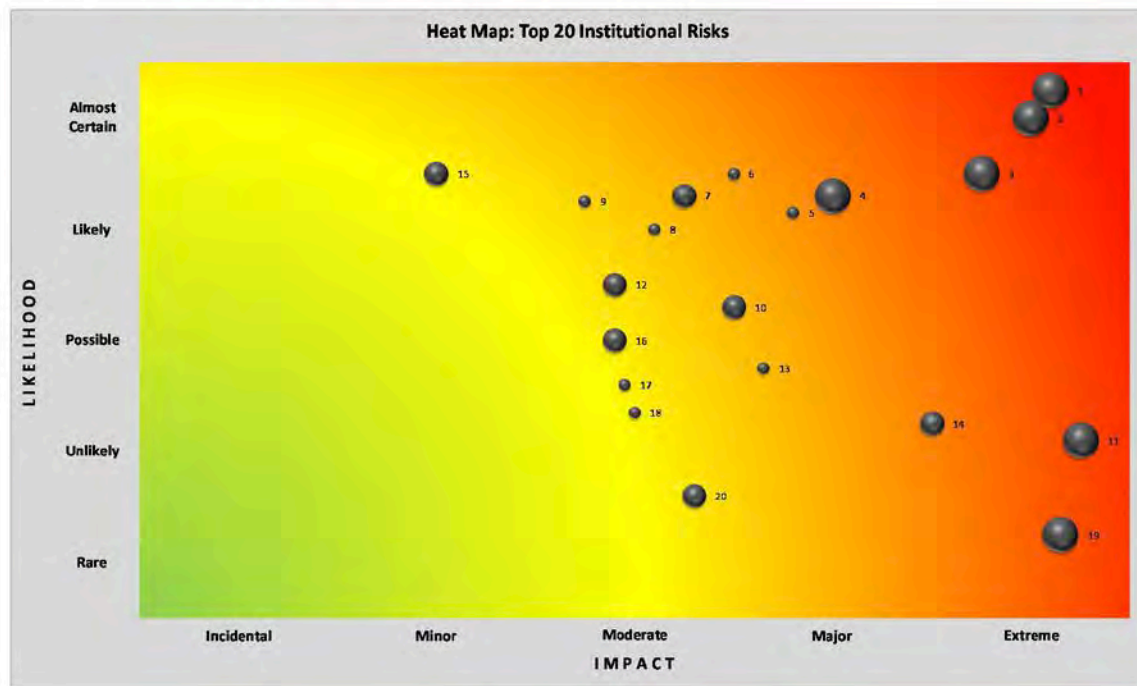
OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018**

The chart below represents the top 20 highest risks to the Institution. They are ranked from highest risk to lowest based on the results of the risk assessment performed by IA.

Risk Rank	Audit Unit(s)	Description of Risk	Risk Area(s)
1	Information Technology	Cybersecurity	Strategic, Operational, Compliance, Financial, Reputational
2	Information Technology	Business email compromise: policies and response plan	Strategic, Operational, Compliance, Financial, Reputational
3	Information Technology	Protection of confidential information and personally identifiable information, compliance with EITA standards	Strategic, Compliance, Financial, Reputational
4	Business Affairs	Unauthorized or illegitimate distributions – insufficient training, culture, and processes	Financial, Reputational
5	Various (Business Affairs, Campus Security, Emergency Management, Human Resources and Affirmative Action, Title IX)	Insufficient training for staff, faculty, and students	Operational, Compliance, Financial, Safety
6	Office of the Provost and Academic Affairs	Mismanagement of faculty workload, benefits, and paid time off	Strategic, Operational, Financial
7	Title IX	Sufficiency and experience of staffing	Compliance, Financial, Reputational
8	Facilities Management	Deferred maintenance of buildings and grounds	Strategic, Operational, Reputational, Safety
9	Various (Business Affairs, Human Resources and Affirmative Action, Information Technology, Procurement, Contracts, & Risk Management, Title IX)	Outdated, inadequate, or inefficient policies and manual or non-routine procedures	Operational, Financial
10	Various (Athletics, Business Affairs, Procurement, Contracts, & Risk Management)	Contract procurement, administration, and review	Compliance, Financial, Reputational
11	Various (Campus Security, Emergency Management)	Campus violence or threat – response planning and training	Operational, Reputational, Safety
12	Various (Athletics, Auxiliaries, Business Affairs)	Internal controls over cash, revenues, and expenditures	Financial
13	Athletics	NAA and Title IX compliance	Operational, Compliance, Reputational
14	Facilities Management	Capital project management – new major projects	Operational, Financial
15	Business Affairs	Expense reimbursements, P-cards, Corporate Credit Cards	Financial
16	Human Resources and Affirmative Action	Information security and privacy	Compliance, Reputational
17	Procurement, Contracts, & Risk Management	Vendor selection, evaluation, and review	Compliance, Financial, Reputational
18	Campus Security	Lack of video surveillance and cameras, insufficient lighting and signage on campus	Reputational, Safety
19	Various (Emergency Management, Information Technology)	Natural disaster response planning	Operational, Financial, Reputational, Safety
20	Human Resources and Affirmative Action	Affirmative action and non-discrimination practices	Compliance, Reputational

OREGON TECH

Risk Assessment and Internal Audit Plan – 2017/2018



OREGON TECH

Risk Assessment and Internal Audit Plan – 2017/2018

Internal Audit Plan

The internal audit plan covers the period beginning July 1, 2017 through June 30, 2018. This plan includes internal audits selected based on the results of the risk assessment performed by IA, input from various stakeholders and managers throughout the Institution, and input and approval from the Board. The internal audit plan is designed to direct IA resources in an effective and efficient manner.

IA uses a three-year risk assessment model with annual updates to prioritize audit coverage and ensure timely reviews of high exposure areas.

IA performs three primary activities – audits, management advisory services, and investigations. IA's focus is to actively work within the Institution to assist management in addressing strategic, financial, operational, reputational, and compliance risks and exposures. IA focuses on both Institution-wide and department level processes and control systems. In order to focus audit resources, the work completed by other audit professionals and compliance officers across the Institution were considered in setting the overall audit plan and in planning the work conducted on any specific project. Additionally audits may be performed at the express request or instruction of the Board or Institution management regardless of where that risk may rank in the annual risk assessment.

The types of audits that can be performed by IA are as follows:

- **Performance Audits** - Examines the use of resources to evaluate whether they are being used in the most effective and efficient manner to fulfill the organization's mission and objectives. Performance audits may include some elements of the other audit techniques listed below.
- **Financial Audits** - Focuses on accounting and reporting of financial transactions, including commitments, authorizations, receipt, and disbursement of funds. This type of audit verifies that there are sufficient controls over cash and other assets, and that there are adequate process controls over the acquisition and use of resources.
- **Compliance Audits** - Reviews adherence to laws, regulations, policies, and procedures. Examples include federal and state law, Trustee policies, organizational, or departmental directives. Recommendations based on findings or observations typically call for improvements in processes and controls intended to ensure compliance with the regulations noted.

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018***Audit Plan for Fiscal Year 2017/2018:*

Audit Unit	Audit Focus**	Budget*	Timeframe	Covered Risks
Annual Risk Assessment	Update Institution-wide risk assessment for 2017/2018 as required by internal audit professional standards to aid in selection of annual audit work.	150 hours	June 2017 – September 2017	N/A
Monitor Fraud, Waste, and Abuse Ethics Hotline	Monitor reports made to the Fraud, Waste, and Abuse Ethics Hotline, as well as items reported directly to IA during the annual risk assessment process or throughout the year. Coordinate with Human Resources, Institution management, and the Board for appropriate follow-up.	20 hours	July 2017 – June 2018	N/A
Business Affairs	<u>Accounts Payable – process and controls:</u> policies, procedures, and testing of disbursements (routine, non-routine, electronic, and manual); process mapping; review of training manual; review adequacy of internal controls and segregation of duties; thresholds for review and approval.	200 hours	TBD	4,5,9,12
Office of the Provost and Academic Affairs	<u>Management of faculty workload, benefits, and paid time off:</u> review faculty workload planning; review faculty benefits and benefit guidelines; review usage of paid time off (vacation, sick leave, personal leave, etc.); review faculty time tracking procedures.	120 hours	TBD	5,6,9
Business Affairs	<u>Expense reimbursements, P-cards, and corporate credit cards:</u> review various department expense reports and reimbursements; administration of the campus procurement and credit card program - documented delegations of authority, current policies and procedures; reconcile credit card bank files to campus bank statements; credit card set-up, maintenance and deactivation policies.	100 hours	TBD	15

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018**

Audit Unit	Audit Focus**	Budget*	Timeframe	Covered Risks
Auxiliaries: Student Health Center	<u>Fiscal review</u> : proper execution of contracts and agreements, cost reimbursement review, budget management.	90 hours	TBD	9,12
Prior Audit Follow-up	Updates to Telecom contracting structure with adoption and implementation of Skype for Business. Implementation of management responses to 2016/2017 review of tuition remissions.	20 hours	March 2018 – May 2018	N/A
Total Budget		700 hours		

* Budgeted hours are approximate and may change depending on project scope to be determined by IA, Institution management, and the Board. Hours shown are provided for discussion and planning purposes.

** In selecting specific audit projects for inclusion in the audit plan, emphasis was placed on both providing coverage to the Institution's top risks and riskiest audit units, as well as to requests from Institution management and the Board. Some audits may carryover for completion into 2018/2019 depending on the optimal time for review. This is part of a normal audit process where audits begun in the last few months of the year are completed and issued early in the following year.

