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

**REVISED – Page 59 added**

	<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 <a href="#">Approve Minutes of the March 22, 2018 Meeting</a>	1
3. Reports (8:05am)	
3.1 Fiscal Operations Advisory Council (10 min) <i>FOAC Chair Torres</i>	
3.2 <a href="#">Finance, Facilities and Audit Status Update: Quarterly Report</a> (15 min) <i>VPFA Fox</i>	6
3.3 <a href="#">Capital Projects Update and Summer Plan</a> (15 min) <i>Director Darrah</i>	23
3.4 <a href="#">OMIC Budget Update</a> – written report only	55
4. Action Items (8:45am)	
4.1 <a href="#">Recommendation to the Board to Adopt the Fiscal Year 2018-19 All-Funds Budget</a> (55 min) <i>VPFA Fox</i>	60
4.2 <a href="#">Acceptance of the Internal Audit Reports</a> (9:35) (15 min) <i>Kernutt Stokes</i>	72
4.3 <a href="#">Approval of Finance and Facilities Committee Fiscal Year 2019-2020 Work Plan</a> (9:50am) (10 min) <i>VPFA Fox</i>	94
5. Discussion Items (10:05am)	
5.1 2019 Legislative Session and State Budget Outlook (15 min) <i>Director Miles</i>	
6. Other Business/New Business (10:20am) <i>Chair Sliva</i>	
7. Adjournment (10:30am)	



**Meeting of the  
Oregon Tech Board of Trustees  
Finance and Facilities Committee  
Room 106, Portland-Metro Campus in Wilsonville  
March 22, 2018  
8:00am – 10:30am**

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

**Trustees Present:**

Vince Jones, Acting Chair  
Jessica Gomez

Nagi Naganathan, President  
Paul Stewart

**University Staff and Faculty Present:**

Brian Fox, VP of Finance and Administration  
Laura McKinney, VP Wilsonville  
Stephanie Pope, Budget and Resource Planning Director  
Di Saunders, AVP Marketing, Communications and Public  
Terri Torres, FOAC Chair/Associate Professor Mathematics *via skype*

**Others Present:**

Andrew Rogers, HECC Finance and Budget Director

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

Trustee Jones, in Chair Sliwa's absence, called the meeting to order at 8:03am. The Secretary called roll and a quorum was declared.

**2. Consent Agenda**

**2.2 Approve Minutes of October 26, 2017 and December 7, 2017 Meetings**

Trustee Stewart made a motion to approve the minutes of the October 26, 2017 and December 7, 2017 meetings. Trustee Gomez seconded the motion. With all trustees present voting aye, the motion passed unanimously.

**3. Reports**

**3.1 Fiscal Operations Advisory Council**

**FOAC Chair Torres** stated that the subcommittee of FOAC, formed as a budget taskforce, created a budget supportive of the strong Dean model of the university, allowing Department Chairs and Deans to make budgetary decisions; the Budget Director and VPFA are finalizing this budget process. She explained a second subcommittee reviewed tuition and fee proposals and made a recommendation to increase tuition 4.5% and increase other fees. She relayed two concerns of FOAC: low student enrollment figures, and the seemingly quick growth of the administration that makes the university appear top heavy. She acknowledged that some of the growth is justified, as the

administration was lean. **President Naganathan** explained that many of the positions are in response to the university system disbanding. **FOAC Chair Torres** relayed the news that she is the incoming Faculty President and will start on July 1.

### 3.2 Finance, Facilities and Audit Status: Quarterly Report

**VPFA Fox** stated the quarterly report is from December 2017 and explained the indicators and identified some more recent February figures. Discussion on student credit hours, retention, and recruitment. **Director Pope** explained the new format of the General Fund quarterly report including budget projections. **VPFA Fox** called attention to the increase of utility costs stating there are massive fluctuations in the sewer cost due to either water intrusion into the system or a faulty flow meter. He will work with the City of Klamath Falls to identify a solution. He also stated the geothermal power plant is down so the university is paying for a portion of electricity. Johnson Controls is still working on the issue. He identified the progress made on facility capital projects. He stated the internal auditors will make a presentation at the May meeting and the financial audit will begin in late August. He also stated a permanent Controller will be hired.

### 3.3 OMIC Financial Update

**VP McKinney** gave an overview of the Oregon Manufacturing Innovation Center finances from the university's three positions: landlord, research partner, and host. Discussion regarding pros and cons of our research branch and issues related to being the host. She gave an overview of the caliber of finalists for the Executive Director position.

## 4. Action Items

### 4.1 Recommendation to the Board to Approve 2018-19 Tuition and Fees

**VPFA Fox** walked through a PowerPoint presentation addressing the process and timeline to establish tuition and fees and proposed amounts. He stated the discount rate is increasing and should continue to rise as the university is using discounts more effectively and focuses on assisting seniors in completing their degree. Discussion regarding return on investment and student markets served and targeted. He outlined the recommendation of the president: 4.5% base tuition increase and 5% increase in differential tuition (from 20% to 25% of base tuition); 4.3% increase of the incidental fee, and a 10% increase of the health fee for Klamath Falls. He stated that the intent is to avoid large increases and balance costs between students and the university while allowing continued investments in remittance and scholarships. He outlined a proposal to alternate tuition increases: 4% one year and 8% the next. With a continued enrollment growth rate of 6-7% and expenses being managed, the tuition increases could be amended.

He introduced Faith Lee, ASOIT president from Klamath Falls, joining the meeting by skype. **President Lee** provided her take on the process and student input. She stated the students want to maintain the quality of education and the return on investment after graduation and the affordability. The Tuition Recommendation Committee members represented a variety of students. The Klamath Falls students understood the need to increase tuition to maintain programs and they are willing to invest in their future.

**Trustee Stewart made a motion to recommend the Board approve the following:**

- a. undergraduate resident and non-resident tuition rates be increased by 4.5% from the 2017-18 academic year rates for the 2018-19 Academic year as outlined in the following table;

Oregon Tech Tuition Recommendation			
		2017-18 Per Credit	2018-19 Per Credit      % Change
Undergraduate	Resident	\$176.01	\$183.93      4.5%
	WUE	\$251.45	\$262.77      4.5%
	Non-Resident	\$533.56	\$557.57      4.5%
	Differential	20%	25%
Special Programs	Medical Lab Sciences (Res)	\$245.76	\$256.82      4.5%
	Medical Lab Sciences (NR)	\$444.36	\$464.36      4.5%
	Paramedic (Res)	\$194.34	\$203.09      4.5%
	Paramedic (NR)	\$278.68	\$291.22      4.5%
	Chemeketa Dental Hygiene (Res)	\$194.34	\$203.09      4.5%
	Chemeketa Dental Hygiene (NR)	\$631.12	\$659.52      4.5%
Graduate	Resident	\$414.64	\$427.08      3.0%
	Non-Resident	\$696.05	\$716.93      3.0%
	Differential	20%	25%

Oregon Tech Fee Recommendation			
		2017-18	2018-19      % Change
Klamath Falls	Building	\$45.00	\$45.00      0.0%
	Incidental	\$345.00	\$360.00      4.3%
	Health Services	\$150.00	\$165.00      10.0%
Wilsonville	Building	\$45.00	\$45.00      0.0%
	Incidental	\$50.00	\$50.00      0.0%
	Health Services	\$38.00	\$38.00      0.0%

- b. graduate resident and non-resident tuition rates be increased by 3% from the 2017-18 Academic year rates for the 2018-19 Academic year;
- c. undergraduate and graduate Engineering Technology and Health Program differential tuition be increased from 20% premium to 25% premium above base tuition for the 2018-19 academic year;
- d. resident and non-resident Medical Lab Sciences and Paramedic Program tuition be increased by 4.5% from the 2017-18 Academic year rates for the 2018-19 Academic year;
- e. resident and non-resident Chemeketa Dental Hygiene tuition be increased by 4.5% from the 2017-18 Academic year rates for the 2018-19 Academic year;

- f. summer tuition rates be adjusted in accordance with the regular academic year rates; and
- g. where applicable, proration, discounts, and options be maintained from the 2017-18 academic year for the 2018-19 academic year.

And that mandatory fee rates be established as follows:

- a. the Klamath Falls Incidental Fee be increased from \$345 to \$360 per term as recommended by ASOIT, and for students enrolled in one to five credits a prorated amount be charged as follows: for the first credit enrolled, a student will be charged \$185, and an additional \$35 for every additional credit enrolled until a student reaches six credits;
- b. the Klamath Falls Summer Incidental Fees remain at \$70 as recommended by ASOIT;
- c. the Klamath Falls Health Service Fee be increased to \$165 per term;
- d. the Wilsonville Incidental Fee remain at \$50 per term as recommended by ASOIT;
- e. the Wilsonville Summer Incidental Fees remain at \$50 per term as recommended by ASOIT;
- f. the Wilsonville Health Service Fee remain at \$38 per term as recommended by ASOIT; and
- g. the Building Fees remain at \$45 per term during the academic year, \$45 per term during the summer term, and remain constant regardless of the number of credits enrolled.

And, authorize the President or designee to make minor and technical adjustments to these proposed rates as needed to correct errors, inconsistencies, or omissions, and execute the Board's directives.

Trustee Gomez seconded the motion. With all Trustees present voting aye, the motion passed unanimously.

#### 4.2 Approval of Cornett Hall Renovation Phase II Procurement

**VPFA Fox** explained the special needs and unique circumstances associated with the request for a sole source procurement. He stated that if the proposal is approved, a protest period follows, allowing contractors an opportunity to dispute the direct award. **Trustee Stewart** questioned the authority of the Finance and Facilities Committee to make the decision. **VPFA Fox** interpreted the policy as anything over \$5 million should be considered by the Finance and Administration Committee of the Board.

**Trustee Gomez** moved to authorize staff to execute a contract with **Adroit Construction** utilizing the sole source procurement methodology for Construction Manager General Contractor services related to the Cornett Hall Renovation Project Phase II as established through Oregon Tech Policy 580-063-0020(6), having determined that due to special needs, experience, or qualifications, only a single seller is reasonably available to provide Construction Manager General Contractor services. **Trustee Stewart** seconded the motion. With all trustees present voting aye, the motion passed unanimously.

## 8. Discussion Items

### 5.1 HECC Student Success and Completion Model Overview

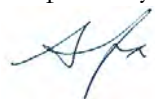
**Director Andrew Rogers** introduced himself and gave a presentation on the public university funding model, identifying three primary components: base funding (mission differentiation), activity based funding (student credit hour completion – resident students), and outcomes based funding (degree completion – resident students over 3 years). He explained the costs of providing an education in health and STEM disciplines are usually more expensive and the careers demand higher salaries at graduation, therefore these are rewarded with additional funding. He explained other bonus calculations for underserved students in rural areas and how the stop-loss/stop-gain model allows a portion of an institution's allocation to be pulled away if their funding grows too much or an institution to receive additional funding if the funding was grown too slow. He showed the different allocations for all public universities in Oregon; approximately, on average, 18% of Oregon Tech's state funding comes from base funding, 33% from activity based funding, and 49% from outcomes based funding. He stated the goals of the funding model, and explained the formula is reviewed every few years for technical adjustment, and every 5 years a more intense review is conducted. Each institution has control over how it spends the funding to aid the student in instruction; and there is no reporting requirement of how funds were spent. **Trustee Gomez** stated the formula is a way to encourage institutions to prioritize programs and focus on graduating students. **Director Rogers** encouraged trustees to go on the HECC website and use the interactive funding model.

## 9. Other Business/New Business - none

## 10. Adjournment

**Meeting adjourned at 10:37am.**

Respectfully submitted,



Sandra Fox  
Board Secretary

# **REPORT**

## **Agenda Item No. 3.2**

### **Finance, Facilities and Audit Status Update: Quarterly Review**

#### **Background**

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

This report now includes a quarterly investment report for both cash balances and the Quasi-Endowment managed by the USSE/Oregon State Treasury.

#### **Staff Recommendation**

No action required. For discussion purposes only.