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018***Future Audit Projects*

The following table depicts identified audit projects to be performed subsequent to the 2017/2018 year and going forward. To help identify potential projects, internal audits have been broken into two categories, Tier 1 and Tier 2. Tier 1 audits are larger projects based on areas identified as having high risk in the annual risk assessment, or areas specifically requested for audit by the Board or Institution management. Tier 2 audits are smaller projects that can be either one-off or of a recurring nature. IA recommends a mixture of Tier 1 and Tier 2 audits each year to provide optimum levels of coverage and focus on Institution risks.

Audit Unit	Audit Focus	Budget*	Timeframe**	Covered Risks
Annual Activities:				
Risk Assessment	Update the Institution-wide risk assessment as required by internal audit professional standards to aid in selection of annual audit work.	120-150 hours	Annually	N/A
Prior Audit Follow-up	Look back at audits performed in prior years to review progress and/or continued areas for improvement.	20-40 hours	Annually	N/A
Monitor Fraud, Waste, and Abuse Ethics Hotline	Monitor reports made to the Fraud, Waste, and Abuse Ethics Hotline, as well as items reported directly to IA during the annual risk assessment process or throughout the year. Coordinate with Institution management and the Board for appropriate follow-up.	20 hours	Annually	N/A
Tier 1 Audits:				
Information Technology	<u>Cybersecurity</u> : policies and procedures; insurance coverage for incidents; incident response plan; super user access and change procedures.	150-250	TBD	1,9
Business Affairs, Procurement, Contracts, & Risk Management, Athletics	<u>Contract procurement, administration, and review</u> : policies and procedures around contracts with third-parties including: vendor selection, vendor evaluation, change orders, bidding, purchase thresholds, legitimate business purpose, and compliance with government regulations.	150-250 hours	TBD	9,10,17
Emergency Management	<u>Emergency response plan</u> : internal, administrative, compliance, and operational controls over the campus-wide emergency operations plan and related management activities, including training and drills.	150-250 hours	TBD	5,11,19

-16-

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018**

Audit Unit	Audit Focus	Budget*	Timeframe**	Covered Risks
Tier 1 Audits (continued):				
Facilities Management	<u>Capital project management</u> : policies and procedures for determining project management team, solicitation and selection of subcontractors; management of project costs.	150-250 hours	TBD	8,9,10,14,17
Information Technology	<u>Information systems implementation</u> : policies and procedures related to new information system purchase or development including testing of outputs, appropriate training, support, and authorizations of data access.	150-250 hours	TBD	3,9
Tier 2 Audits:				
Auxiliaries	<u>Controls over cash, revenues, expenditures, and sensitive information</u> : proper execution of contracts and agreements; cost reimbursement review; budget management, cash collection, protection of sensitive information.	60-150 hours	Annual – rotating focus	12
Information Technology	<u>Business email compromise</u> : policies and procedures in place; incident response plan; training; survey staff and faculty regarding understanding and response to an incident.	60-150 hours		2,5,9
Business Affairs	<u>Unauthorized distributions</u> : policies, procedures, and controls in place around distribution of funds, particularly related to electronic disbursements; proper thresholds in place for review and approval.	60-150 hours	TBD	4,5,9,12
Athletics	<u>Various administrative reviews</u> : policies and procedures; contract administration; cash collection; student athlete eligibility; travel safety; insurance coverage; medical evaluation policies; financial aid distribution and communication.	60-150 hours	TBD	10,12
Athletics and Title IX	<u>NAIA and Title IX compliance</u> : policies and procedures; student athlete eligibility; academic compliance; off-campus recruiting; award and distribution of financial aid; sports camps, practices, travel regulations.	60-150 hours	TBD	9,13

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018**

Audit Unit	Audit Focus	Budget*	Timeframe**	Covered Risks
Tier 2 Audits (continued):				
Human Resources and Affirmative Action; Business Affairs	<u>Payroll</u> : salary classifications and benefits; pay compliance with salary classifications assigned to staff; benefits provided to eligible employees; review active and inactive employee listing.	60-150 hours	TBD	16,20
Human Resources and Affirmative Action	<u>Timekeeping</u> : compliance with policies and procedures related to timekeeping of student employees; reconcile disbursements to active employee listing; review pay rates for compliance with policy.	60-150 hours	TBD	9
Business Affairs	<u>Fixed asset and inventory tracking</u> : campus or select department fixed asset tracking procedures; purchase and disposal policies and procedures; select department inventory tracking practices; fixed asset or inventory utilization.	60-150 hours	TBD	9,10
Business Affairs	<u>Accounts receivable</u> : policies and procedures around collections; compare to best practices and peer institutions review for uncollectable or delinquent accounts, write-offs, etc., for outside parties, students, etc.	60-150 hours	TBD	5,9,12
Auxiliaries: Food Procurement	<u>Fiscal review</u> : proper execution of contracts and agreements; cost reimbursement review; budget management; cash collection controls.	60-150 hours	TBD	12
Human Resources and Affirmative Action	<u>Pay equity</u> : review of pay equity study related to faculty and review of internal administrative pay equity study.	60-150 hours	TBD	9,20
Human Resources and Affirmative Action	<u>Performance reviews</u> : process for faculty and administrative performance reviews; alignment with pay increases and promotions.	60-150 hours	TBD	9,20

*Budgeted hours are approximate and may change depending on project scope to be determined by IA, Institution management, and the Board. Hours shown are provided for discussion and planning purposes.

**Timeframe is suggested based on a variety of factors. Times shown are provided for discussion and planning purposes and may be altered as goals or objectives change.

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018****Appendix A – Ranking of all Audit Units**

Audit Unit	2017/2018 Rank	2016/2017 Rank
Information Technology	1	5
Business Affairs	2	6
Title IX	3	4
Emergency Management	4	8
Athletics	5	1
Human Resources and Affirmative Action	6	3
Facilities Services	7	10
Campus Security	8	12
Office of the Provost and Academic Affairs	9	26
Procurement, Contracts, & Risk Management	10	34
Office of the Vice President for Finance & Administration	11	23
Integrated Student Health Center/Student Health Services	12	17
Admissions	13	14
Campus Life & Multicultural Inclusion	14	13
Housing and Residence Life	15	18
Office of the President	16	7
Student Services - Wilsonville	17	20
Institutional Research	18	15
Academic Agreements	19	16
Wilsonville Campus	20	2
College of Health, Arts, and Sciences	21	9
Marketing & Communication	22	28
Budget and Resource Planning	23	30
Registrar's Office	24	19
College of Engineering Technology & Management	25	11
Student Affairs	26	21
Online Education	27	24
STEM Program	28	22
Academic Excellence	29	25
Seattle at Boeing	30	27
Strategic Partnerships	31	29
Retention	32	32
College Union	33	31
Student Success Group	34	33
Alumni Relations/Oregon Tech Foundation	35	39
Financial Aid	36	35
Sponsored Projects and Grant Administration	37	36
Archives & Records Management	38	38
Board of Trustees	39	37
Financial Oversight Advisory Committee (FOAC)	40	40
Library Services	41	41
Faculty Senate	42	42
Oregon Renewable Energy Center (OREC)	43	43

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018**

Appendix B – Additional Emphasis

This section provides additional background and/or emphasis on issues or risks previously presented. These issues are intended only for the consideration of Management and the Board.

- **Title IX compliance and risk**

Interviewees expressed concern regarding the Institution's current Title IX function. The concerns did not relate to any specific issue or instance on campus, but instead to the resources being directed toward compliance and prevention. It was noted that the Institution tends to be reactionary vs. proactive when addressing many risks, but that Title IX presents a bigger than normal risk that needs to be addressed now before an issue arises. It was believed that the Title IX efforts of the Institution need to be improved with more experienced staff, increased staff, updated and improved policies and procedures, and increased training for all staff and faculty at the Institution on an annual basis.

OREGON TECH**Risk Assessment and Internal Audit Plan – 2017/2018**

Appendix C – Other Information

In addition to the interview response themes outlined previously (page 3), some interviewees also expressed concern about the following issue. While this issue is not considered a formal risk it was thought useful to present these concerns to both Management and the Board for consideration. This information is intended only for Management and the Board.

- **Cultural alignment and communication between Klamath Falls and Wilsonville campuses**

During the 2016/2017 risk assessment many of the questionnaire and interview respondents expressed thoughts or concerns regarding the Institution's lack of strategic integration or alignment between the Klamath Fall and Wilsonville campuses. During the current year many of those same concerns were reiterated, although with a more refined focus and tone. In general the concerns communicated were not related to the Institution's overall strategy or purpose of the dual-campus structure, which is understood by the Institution's management. Instead the concerns were associated with the way the campuses seem often to be working at-odds with each other, as well as the way the Institution's overall strategy for growth has been communicated to the staff and faculty at both campuses. There is frustration that the campuses often seem to work in conflict, instead of in cooperation, with each other. There is also concern with the way certain administrative functions are shared between the campuses. Many, if not all, of these issues are understood to be common issues that dual-campus universities deal with.