#### **Attachments**

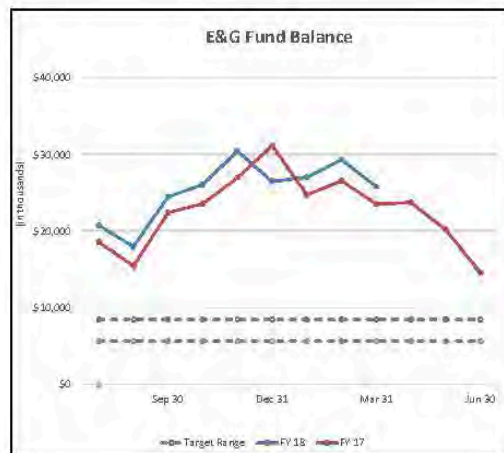
Q3 Quarterly Finance, Facilities and Audit Status Reports including the following:

- A. [Financial and Enrollment Dashboard](#)
- B. [Quarterly Managerial Report](#)
- C. [Facilities and Capital Projects](#)
  - a. Capital Bond Projects Status Report
  - b. Deferred Maintenance and Capital Renewal
  - c. Cash Balances Projection
- D. [Audit Status Updates](#)
- E. [Quarterly Investment Report](#)



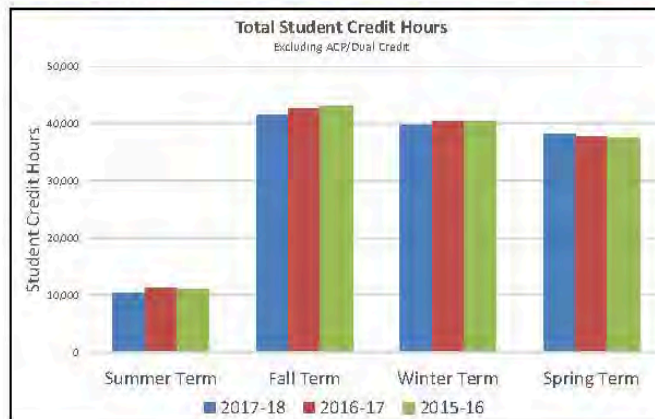
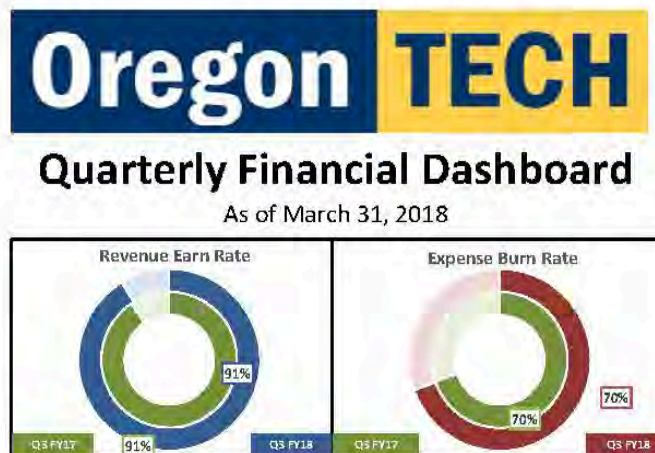
## ATTACHMENT A

### Financial and Enrollment Dashboard

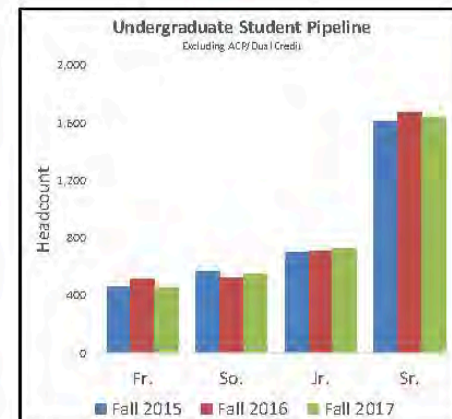
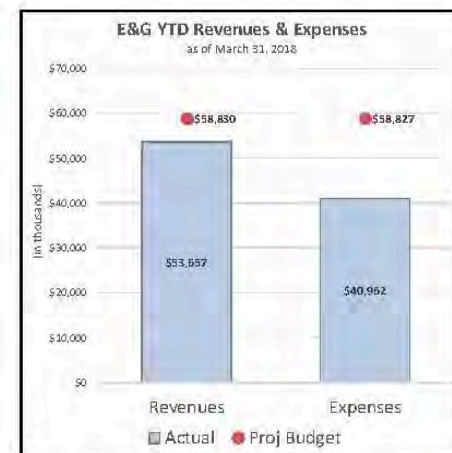


Key Financial Indicators		
E&G Fund Balance:	\$25,794	As of Mar. 31, 2018
Total Cash on Hand:	\$24,870	As of Mar. 31, 2018
E&G Cash on Hand:	\$17,835	As of Mar. 31, 2018
Days Cash on Hand:	124 Days	As of Mar. 31, 2018
Debt Burden Ratio:	4.4%	As of Dec. 31, 2017
Quasi Endowment:	\$7,610	As of Mar. 31, 2018
Foundation Assets:	\$26,824	As of Jun. 30, 2017
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



Degree Completions					
	2017-18 (est)	2016-17	2015-16	3 Year Δ	
Undergraduate	Resident:	557	557	558	-0.2%
	Non-Resident:	218	218	194	12.4%
Graduate	Resident:	4	4	8	-50.0%
	Non-Resident:	13	13	16	-18.8%



**Notes:**

- 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 02/06/2018



## ATTACHMENT B

### Quarterly Managerial Reports

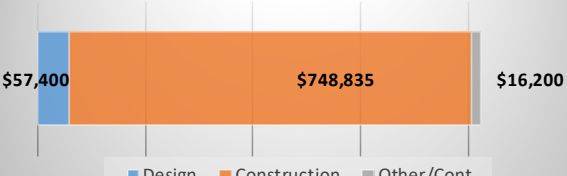
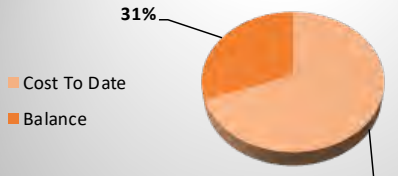
General Fund Monthly Report								
Quarter 3, March 2018								
Acct	YTD Comparison		FY18 Forecast				Variance from	Notes
	FY17 YTD Q3	FY18 YTD Q3	FY17 Year-End	Board Adopted	FY18 Adjusted	FY18 Year-End		
	Actuals	Actuals	Actuals	Budget	Budget	Forecast	Adj. Budget	
State Allocations	22,152	23,003	26,388	24,948	27,657	27,657		(1)
Tuition & Fees	31,644	32,961	32,053	37,038	37,038	33,354	(3,684)	(2)
Remissions	(3,178)	(3,504)	(3,578)	(4,278)	(4,428)	(3,700)	728	(3)
Other	1,047	1,197	2,182	1,391	2,026	1,519	(507)	
<b>Total Revenue</b>	<b>51,664</b>	<b>53,657</b>	<b>57,044</b>	<b>59,099</b>	<b>62,293</b>	<b>58,830</b>	<b>(3,463)</b>	
Unclassified	15,825	16,561	22,515	24,827	25,397	23,561	(1,835)	(4)
Classified	3,909	4,064	5,206	5,539	5,772	5,348	(424)	(4)
Student	435	555	623	753	765	823	58	
GTA	11	18	22	40	40	40	-	
OPE	9,180	10,506	12,957	15,643	15,991	14,592	(1,399)	(5)
<b>Total Labor</b>	<b>29,360</b>	<b>31,704</b>	<b>41,323</b>	<b>46,803</b>	<b>47,965</b>	<b>44,365</b>	<b>(3,600)</b>	
Service & Supplies	6,207	7,308	9,693	11,542	11,823	11,191	(632)	
Internal Sales	(861)	(779)	(1,225)	(1,107)	(1,107)	(1,107)		
Debt Service	1,012	471	1,436	1,205	1,205	1,272	67	(9)
Capital	287	398	376	802	1,176	465	(711)	
Utilities	902	856	1,329	1,307	1,307	1,307	-	(6)
Transfers Out	943	1,003	1,204	1,334	1,334	1,334		
<b>Total Direct Expense</b>	<b>8,490</b>	<b>9,257</b>	<b>12,812</b>	<b>15,083</b>	<b>15,738</b>	<b>14,462</b>	<b>(1,276)</b>	
<b>Total All Expense</b>	<b>37,850</b>	<b>40,962</b>	<b>54,135</b>	<b>61,886</b>	<b>63,703</b>	<b>58,827</b>	<b>(4,876)</b>	
<b>Net From Operations</b>	<b>13,814</b>	<b>12,695</b>	<b>2,909</b>	<b>(2,787)</b>	<b>(1,410)</b>	<b>3</b>	<b>1,413</b>	
Extraordinary Transfers In	115	246	113	-	-	500		
Extraordinary Transfers Out	(897)	(261)	(7,500)	-	(515)	(261)	254	(8)
Miscellaneous								
Special Projects			(1,485)	(430)				(7)
Fund Additions/(Deductions)			133					
<b>Change in Fund Balance</b>	<b>13,033</b>	<b>12,680</b>	<b>(5,830)</b>	<b>(3,217)</b>	<b>(1,926)</b>	<b>242</b>	<b>2,167</b>	
Beginning Fund Balance	17,996	13,114	18,945	9,692	13,114	13,114		
<b>Ending Fund Balance</b>	<b>31,029</b>	<b>25,794</b>	<b>13,115</b>	<b>6,475</b>	<b>11,188</b>	<b>13,355</b>		
Ending Cash Balance	14,709	17,843						
% Operating Revenues	60.1%	48.1%	23.0%	17.5%	18.0%	22.7%		

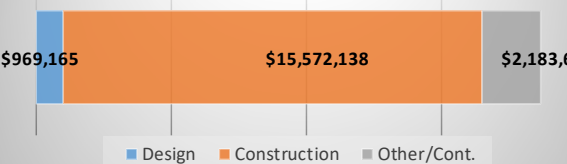
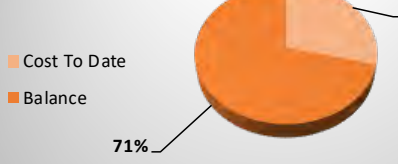
**Notes:****Education & General**

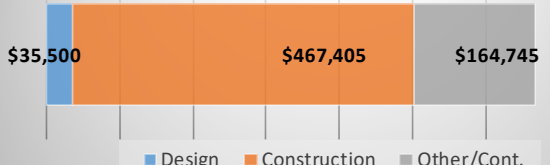
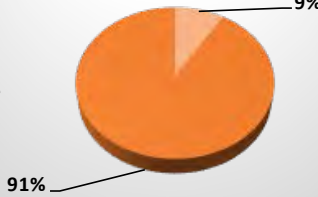
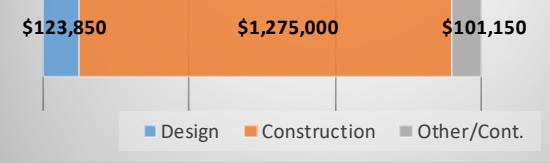
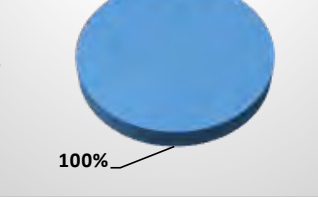
- (1) (Forecast) State funding was increased beyond Board approved budget - Updated per revised HECC allocation. Additional increase in State Funding for ETIC reported in November
- (2) (Forecast) Tuition forecast recalculated based on current collections and future estimates (1/2018)
- (3) Fee remissions are estimated at 11.5% of tuition
- (4) (Forecast) Current forecast based on estimated vacancies and turnover savings calculated April 2018
- (5) (Forecast) Impact of vacant positions and traditional underspend.
- (6) (Budget) Utilities budget has been increased from prior years due to uncertainty around Power Plant operations and sewer line intrusions.
- (7) (Budget) Prior year rollover of unspent departmental Capital and S&S. Division leaders expect spend down in FY18.
- (8) (Nov. Actuals) Difference in transfers out were for two projects - Cornett (\$489,000) and Sem on (\$273,600)
- (9) (Nov. Actuals) Unused F-Bond funds used to reduce debt service payment.