Feelings were communicated that the Board and Management should take a more head-on approach in addressing the differences and purposes of the two campuses, perhaps by even openly acknowledging some of the difficulties that currently exist. It is believed that the Institution would benefit from creating a more formalized dual-campus framework, and by increasing communication between the campuses with more joint sub-committees with members from both campuses. Overall it was thought that the Institution needs to develop more buy-in from all faculty and staff regarding the overall Institution growth strategy and dual-campus framework in order to accomplish the Institution's goals. There is also apprehension that not addressing these issues now could potentially lead to even more issues in the future in places such as the upcoming Oregon Manufacturing Innovation Center in Scappoose.

ACTION ITEM

Agenda Item No. 4.2

Internal Audit Reports

Summary

Internal Audit completed two audits during the fiscal year 2017. The first relating to the telecommunication services, dated May 17, 2017 and the second relating to the issuance of tuition remissions, dated August 1, 2017.

Internal audit results are classified into three categories; Findings, Observations, and Recommendations in order of severity.

The Telecom Internal Service Center Audit was designed “to ascertain the effectiveness and appropriateness of existing policies and procedures related to the Telecom Internal Service Center and to provide feedback on the transferability of the policies and procedures as it relates to other Internal Service Centers in the University.” The audit identified two findings, one observation and no recommendations.

The Tuition Remission Internal Audit was designed “to ascertain the effectiveness and appropriateness of existing policies and procedures related to the fiscal, operational and administrative controls of tuition remissions.” The audit identified no findings, four observations and no recommendations

Specific results identified by Internal Audit and management responses to the audits are identified in the following reports. These reports are marked as “Draft” until accepted by the Audit Committee.

Staff Recommendation

Internal Audit recommends that the Audit Committee of the Board of Trustees accept the attached Telecom Internal Service Center Audit and management response and the attached Tuition Remission Internal Audit and management response as presented in the docket.

Attachments

Telecom Internal Service Center Audit Report
Tuition Remissions Internal Audit Report

DRAFT



Telecom Internal Service Center
Audit Report
May 17, 2017



DRAFT

Telecom Internal Service Center Audit
Dated May 17, 2017
Page | 1

To: Board of Trustees and Management of Oregon Tech
From: Kernutt Stokes, Contract Internal Auditors (IA)
Date: May 17, 2017
Subject: Telecom Internal Service Center Audit

EXECUTIVE SUMMARY

We have completed our audit of the Telecom Internal Service Center of Oregon Tech. The objective of this audit was to ascertain the effectiveness and appropriateness of existing policies and procedures related to the Telecom Internal Service Center and to provide feedback on the transferability of the policies and procedures as it relates to other Internal Service Centers in the University, as part of the 2016/2017 Annual Internal Audit Plan.

Results of the audit are classified into three categories. The categories are defined below, ranking from most pervasive to least.

- **Finding** – More serious in nature, a finding is an instance of a breakdown or partial breakdown, leading to a potential failure of the University's objectives. A finding requires immediate corrective action.
Two findings were identified during the audit related to the substantiation of telecom expenses and sufficiency of the internal billing rates.
- **Observation** – An instance of a minor deviation from an otherwise well-implemented process. An observation requires noting in the audit report and should be evaluated and corrected as resources and time allow.
One observations were identified during the audit related to insufficient or incomplete policies and procedures.
- **Recommendation** – An instance of a potential improvement opportunity. A recommendation does not require action, but is encouraged for improvement.
No recommendations were identified during the audit.

KERNUTTSTOKES



DRAFT

Telecom Internal Service Center Audit
Dated May 17, 2017
Page | 2

For a detailed explanation of the observations and management's responses to these observations, please refer to the individual observation contained in the body of this Audit Report.

We appreciate the courtesy and cooperation we received from the staff, specifically in the IT department, Budget Office and Business Affairs Office (BAO) throughout this audit.

KERNUTTSTOKES



DRAFT

Telecom Internal Service Center Audit
Dated May 17, 2017
Page | 3

BACKGROUND

The Information Technology Services (ITS) department at Oregon Tech provides computing and telecommunications resources for the Oregon Tech campuses. ITS is the budget authority overseeing the Telecom Internal Service Center and is responsible for setting billing rates, procuring third-party service providers and maintaining the associated equipment.

The Telecom Internal Service Center works as a cost-recovery operation. System operations, support, maintenance, upgrades, and expansion costs are financed by a monthly charge to each department for the number of telephone extensions and network ports allocable to that department. Expenses for services are recorded when paid by ITS. All expenditures are initiated through ITS and are either matched to a PO or are charged to a department procurement card. Telecom internal service is not a profit-center and therefore their goal should be to break-even at the end of each reporting period.

Telephones on campus are restricted against long distance calling unless a long distance authorization code has been properly requested and approved by ITS and issued to the caller. Requests for telephone moves, changes, installations and removals are to be reported to the student run help desk. These requests are then submitted to the ITS Program Manager for approval.

During 2016, ITS, with oversight and assistance from the BAO, performed a full inventory of the extensions and network ports that exist on the University campuses. These ports were allocated to various departments and subsequently sent out to each department budget authority for review and approval.

There is currently no process for evaluating and updating the adequacy of the billing rates charged out to each department.

OBJECTIVE

The objective of this audit was to:

- a. Determine that documentation to substantiate expenses exists and is sufficient;
- b. Determine the appropriateness and sufficiency of the billing rates charged to University departments;
- c. Review the policies and procedures in place and determine the completeness and transferability to other University Internal Service Centers.

KERNUTTSTOKES

SCOPE AND METHODOLOGY

Our audit was conducted in accordance with the guidelines set forth in the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. The Standards set criteria for Internal Audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department.

To achieve the audit objective, we reviewed Telecommunications policies where available, conducted interviews with the Telecommunications staff, and performed a review of the internal service charge and associated expenses. The scope of this audit included the operations and financial transactions of the department.

AUDIT RESULTS

1. **Objective:** Determine that documentation to substantiate expenses exists and is sufficient.
 - a. **Audit work performed:** Requested supporting documentation (contracts, invoices, etc) for all expenses incurred during Oct, Nov, and Dec 2016. Reviewed documentation provided.
 - b. **Finding #1:** Certain expenditures did not have a contract or service agreement available. IA recommends conducting a review of all contract records on hand and cross-reference to expenditures incurred. Additionally, work with third-party service providers to obtain copies of missing contracts. Without a comprehensive understanding of what each service provider has been contracted to do, invoices cannot be reviewed for errors or out of scope charges.
 - i. **Management response:** Management has reviewed the observation made by IA and agrees with the assessment. Management is committed to accumulating and retaining all pertinent documentation, including contracts and service agreements, to support the services provided by the department. At this time there is no related implementation plan specific to the current Telecom providers because it has been determined that the Telecom Internal Service Center will be reconfigured and absorbed into ITS. As a result, the recommendation is noted as a potential takeaway for other departments within the University.

KERNUTTSTOKES



DRAFT

Telecom Internal Service Center Audit
Dated May 17, 2017
Page | 5

2. **Objective:** Determine the appropriateness and sufficiency of the billing rates charged to University departments.
 - a. **Audit work performed:** Obtained monthly index reports for Oct, Nov, and Dec 2016 and for FYE 2016. Reviewed index balance.
 - b. **Finding #2:** Insufficient billing rate resulting in transfers from other funding sources to attempt to balance the index by year end. Perform a comprehensive review and analysis of billing rates used and develop a methodology for determining an appropriate bill rate such that the Telecom Internal Service Center operates on a break even basis over a defined time period.
 - i. **Management response:** Management has reviewed the observation made by IA and agrees with the assessment. At this time there is no specific implementation plan related to Telecom because it has been determined that the Telecom Internal Service Center will be reconfigured and absorbed into ITS. As a result, the recommendation is noted as a potential takeaway for other departments within the University.
3. **Objective:** Review the policies and procedures in place and determine the completeness and transferability to other University Internal Service Centers Audit work performed:
 - a. **Audit work performed:** Reviewed existing policies and procedures manuals currently in place to support the activities of the Telecom Internal Service Center and interviewed personnel involved in the administration of the Service Center.
 - b. **Observation:** Incomplete procedures manual for administering the Telecom Internal Service Center. Increase the level of detail included in the Telecom Internal Service Center procedures manual including, but not limited to, the following:
 1. Identification of who gets assessed an internal telecom service charge including who is responsible for common areas (computer labs, etc).
 2. Identification of how the charge-out rates are calculated and how often they are updated. On an overall basis, the billing rates need to be set at a level that results in the Telecom Internal Service Center breaking even over a set time period as determined by management (typically 1 year is the most appropriate but longer recovery periods may be necessary under certain circumstances such as to accumulate fees for planned major repairs and replacements).
 3. Process for the billing of specifically identifiable costs such as long distance, conference calling, etc.
 4. Process and frequency for evaluating third-party service providers and for negotiating rates and contract terms. For contracts that are less than 1 year in duration, this process is recommended annually.

KERNUTTSTOKES

5. Process for updating the port and extension assignments including how changes between departments are requested, documented and approved.
 6. Process for managing telecom fixed assets and for determining when significant replacements will need to be done and how those will be paid for.
- i. **Management response:** Management has reviewed the observation made by IA and agrees with the assessment. During the course of the audit, ITS management decided to change direction with the current Telecom Internal Service Center process. Going forward the current service provider contracts are being eliminated and replaced with a different product suite. As a result, the expenses associated with the Telecom Internal Service Center will be absorbed into the ITS budget and the practice of billing departments will be eliminated. This transition has already begun and is expected to be completed by the end of calendar year 2017. As a result, a specific policy related to the Telecom Internal Service Center will no longer be necessary as it will now be handled the same as other University systems already managed by ITS. The recommendation is noted as a potential takeaway for other departments within the University.

CONCLUSION

Our testing indicates that some improvements to processes owned by the Telecom Internal Service Center would increase the accuracy of information in departmental financial statements which are currently used in the overall budget process. However, management has changed course with respect to service providers and reevaluated the need to treat telecom and network expenditures as a specifically identified Internal Service Center. Management has determined that the Telecom Internal Service Center is not a value-added charge-out and is inconsistent with how other IT services are treated. Management will move toward absorbing telecom and network expenditures within the ITS budget. While these observations are no longer relevant to the Telecom Internal Service Center, IA believes that having comprehensive policies and procedures in place, in all facets of the University, reduces inconsistencies in application, empowers the decision-making ability of staff and increases transparency in the process.

ACKNOWLEDGEMENT

We appreciate the courtesy and cooperation we received from the staff of ITS and BAO throughout this audit.

KERNUTTSTOKES

DRAFT



Tuition Remissions Internal Audit Report
August 1, 2017



DRAFT

Tuition Remissions Internal Audit Report
Dated August 1, 2017
Page | 1

To: Board of Trustees and Management of Oregon Tech

From: Kernutt Stokes, Contract Internal Auditors (IA)

Date: August 1, 2017

Subject: Tuition Remissions Internal Audit

EXECUTIVE SUMMARY

We have completed our Internal Audit of tuition remissions at Oregon Tech. The objective of this audit was to ascertain the effectiveness and appropriateness of existing policies and procedures related to the fiscal, operational and administrative controls of tuition remissions as part of the 2016/2017 Annual Internal Audit Plan.

Results of the audit are classified into three categories. The categories are defined below, ranking from most pervasive to least.

- **Finding** – More serious in nature, a finding is an instance of a breakdown or partial breakdown, leading to a potential failure of the University's objectives. A finding requires immediate corrective action.
No findings were identified during the audit.
- **Observation** – An instance of a minor deviation from an otherwise well-implemented process. An observation requires noting in the audit report and should be evaluated and corrected as resources and time allow.
Four observations were identified during the audit. These observations were related to the timing of award letters, University award criteria, insufficient policies and procedures, and the disbursement of funds as it pertains to changes in enrollment status.
- **Recommendation** – An instance of a potential improvement opportunity. A recommendation does not require action, but is encouraged for improvement.
No recommendations were identified during the audit.

For a detailed explanation of the results please refer to the individual objectives contained in the body of this Audit Report.

KERNUTTSTOKES



DRAFT

Tuition Remissions Internal Audit Report
Dated August 1, 2017
Page | 2

BACKGROUND

The Financial Aid Office (FAO) at Oregon Tech provides students and their parent's information and support regarding federal, state, institutional, and other sources of financial aid. All packaging and awarding of funds is done by the FAO.

The FAO is staffed by a director, an assistant director, an office specialist, financial aid counselors, a scholarship officer, and student employees. The FAO currently has 6.25 staff members and 3 student employees.

Various tuition remissions are made available to students annually. Based off of IA's risk assessment, IA focused specifically on the following remissions:

- Athletic Awards – These awards are managed by the athletic department and the coaching staff. Tuition remission awards for athletics include the Maples Athletic Award and the Premier Athletic Award.
- Automated Awards – There are several automated awards based on admissions data submitted by prospective students. These awards are automatically determined when a student applies for admission to Oregon Tech based off of defined criteria. All students who qualify are offered the award.
- Supplemental Grant – The supplemental grant is a discretionary award managed and awarded by the FAO in conjunction with a matrix based on expected family contribution.
- Other Remissions – Other remissions awarded to students range from awards based off a student's externship, service in the military, or other specialized interest area.

During the 2016/2017 academic year, 1,722 different awards were offered to 1,182 students totaling \$3,702,228 of tuition remissions. 1,575 different awards were applied to 1,075 student accounts totaling \$3,411,903 of tuition remissions.

OBJECTIVE

The objectives of this audit were to:

- Verify that user access and rights in the financial aid modules are granted to appropriate users and confirm that safeguards are in place to mitigate potential conflicts in segregation of duties.
- Confirm that students are being notified of University awards timely.

- Gain an understanding of the policies and procedures related to awarding University governed tuition remissions.
- Determine that tuition remission have been offered, awarded, and dispersed according to outlined policies, procedures, and established criteria.
- Verify that all students receiving tuition remissions during 2016/2017 were enrolled and participating in University credit hours.

SCOPE AND METHODOLOGY

Our audit was conducted in accordance with the guidelines set forth in the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. The Standards set criteria for Internal Audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department.

To achieve the audit objectives, we reviewed Financial Aid policies and procedures where available, conducted interviews with the Financial Aid staff, and performed a review of 2016/2017 remissions awarded. The scope of this audit included the operations and financial transactions of the department.

IA tested a sample of 33 out of 1,722 remissions offered during the 2016/2017 academic year. The total amount of tuition and fee remissions tested during the audit was \$220,152. During this testing, IA verified that students met eligibility requirements of the award and have maintained the eligibility requirements as applicable. IA verified that there was proper approval for each scholarship and that the amounts awarded were appropriate. The remission was then traced to the student's Banner account where the amount was confirmed with the financial aid records and the disbursements in the student's account. IA segregated the remissions into four categories based off of ownership and governance: Athletic, Presidential, Supplemental, and Other. The table below outlines the current year testing selections.

Type of Award	Total Population		Sample Size	
	# of Awards Offered	\$ of Awards Offered	# of Awards Selected for Testing	\$ of Awards Selected for Testing
Athletic	222	\$1,358,200	8	\$115,679
Automated	958	\$1,258,109	6	\$ 13,500
Supplemental	239	\$ 264,742	4	\$ 5,050
Other	303	\$ 821,177	11	\$ 85,923
Total	1,722	\$3,702,228	33	\$ 220,152



DRAFT

Tuition Remissions Internal Audit Report
Dated August 1, 2017
Page | 4

AUDIT RESULTS

1. **Objective:** Gain an understanding of the policies and procedures related to awarding University governed tuition remissions.
 - a. **Audit work performed:** Reviewed policies and procedures and interviewed financial aid staff.
 - b. **Observation #1:** Incomplete policies and procedures for administering tuition remissions. Increase the level of detail included in the financial aid policies and procedures manual including, but not limited to, the following:
 1. Identification of who can override amounts and criteria of institutional aid.
 2. Level of documentation required when entering comments in student accounts, specifically as it relates to the change of aid.
 3. Verification and authorization of non-routine changes of aid.
 - i. **Management response:** We will add to the policies and procedures that Vice Presidents and the President have leeway to make awards outside the parameters as does the Director of Financial Aid and in regard to Admissions, the Director of Admissions. Financial Aid will also request emails from the Vice President or President outlining their request instead of the current practice of placing a comment in RHACOMM.
 - ii. **Responsible party:** Financial Aid Department and the Vice Presidents.
 - iii. **Target implementation date:** 2017/2018 award year.
2. **Objective:** Determine that tuition remissions have been offered, awarded, changed and dispersed according to outlined policies, procedures, and established criteria.
 - a. **Audit work performed:** IA reviewed the policies and procedures as well as each tuition remission criteria. IA then tested a sample of tuition remission awards to determine whether or not all criteria had been met.
 - b. **Observation #2:** An instance was noted where one student was awarded an undergraduate tuition remission based off of an undergraduate contract and code in Banner; however the student was a graduate student for the 2016/2017 academic year. Student contracts should be reviewed and cross checked against student information before the award is dispersed.
 - i. **Management response:** There are a limited number of contracts for graduate/undergraduate tuition waivers. The academic departments have control of these funds. The Deans sign off on the contracts. As IA has pointed out one student was supplied a contract by the Civil department that references the student as an undergraduate, the business office forwarded that code and

KERNUTTSTOKES

the amount to financial aid for awarding. After this was discovered the contract was re-written, signed and the code was switched out. The amount of money was the same (\$3,000) and the money came from the same budget, the fee remission budget. Management has no problem with the suggestion that contracts and codes should be reviewed.

- ii. **Responsible party:** Graduate Programs, Business Office and Financial Aid.
- iii. **Target implementation date:** 2017/2018 award year.

- 3. **Objective:** Verify that all students receiving tuition remissions during 2016/2017 were also enrolled and participating in University credit hours.

- a. **Audit work performed:** IA compared all 1,075 students who received aid during 2016/2017 with a listing of all enrolled students during the same time period, in order to ensure that all students receiving aid were also appropriately enrolled at Oregon Tech.
- b. **Observation #3:** All students who received aid were also enrolled. However, one instance was noted where a student withdrew from the University after the census date (two weeks after the start of the term) and was therefore determined to only be responsible for 50% of tuition and fees for the term. The student's original aid package was designed to cover 50% of tuition and fees. During IA's review it was noted that the full award was applied and the student's account balance was net zero leaving no obligation to the student. As such, because the student withdrew and was only responsible for 50% of tuition and fees and paid nothing out of pocket, the benefit appears to be greater than the original award intended. Management should review the period where a student's tuition and fees are charged at less than full rates and determine if an adjustment is necessary to reflect the benefit allocation originally awarded. Changes to current procedures should be documented and applied going forward.
 - i. **Management response:** Management disagrees. The institution has a census date per federal regulation for compliance of all Title IV aid programs. The institution uses the census date for all aid. Not using the census date for adjusting aid would be going against our own policy and procedures. The full award was applied because the student was enrolled full time at the time of disbursement. The business office followed their published criteria "Oregon Tech Refund Policy" on refunding. We followed our policies and procedures in Financial Aid.
 - ii. **Responsible party:** Business Office and Financial Aid
 - iii. **Target implementation date:** None



DRAFT

Tuition Remissions Internal Audit Report
Dated August 1, 2017
Page | 6

ACKNOWLEDGEMENT

We appreciate the courtesy and cooperation we received from the staff, specifically in the Financial Aid Office (FAO), Business Affairs Office (BAO), Information Technology Services (ITS), and the Athletics Department throughout this audit.