# ATTACHMENT C

## Facilities and Capital Projects

Capital Bond Projects - Status Report										5/7/2018			
North 12kV Upgrade													
Project Start: 6.19.17						Project Completion: 6.30.18							
Project		Progress Highlights				Cost Breakdown		Orig. Budget	Rev. Budget	Cost To Date	%	Balance	
UPE769 / FSCORR		* Substantial Completion: 6.23.2018											
Bond Type: XI-Q		* Final completion 6.30.2018											
Design: Fluent Engin.						Design (7%):		\$ 50,365	\$ 57,400	\$ 50,045	87%	\$ 7,355	
Build: Bob's Excav.						Construction (90%):		\$ 714,400	\$ 748,835	\$ 511,375	68%	\$ 237,460	
						Other (3%):		\$ 20,235	\$ 16,200	\$ 9,090	56%	\$ 7,110	
		Plan	Design	Bid	Const.	Complete	Project Totals:		\$ 785,000	\$ 822,435	\$ 570,510	69%	\$ 251,925
Budget Breakdown						CO's / Amendments			Percent Complete (%)				
						CO 1:			\$ 3,660	(AV)			
						CO 3:			\$ (8,495)	(VE)			
						CO 4:			\$ 5,430	(AV)			
						CO 5:			\$ 33,840	(AV)			
									\$ -				
									\$ -				
									\$ -				
									\$ -				
						Total:			\$ 34,435	4%			

Cornett Renovation - Phase 1 / Phase 2													
Project Start: 9.18.17						Project Completion: 9.31.20							
Project		Progress Highlights				Cost Breakdown		Orig. Budget	Rev. Budget	Cost To Date	%	Balance	
UPE777 / UPE785		* NTP: 9.18.2017											
Bond Type: XI-Q / XI-G		** Construction Phase 1a underway.											
Design: BBT Architects						Design (5%):		\$ 1,042,020	\$ 969,165	\$ 617,395	64%	\$ 351,770	
CM/GC: Adroit Const.						Construction (83%):		\$ 9,090,000	\$ 15,572,138	\$ 4,557,780	29%	\$ 11,014,358	
						Other (12%):		\$ 1,537,980	\$ 2,183,697	\$ 244,170	11%	\$ 1,939,527	
		Plan	Design	Bid	Const.	Complete	Project Totals:		\$ 11,670,000	\$ 18,725,000	\$ 5,419,345	29%	\$ 13,305,655
Budget Breakdown						CO's / Amendments			Percent Complete (%)				
						Amd. 1 - 9:			\$ 413,155	(AV)			
						Amd. 13			\$ 17,725	(AV)			
						Amd. 14			\$ 51,258	(AV)			
						Total:			\$ 482,138	3%			

Capital Bond Projects - Status Report										5/7/2018	
Emerg. Storm - Phase 2a											
Project Start: 6.18.18						Project Completion: 9.28.18					
Project	Progress Highlights					Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE769 / FSSTDR	Design: Completed November 2017										
Bond Type: XI-Q	Construction: April 2018 - September 2018										
						Design (5%):	\$ 80,283	\$ 35,500	\$ 22,885	64%	\$ 12,615
Design: Marquess						Construction (70%):	\$ 1,107,346	\$ 467,405	\$ 36,545	8%	\$ 430,860
Build: Bob's Excavating						Other (25%):	\$ 189,356	\$ 164,745	\$ -	0%	\$ 164,745
	Plan	Design	Bid	Const.	Complete	Project Totals:	\$ 1,376,985	\$ 667,650	\$ 59,430	9%	\$ 608,220
<b>Budget Breakdown</b> 						CO's / Amendments		<b>Percent Complete (%)</b> 			
						\$	-				
						\$	-				
						\$	-				
						\$	-				
						\$	-				
						\$	-				
						\$	-				
						\$	-				
						Total =	\$ -				
Athletics Exterior Renovation											
Project Start: 6.04.2018						Project Completion: 11.30.2018					
Project	Progress Highlights					Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE773	Design: April 2018 - June 2018										
Bond Type: XI-F	Construction: July 2018 - November 2019										
						Design (10%):	\$ 150,000	\$ 123,850	\$ -	0%	\$ 123,850
Design: BBT Architects						Construction (85%):	\$ 1,275,000	\$ 1,275,000	\$ -	0%	\$ 1,275,000
Build: TBD						Other (5%):	\$ 75,000	\$ 101,150	\$ -	0%	\$ 101,150
	Plan	Design	Bid	Const.	Complete	Project Totals:	\$ 1,500,000	\$ 1,500,000	\$ -	0%	\$ 1,500,000
<b>Budget Breakdown</b> 						CO's / Amendments		<b>Percent Complete (%)</b> 			
						\$	-				
						\$	-				
						\$	-				
						\$	-				
						\$	-				
						\$	-				
						\$	-				
						\$	-				
						Total =	\$ -				