KERNUTTSTOKES

ACTION

Agenda Item No. 5.1

Fiscal Year 2017 Year-End Financial Review

Background:

The October 2017 Board of Trustees meeting is the first meeting since the closing of the 2017 fiscal year. Attached you will find unaudited financial results for the year ending June 30, 2017 for the Education & General, Auxiliary and Designated Operations, Service Departments and Clearing Funds. Our external auditors are in the final review stages for the issuance of our financial statements which is expected during November 2017.

Key Financial Results:

Below are high level observations on financial results for FY 2017. These figures are unaudited and in thousands.

State Appropriations ran at budget.

Tuition Revenue ran below forecast budget by (\$483k). Declines being led in resident undergraduate and reciprocity agreements (staff tuition benefits utilized at partner Oregon public universities). While online and non-resident undergraduate revenue ran ahead of forecast.

Other Revenue ran ahead of budget, largely relating to OMIC membership income \$735, which will be reclassified in FY 2018 to Auxiliary income.

Total Revenue was ahead of budget by \$372 and totaling \$57,044 for the fiscal year. However, this will be offset through transfers, after the close of the fiscal year, of \$735 into the OMIC Auxiliary.

Salary and **OPE** all came in below budget by (\$313) through a combination of unfilled positions and reduced use of student employment spread across the institution.

Supplies & Services and **Capital** came in significantly below budget by (\$1,612). Much of this however will be rolled over into the new fiscal year. Slow spending on approved departmental S & S budgets and equipment investments accounts for a significant portion of this savings.

Total Expenses ran (\$1,808) below budget, and totaled \$55,944.

Various transfers and investments were made, including the reclassification of Planned Use of Carryforwards to Supplies & Services and Capital into operating accounts over the year, impacting overall E&G results.

The mid-year creation of the Quasi-Endowment (QE) resulted in a transfer out of the General Fund of \$7,500.

Net change in fund balance was negative by (\$5,831), however, when netted against the QE transfer a net increase in General Fund of was had \$1,669. E&G **Fund Balance** ended the year at 23.0% of Operating Revenues. This is above the Board designated target of 10-15% of Operating Revenues in General Fund Reserves, and significantly ahead of expectation.

Auxiliaries overall added \$688 to reserves after Operations and Transfers.

Enrollment Related Fees were behind budget, largely due to Incidental Fee revenue (\$113) and internal sales from the Geothermal Power Plant (\$100) which was offline longer than expected due to unscheduled repairs. Results from food services were ahead of budget.

Supplies & Services savings and some unfilled positions allowed for modest net savings, in Athletics, College Union operations and Student Services.

Recommendation:

No action required, report for informational purposes only.

Attachments

Unaudited Financial Report FY2017

OREGON INSTITUTE OF TECHNOLOGY
Periodic Report
 As of June 30, 2017
 For the Fiscal Year ended June 30, 2017
Unaudited Data

Unaudited Data	Year-to Date					Budget Forecast			
	2015-16			Current				Actual	
	Year-End	2015-16	2016-17	YTD as a	Prior YTD	Board	Forecast	Variance	
(in thousands)	Actual	YTD Actual	YTD Actual	% of	as a % of	Approved	Budget	from	Notes
				Budget	PY Actuals	Budget	Budget	Forecast	
								Budget	
EDUCATION & GENERAL									
State General Fund	24,908	24,908	26,388	100%	100%	26,135	26,391	(3)	
Tuition & Resource Fees	30,867	30,867	32,052	99%	100%	32,552	32,535	(483)	(1)
Fee Remissions	(3,180)	(3,180)	(3,578)	100%	100%	(3,415)	(3,579)	1	
Other	840	840	2,182	185%	100%	1,053	1,325	857	(2)
Total Revenues	53,535	53,535	57,044	101%	100%	56,325	56,672	372	
Unclassified	20,664	20,664	22,515	99%	100%	23,048	22,677	(162)	(3)
Classified	4,715	4,715	5,206	99%	100%	5,366	5,264	(58)	(3)
Student	724	724	623	86%	100%	739	725	(102)	(4)
GTA	31	31	22	169%	100%	40	13	9	(5)
OPE	12,157	12,157	12,957	97%	100%	13,717	13,303	(346)	(3)
Supplies & Services	8,285	8,285	9,667	99%	100%	9,772	9,720	(53)	(6), (9.5)
Internal Sales	(1,244)	(1,244)	(1,225)	90%	100%	(933)	(1,366)	141	(7)
Debt Services	1,529	1,529	1,434	97%	100%	1,472	1,472	(38)	
Capital	350	350	376	23%	100%	807	1,642	(1,266)	(8), (9.5)
Utilities	1,396	1,396	1,357	105%	100%	1,107	1,290	67	
Transfers Out	1,193	1,193	1,204	100%	100%	1,190	1,204	0	
Total Expenditures	49,790	49,790	54,136	97%	100%	56,325	55,944	(1,808)	
Net from Operations	3,745	3,745	2,908			0	728	2,180	
Transfers In	73	73	113	98%	100%	0	115	(2)	
Transfers Out - Quasi Endowment			(7,500)			0	(7,500)	0	
Sale of Harmony	4,200	4,200	-					0	
OMIC, Cornett Match, Planned Use carryforward			(1,485)			(3,327)	(2,596)	1,111	(9)
Fund Additions/(Deductions)	1,533	1,533	133	N/A	100%			133	
Change in Fund Balance	9,551	9,551	(5,831)			(3,327)	(9,253)	3,422	
Beginning Fund Balance	9,394	9,394	18,945			18,945	18,945	0	
Ending Fund Balance	18,945	18,945	13,114			15,618	9,692	3,422	
% Operating Revenues	35.4%	35.4%	23.0%			27.7%	17.1%		
AUXILIARY ENTERPRISES									
Enrollment Fees	2,851	2,851	3,003	96%	100%	3,136	3,136	(133)	(10)
Sales & Services	5,821	5,821	6,496	101%	100%	5,766	6,429	67	
Other	892	892	1,105	98%	100%	870	1,131	(26)	
Total Revenues	9,664	9,664	10,604	99%	100%	9,772	10,696	(92)	
Personnel Services	3,534	3,534	3,651	97%	100%	3,845	3,783	(132)	(11)
Supplies & Services / Capital Outlay	7,480	7,480	7,825	97%	100%	7,745	8,058	(233)	(12)
Total Expenditures	10,994	10,994	11,476	97%	100%	11,590	11,841	(365)	
Net from Operations	(1,330)	(1,330)	(872)			(1,818)	(1,145)	273	
Transfers In	1,885	1,885	1,943	111%	100%	1,735	1,752	191	(13)
Transfers Out	(798)	(798)	(1,298)	180%	100%	(708)	(722)	(576)	(14)
Additions/(Deductions) to Unrestricted Net Assets	970	970	915	N/A	100%			915	
Change in Unrestricted Net Assets	737	737	688			(791)	(115)	803	
Beginning Unrestricted Net Assets	2,606	2,606	3,343			3,343	3,343	0	
Ending Unrestricted Net Assets	3,343	3,343	4,031			2,552	3,228	803	
% Operating Revenues	34.6%	34.6%	38.0%			26.1%	30.2%		

OREGON INSTITUTE OF TECHNOLOGY
Periodic Report
 As of June 30, 2017
 For the Fiscal Year ended June 30, 2017
Unaudited Data

	Year-to Date					Budget Forecast		Actual Variance from Forecast Budget	Notes
	2015-16 Year-End Actual	2015-16 YTD Actual	2016-17 YTD Actual	Current YTD as a % of Forecast Budget	Prior YTD as a % of PY Actuals	Board Approved Budget	Forecast Budget		
(in thousands)									
DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS									
Enrollment Fees	38	38	34	103%	100%	26	33	1	
Sales & Services	30	30	15	54%	100%	28	28	(13)	(15)
Other	984	984	854	109%	100%	1,040	781	73	(16)
Total Revenues	1,062	1,062	903	107%	100%	1,094	842	61	
Personnel Services	119	119	107	93%	100%	147	115	(8)	(17)
Supplies & Services & Capital Outlay	1,221	1,221	778	89%	100%	1,071	884	(106)	(18)
Total Expenditures	1,340	1,340	885	89%	100%	1,218	999	(114)	
Net from Operations	(278)	(278)	18			(124)	(157)	175	
Transfers In	3	3	38	N/A	100%	0	0	38	(19)
Transfers Out	(72)	(72)	(74)	100%	100%	0	(74)	0	
Additions/(Deductions) to Unrestricted Net Assets	81	81	100					100	
Change in Unrestricted Net Assets	(266)	(266)	82			(124)	(231)	313	
Beginning Unrestricted Net Assets	395	395	129			129	129	0	
Ending Unrestricted Net Assets	129	129	211			5	(102)	313	
% Operating Revenues	12.1%	12.1%	23.4%			0.5%	-12.1%		
Total unrestricted fund balance		22,417	17,356			18,175	12,818		
Days of expenditures		132	95			96	68		