Capital Bond Projects - Status Report										5/7/2018			
New CEET Building													
Project Start: 6.03.2019						Project Completion: 12.31.2020							
Project		Progress Highlights				Cost Breakdown		Orig. Budget	Rev. Budget	Cost To Date	%	Balance	
UPE785 / FCEET		Design: April 2018 - June 2019											
Bond Type: XI-Q / XI-G		Construction: July 2019 - December 2020											
		<i>* TVA has been selected for the visioning phase.</i>				Design (8%):		\$ 2,800,000	\$ 2,800,000	\$ -	0%	\$ 2,800,000	
Design: TVA Architects						Construction (75%):		\$ 26,250,000	\$ 26,250,000	\$ -	0%	\$ 26,250,000	
Build: TBD						Other (17%):		\$ 5,950,000	\$ 5,950,000	\$ -	0%	\$ 5,950,000	
		Plan	Design	Bid	Const.	Complete	Project Totals:		\$ 35,000,000	\$ 35,000,000	\$ -	0%	\$ 35,000,000
<b>Budget Breakdown</b>  ■ Design ■ Construction ■ Other/Cont.						CO's / Amendments		<b>Percent Complete (%)</b>  ■ Cost To Date ■ Balance 100% 0%					
						\$ -							
						\$ -							
						\$ -							
						\$ -							
						\$ -							
						\$ -							
						\$ -							
						\$ -							
						Total =							\$ -
Softball Complex Renovation													
Project Start: 11.01.2017						Project Completion: Fall 2018							
Project		Progress Highlights				Cost Breakdown		Orig. Budget	Rev. Budget	Cost To Date	%	Balance	
UPE780 / FSBC		Design: Nov. 2017 - May 2018											
Bond Type:		Construction: May 2018 - Oct. 2018											
						Design (5.5%):		\$ 60,500	\$ 60,500	\$ 26,260	43%	\$ 34,240	
Design: ZCS Engineering						Construction (90%):		\$ 1,009,354	\$ 1,009,354	\$ -	0%	\$ 1,009,354	
Build: FieldTurf						Other (4.5%):		\$ 51,588	\$ 51,588	\$ -	0%	\$ 51,588	
		Plan	Design	Bid	Const.	Complete	Project Totals:		\$ 1,121,442	\$ 1,121,442	\$ 26,260	2%	\$ 1,095,182
<b>Budget Breakdown</b>  ■ Design ■ Construction ■ Other/Cont.						CO's / Amendments		<b>Percent Complete (%)</b>  ■ Cost To Date ■ Balance 98% 2%					
						\$ -							
						\$ -							
						\$ -							
						\$ -							
						\$ -							
						\$ -							
						\$ -							
						\$ -							
						Total =							\$ -

Capital Bond Projects - Status Report							5/7/2018
Academic Student Rec Center (ASRC)							
Project Start: 6.04.2018			Project Completion: 9.27.2019				
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE	Design: January 2018 - June 2018						
Bond Type: XI-F	Construction: June 2018 - September 2019						
		Design (8%):	\$ 400,000	\$ 400,000	\$ -	0%	\$ 400,000
Design: TBD		Construction (77%):	\$ 3,950,000	\$ 3,950,000	\$ -	0%	\$ 3,950,000
Build: TBD		Other (15%):	\$ 650,000	\$ 650,000	\$ -	0%	\$ 650,000
	<b>Plan</b> <b>Design</b> <b>Bid</b> <b>Const.</b> <b>Complete</b>	Project Totals:	\$ 5,000,000	\$ 5,000,000	\$ -	0%	\$ 5,000,000
<b>Budget Breakdown</b> <p>A horizontal bar chart titled 'Budget Breakdown' showing three categories: Design (blue bar, \$400,000), Construction (orange bar, \$3,950,000), and Other/Cont. (grey bar, \$650,000). The legend below the chart identifies the colors: blue for Design, orange for Construction, and grey for Other/Cont.</p>		CO's / Amendments			<b>Percent Complete (%)</b> <p>A 3D pie chart titled 'Percent Complete (%)' showing two segments: 'Cost to Date' (light green, 0%) and 'Balance' (dark green, 100%). The legend indicates that light green represents 'Cost to Date' and dark green represents 'Balance'.</p>		
		\$ -					
		\$ -					
		\$ -					
		\$ -					
		\$ -					
		\$ -					
		\$ -					
		\$ -					
		\$ -					
		\$ -					
		Total =	\$ -				

Cornett - Phase 1 (UPE777)			Cornett - Phase 2 (UPE785)		
CO's / Amendments			CO's / Amendments		
Amd. 1	\$ 191,158	(AV)	Amd. 10	\$ 6,000,000	GMP
Amd. 2	\$ 26,171	(AV)	Amd. 11	\$ (270,895)	(AV)
Amd. 3	\$ (22,836)	(VE)	Amd. 12	\$ (789,248)	(AV)
Amd. 4	\$ 56,752	(AV)		\$ -	
Amd. 5	\$ (44,687)	(VE)		\$ -	
Amd. 6	\$ 40,992	(AV)		\$ -	
Amd. 7	\$ 104,807	(AV)		\$ -	
Amd. 8	\$ 48,108	(AV)		\$ -	
Amd. 9	\$ 12,690	(AV)		\$ -	
Amd. 13	\$ 17,725	(AV)		\$ -	
Amd. 14	\$ 51,258	(AV)		\$ -	
	\$ -			\$ -	
	\$ -			\$ -	
	\$ -			\$ -	
	\$ -			\$ -	
	\$ -			\$ -	
	\$ -			\$ -	
	\$ -			\$ -	
P1 Total:	\$ 482,138	4%	P2 Total:	\$ 4,939,857	