Notes:

Education & General

- (1) The large variances are: NR Undergrad \$263K, Resident Undergrad (\$517K), Online Learning \$347K, Paramedic (\$90K), CLS (166K), Reciprocity (\$377K), WUE (\$65K), Summer Session \$160K
- (2) Membership income for OMIC \$735K (error-will move to OMIC Auxiliary in October FY18), Gain on sale of President Residence \$154K
- (3) Net of unfilled vacancies and additional positions added mid-year
- (4) Students were not utilized as expected in the departments
- (5) GTA pay was three times the normal quarterly amount in the last quarter
- (6) Departments did not spend all of their allocated S&S Budgets. Will carryforward to FY18
- (7) Forecast budget was overstated. Did not take into account the cost of renting space in the College Union.
- (8) Equipment budgets were not spent as predicted. Will carryforward to FY18
- (9) Forecast was incorrect. Breakdown of Actuals: \$982K to Cornett, \$173K to OMIC, \$38K to CEET Bldg, \$275K to Seman Hall, Miscellaneous (\$18K)
- (9.5) Post-closing entry made in October to Period 14 - Reclassified Library expenses for subscriptions from a Capital to an S&S expenditure \$149K

Auxiliary Enterprises

- (10) Incidental Fee revenue down (\$113K), Health Fee down (\$24K), Miscellaneous Fees up \$4K, small power plant internal sales reduced (-\$100k)
- (11) Vacancy Savings
- (12) S&S savings in College Union \$35K, Parking \$31K, Student Activities \$100K, Residence Hall \$67K, Athletics \$66K
- (13) Student Activities Balancing \$18K, Wilsonville Health Service Balancing (\$8K), Athletics Year-End Balancing \$181K (see Service Depts for other \$37K)
- (14) Student Activities Balancing (\$18K), Wilsonville Health Service Balancing \$8K, Athletics Year-End Balancing (\$218K), Parking unbudgeted move to Reserves (\$382K)
College Union budgeted transfer to reserves didn't take place until July 2017 - \$100K, Geothermal transfer of settlement monies to UPE762 (\$86K)

Designated Operations, Service Departments, & Clearing Funds

- (15) Teaching with Spatial Technology (TWIST) was budgeted, but event did not take place \$9K, Summer Youth Camps \$4K
- (16) Unbudgeted revenue received for STEM consulting \$15K, Printing Service Centers rebounded after downtime when changed service providers \$58K, Telephone Operations Service Ctr internal sales below budget (\$14k).
- (17) TWIST was budgeted, but event did not take place \$7K
- (18) TWIST was budgeted, but event did not take place \$2K, Student Malpractice Insurance not budgeted properly \$25K, Telephone Service Dept Savings \$75K, Misc Savings \$4K
- (19) Athletics Year-End Balancing \$7K

DISCUSSION ITEM

Agenda Item No. 5.2

Capital Projects Update

Background

Oregon Tech has significantly increased the level and complexity of its ongoing capital projects during the past fiscal year. This significant uptick in activity will continue for at least the next four years as major projects, that have been approved and funded by the Legislature or the institution, move through the design and construction phases. This increase includes major new investment by the Oregon Legislature in 2015 for the renovation of Cornett Hall as well as the approval during the 2017 Legislative Session of the Center for Excellence in Engineering and Technology and Phase II of the Cornett Hall renovation as well as self-funded improvements to student recreation and athletics facilities.

During the past year, significant gains have been made in the sophistication of Oregon Tech's capital budgeting and project management systems. These include increased interaction and changes in contracting procedure, templates and review by Facilities and Procurement and Contracting (PACs) and Facilities Management staff. A structured monthly report on capital projects has been developed by Facilities Management and reviewed by the VPFA and a designated member of the F&F Committee with significant capital project management experience to ensure projects move forward on budget and in a timely manner. This report is included in the F&F Committee's Quarterly Dashboard report.

The attached presentation includes excerpts from the F&F Committee Quarterly Dashboard report and additional information on completed, in-progress and upcoming capital projects. Because most major construction projects are concentrated during the summer "building season" when both weather conditions and lighter facility usage permit efficient project execution, the fall F&F Committee meeting is the ideal time for an annual in-depth report on the prior year's capital projects. This will be carried forward into subsequent year's meetings.

Staff Recommendation

No action necessary, for discussion purposes only.

Attachments

2017 Capital Bond Projects – Change Order Log
PowerPoint Presentation

Oregon Tech

2017 Capital Bond Projects – Change Order Log

Well 4 Rehabilitation

1. Original Budget: \$380,000.00
2. Revised - Starting Project Cost: \$475,440.00
3. Change Orders: \$0.00
4. Final Project Cost: \$475,440.00

North 12 kV Upgrade

1. Original Budget: \$777,460.00
 2. Starting Project Cost: \$777,460.00
 3. Change Order #01: \$3,660.00 – add data conduit to conduit run.
 4. Final Project Cost: Project underway
- *All project Change Orders were covered by project contingency built into Revised – Starting Budget amounts.*

Emergency Storm – Phase 1

1. Original Budget: \$1,482,905.00
 2. Revised - Starting Project Cost: \$690,505.00
 3. Change Order #01: \$2,900.00 - replace CU trash compactor pad.
 4. Change order #02: \$26,248.00 – additional concrete sidewalks to campus standards.
 5. Change Order #03: \$5,488.00 – additional concrete sidewalk to campus standard.
 6. Change Order #04: \$23,350.00 – replace deteriorated existing waterline.
 7. Change Order #05: \$35,719.00 – additional excavation and gravel base for new paving.
 8. Final Project Cost: \$690,505.00
- *All project Change Orders were covered by project contingency built into Revised – Starting Budget amounts.*

Purvine Reroof

1. Original Budget: \$391,000.00
2. Revised - Starting Project Cost: \$302,305.00
3. Change Orders: \$0.00
4. Final Project Cost: \$302,305.00



Presentation Outline



- 2017 Capital Projects
 - Soccer Field
 - Well 4 Rehabilitation
 - North 12kV Upgrade
 - Emergency Storm – Phase 1
 - Cornett Renovation – Phase 1
- Upcoming Projects
 - Emergency Storm – Phase 2
 - Cornett Renovation – Phase 2
 - Athletics & Student Rec Center
 - CEET Project
- Capital Repair & Renewal
 - Completed Projects
 - Upcoming Projects

Oregon Tech – 2017 Projects

New Soccer Field / Well 4 Rehabilitation / North 12kV Upgrade / Storm – Phase 1 / Cornett – Phase 1A



Soccer Field



Soccer Field							
Project Start: 5.10.16		Project Completion: 6.03.17					
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE 758 / 759 / 760 Bond Type: XI-F \$2,019,277 Design: D.A. Hogan Build: Hellas Const. Fence: Superior	* Final Completion: 6.02.2017						
		Design (14%):	\$ 285,355	\$ 288,105	\$ 288,105	100%	\$ -
		Construction (80%):	\$ 1,535,500	\$ 1,599,421	\$ 1,599,421	100%	\$ -
		Other (6%):	\$ 198,422	\$ 131,751	\$ 131,751	100%	\$ -
		Project Totals:	\$ 2,019,277	\$ 2,019,277	\$ 2,019,277	100%	\$ -
Budget Breakdown			Percent Complete (%)				

Soccer Field



Soccer Field



Soccer Field

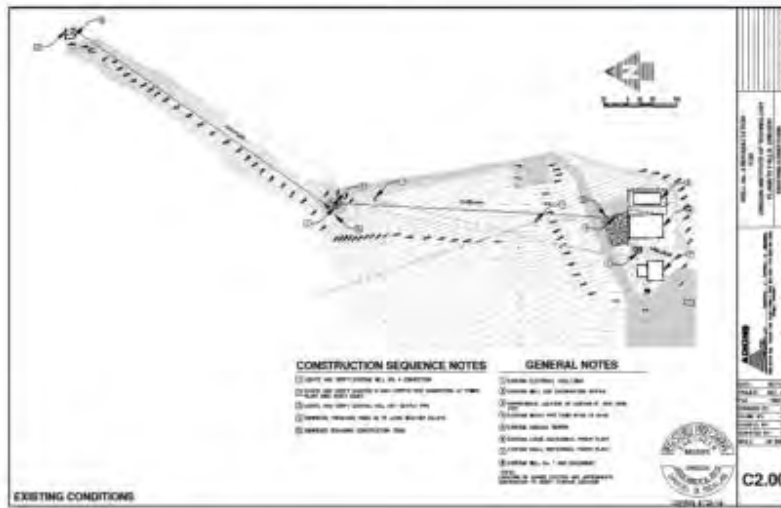


Well 4 Rehabilitation



Well 4 Rehabilitation							
Project Start: 6.19.17		Project Completion: 9.01.17					
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE 763 Bond Type: XI-Q \$380,000 Design: Adkins Eng. Build: Bob's Excav.	* Substantial Completion: 9.14.2017						
		Design (16%):	\$ 83,700	\$ 83,700	\$ 83,700	100%	\$ -
		Construction (75%):	\$ 296,300	\$ 386,740	\$ 386,740	100%	\$ -
		Other (9%):	\$ -	\$ 5,000	\$ 5,000	100%	\$ -
		Project Totals:	\$ 380,000	\$ 475,440	\$ 475,440	100%	\$ -
Budget Breakdown		Percent Complete (%)					