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

## Deferred Maintenance and Capital Renewal Report

Capital Renewal Replacement UPE 763, FY 13/15						
#	Project Description	Est. Cost	Final Cost	Bond Balance	Status	Date Complete
	UPE 763			\$ 1,076,642		
1	Boivin Fanwall	\$ 20,000	\$ 17,618	\$ 1,059,024	Completed	27-Apr-16
2	Chiller VFD	\$ 10,000	\$ 9,854	\$ 1,049,170	Completed	31-Mar-17
3	North 12 kV Corridor	\$ 7,185	\$ 7,740	\$ 1,041,430	Completed	13-Jul-16
4	LRC Air Compressor	\$ 10,000	\$ 7,876	\$ 1,033,554	Completed	3-Mar-17
5	Facilities Rollup Door (#1)	\$ 15,000	\$ 5,352	\$ 1,028,202	Completed	15-Feb-17
6	Cornett Restroom Remodel	\$ 12,500	\$ 5,022	\$ 1,023,180	Completed	28-Oct-16
7	Storm Repair @ Soccer Field	\$ 60,000	\$ 57,831	\$ 965,349	Completed	24-Jun-17
8	Well 1 Rehabilitation	\$ 30,000	\$ 25,875	\$ 939,474	Completed	7-Aug-17
9	Replace Entry Doors - Boivin	\$ 30,000	\$ 33,210	\$ 906,264	Completed	22-May-17
10	Replace Entry Doors - Snell	\$ 30,000	\$ 26,815	\$ 879,449	Completed	22-May-17
11	Replace Entry Doors - Semon	\$ 32,000	\$ 40,457	\$ 838,992	Completed	22-May-17
12	Well 4 Rehabilitation	\$ 380,000	\$ 470,993	\$ 367,999	Completed	27-Nov-17
13	Purvine Roof Replacement	\$ 450,000	\$ 302,292	\$ 65,707	Completed	12-Oct-17
14	City Water Service Upgrade	\$ 8,690	\$ 8,690	\$ 57,017	Completed	15-Sep-17
15	LRC Gutter Upgrade	\$ 7,135	\$ 7,135	\$ 49,882	Completed	20-Oct-17
17	FACP Upgrades	\$ 13,350	\$ 16,570	\$ 33,312	Completed	22-Dec-17
18	Facilities Rollup Door (#2)	\$ 5,285	\$ 5,749	\$ 27,563	Completed	18-Dec-17
19	Well 1 Breaker Upgrade	\$ 10,500	\$ 9,585	\$ 17,978	Completed	19-Dec-17
21	Facilities Rollup Door (#3)	\$ 5,285	\$ 5,251	\$ 12,727	Underway	30-Mar-18
22	LRC Ventilator Heaters	\$ 7,350	\$ 7,350	\$ 5,377	Underway	30-Mar-18
23	Boivin Static Pressure	\$ 6,000	\$ 5,377	\$ -	Underway	30-Mar-18
	Balance			\$ -		



Capital Renewal Replacement UPE 773 , FY 15/17						
#	Project Description	Est. Cost	Final Cost	Bond Balance	Status	Date Complete
	UPE 773			\$ 2,760,605		
1	FACP Upgrades-PE/SN (Balance)	\$ 5,745	\$ 5,745	\$ 2,754,860	Completed	30-Aug-17
2	PE Waterline N Upgrade	\$ 23,350	\$ 23,350	\$ 2,731,510	Completed	30-Aug-17
3	Chiller CH-1 and CH-2 Overhaul	\$ 125,480	\$ 101,650	\$ 2,629,860	Completed	30-Nov-17
4	LRC/Snell/PE Elev. Upgrades	\$ 231,315	\$ 231,315	\$ 2,398,545	Underway	TBD
5	CU Sidewalk Replacement	\$ 5,490	\$ 5,490	\$ 2,393,055	Completed	22-Sep-17
6	Well 1-4 Chlorine Syst. Upgrade	\$ 40,000	\$ 35,365	\$ 2,357,690	Completed	14-Dec-17
7	Purvine Chiller Compressor	\$ 25,000	\$ -	\$ 2,332,690	Underway	TBD
8	Facilities Rollup Door (#3)	\$ 5,749	\$ 5,550	\$ 2,327,140	Completed	28-Mar-18
9	LRC Ventilator Heaters	\$ 7,350	\$ -	\$ 2,319,790	Underway	TBD
10	Boivin Static Pressure	\$ 6,000	\$ -	\$ 2,313,790	Completed	9-Apr-18
11	Academic Student Rec Center (ASRC)	\$ 1,050,000	\$ -	\$ 1,263,790	Summer 2018	TBD
12	Purvine VFD's	\$ 10,000	\$ -	\$ 1,253,790	Underway	TBD
13	Chiller Refrig. Monitor/Alarm	\$ 5,968	\$ -	\$ 1,247,822	Underway	TBD
14	TBD	\$ -	\$ -	\$ 1,247,822		
15	TBD	\$ -	\$ -	\$ 1,247,822		
	Balance			\$ 1,247,822		