Well 4 Rehabilitation



Well 4 Rehabilitation



Well 4 Rehabilitation



North 12kV Upgrade



North 12kV Upgrade							
Project Start: 6.19.17		Project Completion: 9.01.17					
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE 769 / FSCORR Bond Type: XI-Q \$763,125 Design: Fluent Engin. Build: Bob's Excav.	* Substantial Completion: 10.06.2017						
	** Final Completion: w/ Transformer install						
	**Transformers are long lead-time items.						
	Scheduling with contractor to minimize interruption to campus operations.						
	RFP Design Bid Const. Complete						
		Design (6%):	\$ 50,365	\$ 54,400	\$ 46,665	86%	\$ 7,735
		Construction (66%):	\$ 503,650	\$ 718,060	\$ 466,740	65%	\$ 251,320
		Other (28%):	\$ 209,110	\$ 5,000	\$ 3,660	73%	\$ 1,340
		Project Totals:	\$ 763,125	\$ 777,460	\$ 517,065	67%	\$ 260,395

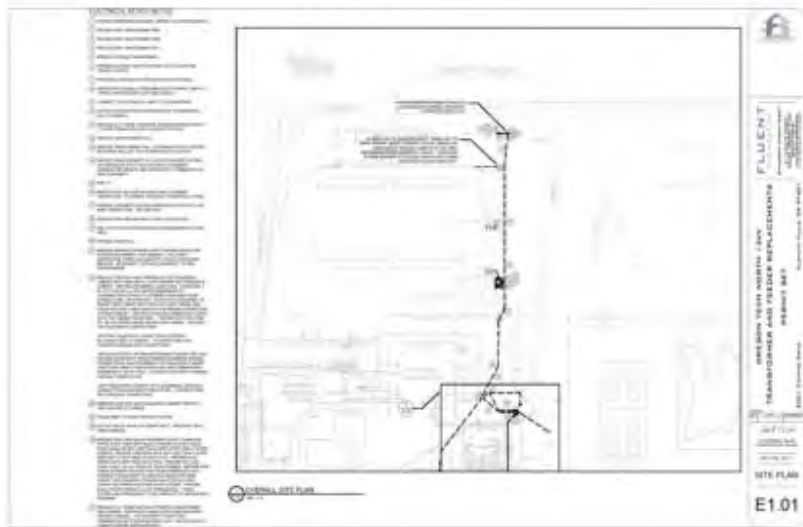
Budget Breakdown

Design Construction Other/Const.

Percent Complete (%)

33% Cost To Date
67% Balance

North 12kV Upgrade



North 12kV Upgrade



North 12kV Upgrade



Emergency Storm Drain – Phase I



Emerg. Storm - Phase I							
Project Start: 6.19.17		Project Completion: 9.01.17					
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE 769 / FSSTD Bond Type: XI-Q \$1,482,905 Design: Marquess Build: Bob's Excav.	* Final Completion: 9.22.2017						
		Design (4%):	\$ 118,836	\$ 29,100	\$ 29,100	100%	\$ -
		Construction (71%):	\$ 1,188,357	\$ 641,405	\$ 641,405	100%	\$ -
		Other (25%):	\$ 175,712	\$ 20,000	\$ 20,000	100%	\$ -
		Project Totals:	\$ 1,482,905	\$ 690,505	\$ 690,505	100%	\$ -
Budget Breakdown		Percent Complete (%)					

Emergency Storm Drain – Phase I



Emergency Storm Drain – Phase I



Emergency Storm Drain – Phase I

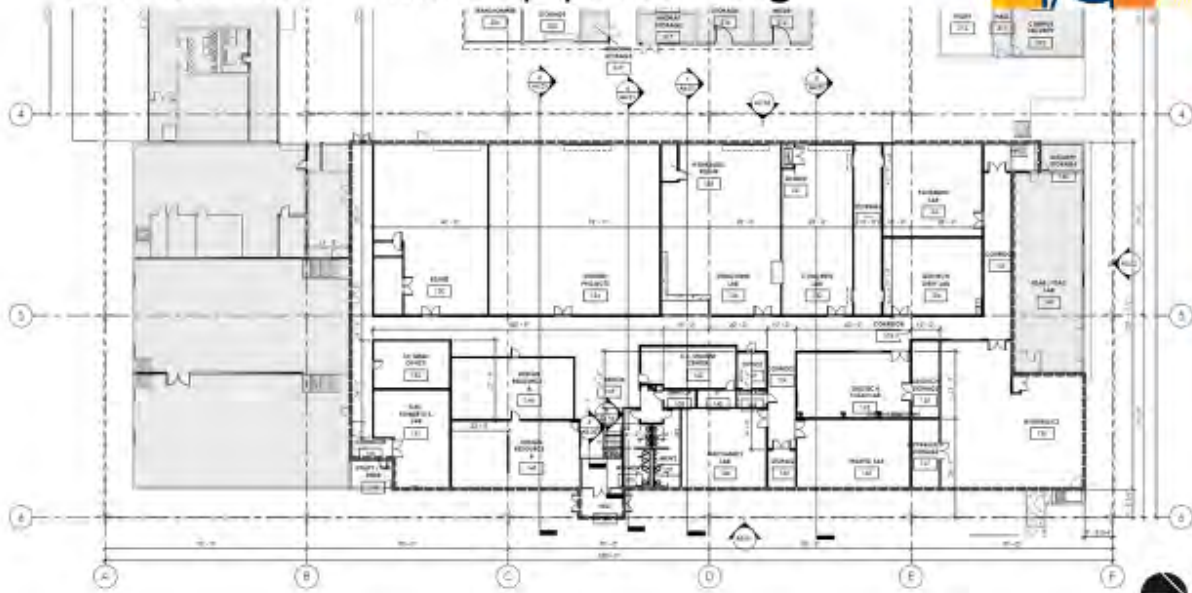


Cornett Hall – Phase I

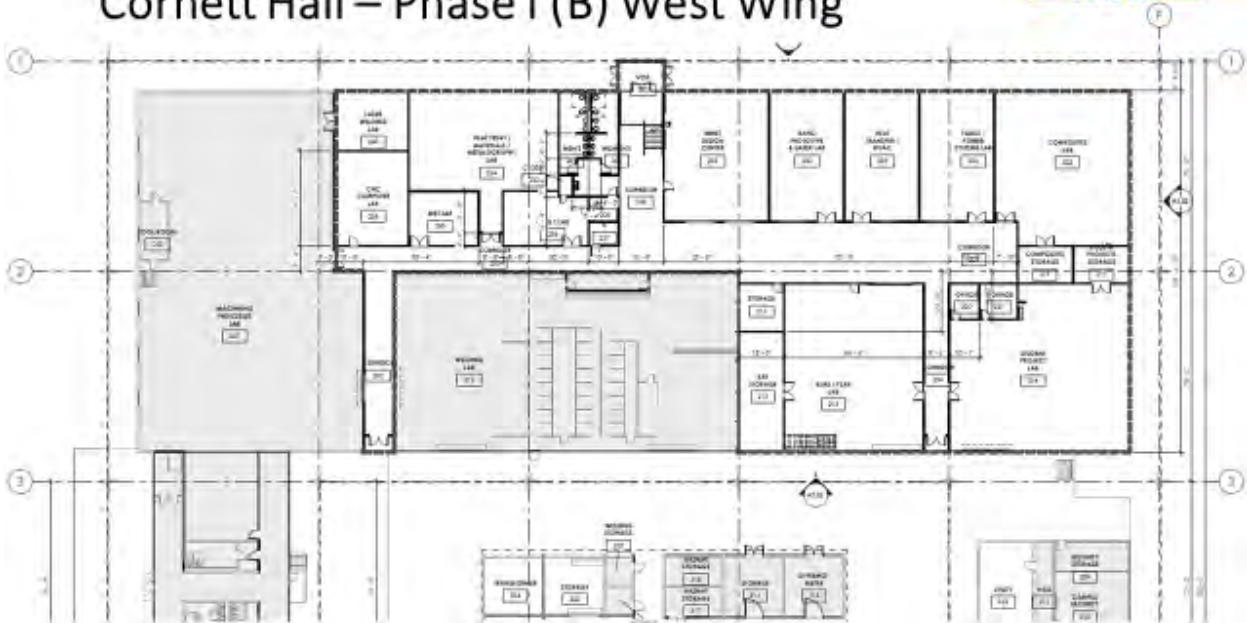


Cornett Hall - Phase 1							
Project Start: 6.19.17		Project Completion: 8.31.18					
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE 757 Bond Type: XI-Q / XI-G \$11,705,000 Design: BBT Arch. CM/GC: Adroit Const.	* East wing abatement completed.						
	* Relocation of labs completed.						
	* \$9,090,000.00 GMP reached on 9.1.2017	Design (9%):	\$ 1,042,020	\$ 988,360	\$ 585,115	59%	\$ 403,245
	** NTP: 9.18.2017	Construction (75%):	\$ 9,000,000	\$ 9,307,329	\$ 81,500	1%	\$ 9,225,829
		Other (16%):	\$ 1,662,980	\$ 1,409,311	\$ 187,910	13%	\$ 1,221,401
		Project Totals:	\$ 11,705,000	\$ 11,705,000	\$ 854,525	7%	\$ 10,850,475
	RFP	Design	Bid	Const.	Complete		
Budget Breakdown			Percent Complete (%)				
 \$988,360 \$9,307,329 \$1,409,311 ■ Design ■ Construction ■ Other/Cont.			 99% 7% ■ Cost To Date ■ Balance				

Cornett Hall – Phase I (A) East Wing



Cornett Hall – Phase I (B) West Wing



Cornett Hall – Phase I

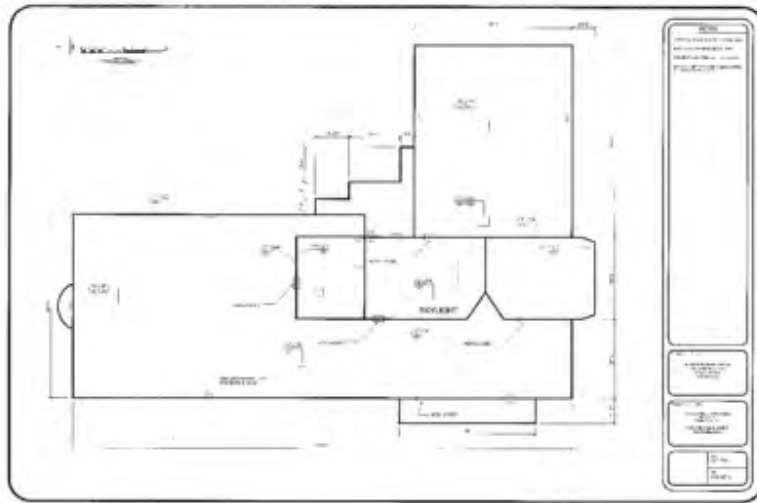


Purvine Reroof



Purvine Reroof							
Project Start: 7.05.17		Project Completion: 9.01.17					
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE 763 Bond Type: XI-Q \$323,000 Design: Skyline Eng. Build: Henris Roofing	* Final Completion: 9.08.2017						
		Design (8%):	\$ 37,000	\$ 25,500	\$ 25,500	100%	\$ -
		Construction (91%):	\$ 324,000	\$ 276,495	\$ 276,495	100%	\$ -
		Other (1%):	\$ 30,000	\$ 310	\$ 310	100%	\$ -
		Project Totals:	\$ 391,000	\$ 302,305	\$ 302,305	100%	\$ -
RFP Design Bid Const. Complete							
Budget Breakdown				Percent Complete (%)			
<p>■ Design ■ Construction ■ Other/Cont.</p>				<p>■ Cost To Date ■ Balance</p>			

Purvine Reroof



Purvine Reroof

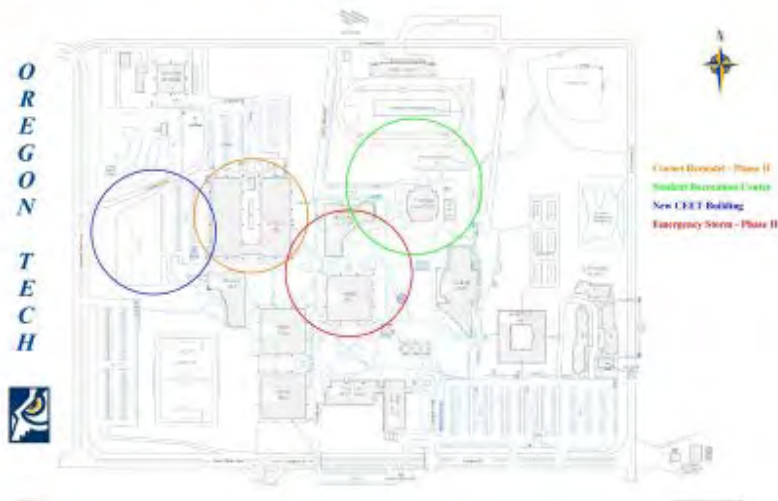


Purvine Reroof



Upcoming Projects

Student Rec Center / Storm - Phase 2 / Cornett - Phase 2 / New CEET Building



Upcoming Projects



- **Emergency Storm - Phase 2**
 - Design: Underway
 - Construction: June 2018 – September 2018
 - Budget: \$1,376,985.00
- **Student Rec Center**
 - Design: Winter 2018
 - Construction: 2019 - 2020
 - Budget: \$35,000,000.00
- **Cornett – Phase 2**
 - Design: Underway
 - Construction: June 2019 – September 2020
 - Budget \$7,000,000.00
- **New CEET Building**
 - Design: Spring 2018
 - Construction: Fall 2018 – Summer 2019
 - Budget: \$5,000,000.00

Upcoming Project - Timelines



Emergency Storm – Phase 2

1. Phase 2 Design: Underway (Marquess Engineering)
2. Project Scope: New replacement storm system from end of Phase 1 to outflow.
3. Construction RFP: February 2018
4. Construction: June 2018
5. Completion: September 2018

Cornett Renovation – Phase 2

1. Phase 2 Design: Underway (BBT Architects)
2. Project Scope: Complete renovation of remaining interior areas including an expanded main Lobby with "makers space" along with exterior siding and roof replacement.
3. Early Work: June 2018
4. Construction: June 2019 – September 2020
5. Completion: September 2020

Upcoming Project - Timelines



Student Rec Center

1. Advisory Committee work to establish project priorities and goals – Fall 2017
2. RFP for Design Services: December 2017
3. Design: January 2018
4. Project Scope: Remodel lower level of PE into Student Rec Center / Exterior upgrades including siding and roof.
5. Construction RFP: Spring 2018
6. Construction Start: Summer 2018 (12 months)

New CEET Building

1. Advisory Committee work to establish project priorities and goals – Fall 2017
2. RFP for Design Services: January 2018
3. Design: Summer 2018
4. Project Scope: New two story engineering building west of Cornett.
5. CM/GC RFP: Fall 2018
6. Construction Start: Spring 2019 (18 months)

Capital Repair & Renewal Projects



Completed CR&R Projects



Capital Renewal Replacement UPE 763, FY 13/15					
#	Project Description	Est. Cost	Project Cost	Bond Balance	Status
UPE 763					
1	Bovin Fanwall	\$ 20,000	\$ 17,618	\$ 1,059,024	Completed
2	Chiller VFD	\$ 10,000	\$ 9,854	\$ 1,049,170	Completed
3	North 12 kV Corridor	\$ 7,185	\$ 7,185	\$ 1,041,985	Completed
4	LRC Air Compressor	\$ 10,000	\$ 8,244	\$ 1,033,741	Completed
5	Facilities Rollup Door (#1)	\$ 15,000	\$ 5,352	\$ 1,028,389	Completed
6	Cornett Restroom Remodel	\$ 12,500	\$ 11,938	\$ 1,016,451	Completed
7	Storm Repair @ Soccer Field	\$ 60,000	\$ 57,831	\$ 958,620	Completed
8	Well 1 Rehabilitation	\$ 30,000	\$ 27,185	\$ 931,435	Completed
9	Replace Entry Doors - Bovin	\$ 30,000	\$ 33,210	\$ 898,225	Completed
10	Replace Entry Doors - Snell	\$ 30,000	\$ 26,815	\$ 871,410	Completed
11	Replace Entry Doors - Semon	\$ 32,000	\$ 40,715	\$ 830,695	Completed
12	Well 4 Rehabilitation	\$ 380,000	\$ 475,440	\$ 355,255	Completed
13	Purvine Roof Replacement	\$ 450,000	\$ 302,305	\$ 52,950	Completed
14	City Water Service Upgrade	\$ 8,690	\$ 8,690	\$ 44,260	Completed
15	LRC Gutter Upgrade	\$ 7,135	\$ 7,135	\$ 37,125	Completed
16	Bovin FACP Upgrade	\$ 13,350	\$ 13,350	\$ 23,775	Fall 2017
17	Facilities Rollup Door (#2)	\$ 5,285	\$ 5,285	\$ 18,490	Fall 2017
18	TBD	\$ -	\$ -	\$ 18,490	
Balance				\$ 18,490	

Upcoming CR&R Projects



Capital Renewal Replacement UPE 773, FY 15/17					
#	Project Description	Est. Cost	Project Cost	Bond Balance	Status
UPE 773					
1	Chiller CH-1 and CH-2 Overhaul	\$ 125,480	\$ 125,480	\$ 2,635,125	Underway
2	LRC/Snell/PE Elev. Upgrades	\$ 265,495	\$ 265,495	\$ 2,369,630	Underway
3	CU Sidewalk Replacement	\$ 5,490	\$ 5,490	\$ 2,364,140	Underway
4	PE Waterline N Upgrade	\$ 23,350	\$ 23,350	\$ 2,340,790	Underway
5	Well 1-4 Chlorine Syst. Upgrade	\$ 40,000	\$ 35,440	\$ 2,305,350	Spring 2018
6	PE Reroof (E&G Portion)	\$ 362,500	\$ -	\$ 1,942,850	Summer 2018
7	PE Exterior Upgrades (E&G Portion)	\$ 937,500	\$ -	\$ 1,005,350	Summer 2018
8	Lot E Sidewalk/Block Wall	\$ 45,000	\$ -	\$ 960,350	Summer 2018
9	Fencing - Lots M & N	\$ 37,125	\$ -	\$ 923,225	Summer 2018
10	Facilities Reroof	\$ 235,000	\$ -	\$ 725,350	Summer 2019
11	TBD	\$ -	\$ -	\$ 725,350	
Balance				\$ 725,350	



Contact Information

Thom Darrah, Interim Director of Facilities

Phone: 541.885.1661

Email: thom.Darrah@oit.edu