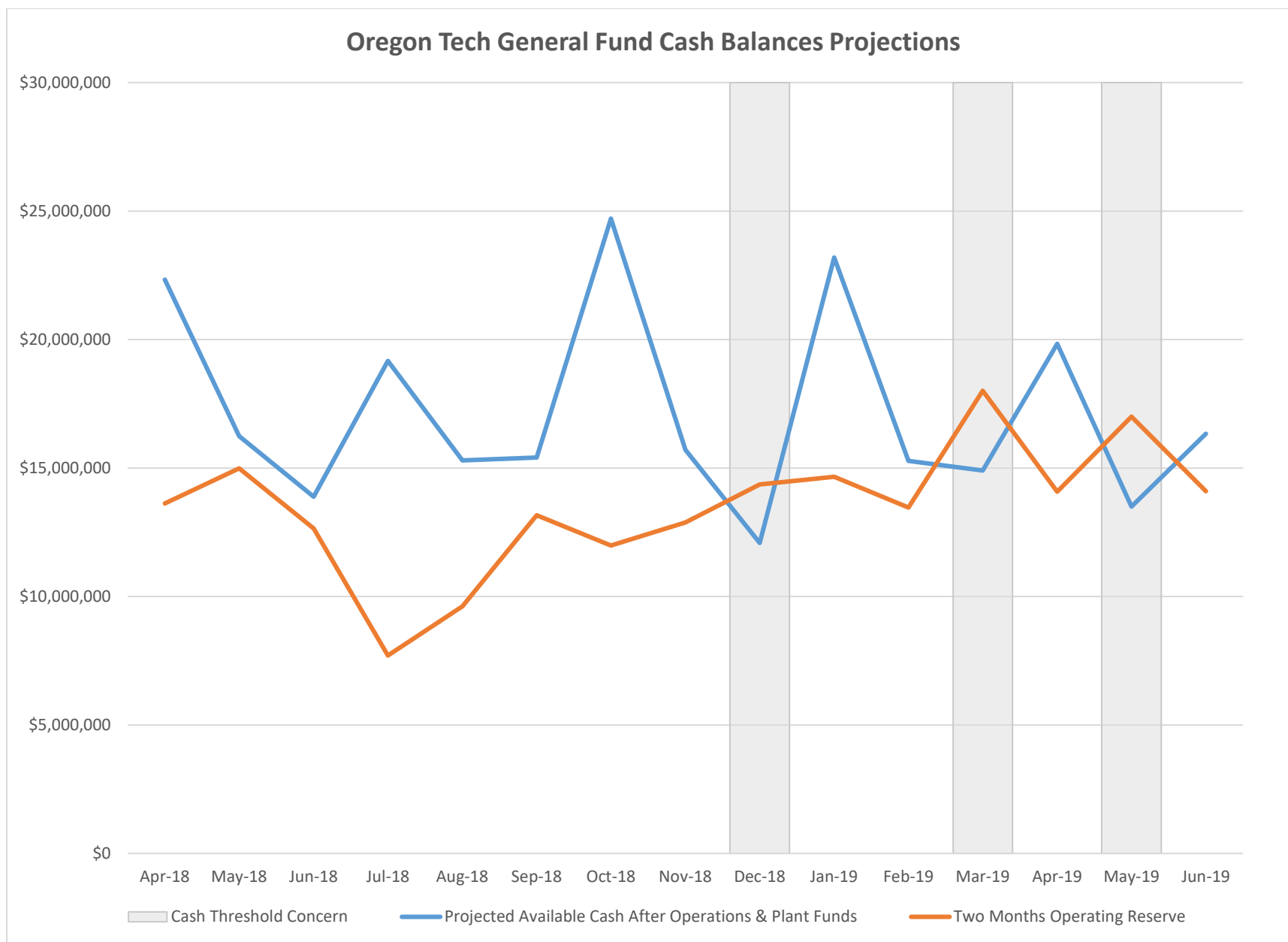
Capital Renewal Replacement UPE , FY 17/19						
#	Project Description	Est. Cost	Project Cost	Bond Balance	Status	Date Complete
	UPE			TBD		
1	Well 5 Rehabilitation	\$ 356,400	\$ -	\$ -		
2	Well 6 Rehabilitation	\$ 356,400	\$ -	\$ -		
3	SE/BV Elec. Supply Upgrades	\$ 1,125,000	\$ -	\$ -		
4	Campus - Sidewalk Replacement	\$ 585,000	\$ -	\$ -		
5	LED Lighting Upgrade	\$ 750,000	\$ -	\$ -		
6	Boivin/Semon -Seismic Upgrade	\$ 1,150,000	\$ -	\$ -		
7	Campus - ADA Improvements	\$ 220,000	\$ -	\$ -		
8	Purvine - HVAC Upgrades	\$ 275,000	\$ -	\$ -		
9	Purvine - Interior Painting	\$ 255,000	\$ -	\$ -		
10	Semon - Abatement	\$ 150,000	\$ -	\$ -		
11	Semon/Boivin - HVAC Upgrades	\$ 550,000	\$ -	\$ -		
12	Snell - Fire Alarm Upgrade	\$ 170,000	\$ -	\$ -		
13	Snell - HVAC Upgrades	\$ 275,000	\$ -	\$ -		
14	Campus - Road/Parking Upgrade	\$ 1,050,000	\$ -	\$ -		
	Balance	\$ 6,555,000		\$ -		

Identified Deferred Maintenance						
#	Building	Other	MEP Systems	Exterior	Interior	Bldg. Total
1	Boivin Hall	\$ 640,500	\$ 987,000	\$ 1,454,250	\$ 1,853,250	\$ 4,935,000
2	Cornett Hall	\$ 555,000	\$ 1,125,000	\$ 3,570,000	\$ 1,750,000	\$ 7,000,000
3	Dow Center	\$ 178,355	\$ 404,260	\$ -	\$ 598,770	\$ 1,181,385
4	Facilities	\$ 451,450	\$ 561,750	\$ 1,181,255	\$ 598,500	\$ 2,792,955
5	LRC	\$ 414,000	\$ 819,050	\$ 1,732,275	\$ 1,202,250	\$ 4,167,575
6	Owens Hall	\$ 141,750	\$ 402,000	\$ 971,655	\$ 278,550	\$ 1,793,955
7	Power Plant C	\$ 905,000	\$ 85,000	\$ 80,000	\$ -	\$ 1,070,000
8	Purvine Hall	\$ 605,905	\$ 1,538,255	\$ 1,298,850	\$ 1,979,235	\$ 5,422,245
9	Semon Hall	\$ 404,270	\$ 756,970	\$ 1,454,255	\$ 1,170,740	\$ 3,786,235
10	Snell Hall	\$ 94,500	\$ 434,775	\$ 561,730	\$ 514,555	\$ 1,605,560
11	ASRC	\$ 473,007	\$ 1,869,984	\$ 1,992,691	\$ 1,857,240	\$ 6,192,922
12	Wilsonville	\$ 341,500	\$ 618,780	\$ 540,770	\$ 493,500	\$ 1,994,550
13	Campus	\$ 5,065,000	\$ 1,610,000			\$ 6,675,000
	Subtotals	\$ 10,270,237	\$ 11,212,824	\$ 14,837,731	\$ 12,296,590	\$ 48,617,382
	Total	\$ 48,617,382				

Identified Deferred Maintenance - Auxiliary Services						
#	Building	Other	MEP Systems	Exterior	Interior	Bldg. Total
1	ASRC	\$ 141,288	\$ 558,567	\$ 595,219	\$ 554,760	\$ 1,849,834
2	Stadium/Track	\$ 437,870	\$ 735,000	\$ 1,164,550	\$ 1,085,250	\$ 3,422,670
3	Residence Hall	\$ 795,000	\$ 4,270,650	\$ 2,905,650	\$ 4,370,000	\$ 12,341,300
4	College Union	\$ 170,000	\$ 390,000	\$ 575,000	\$ 460,000	\$ 1,595,000
5	Village	\$ 177,550	\$ 337,500	\$ 327,450	\$ 535,770	\$ 1,378,270
6	Student Health	\$ 77,350	\$ 143,000	\$ 275,000	\$ 270,550	\$ 765,900
7		\$ -	\$ -	\$ -	\$ -	\$ -
	Subtotals	\$ 1,799,058	\$ 6,434,717	\$ 5,842,869	\$ 7,276,330	\$ 21,352,974
	Total	\$ 21,352,974				

## 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 completed the annual risk assessment during 2017 summer, and the update was approved at the October meeting of the Audit Committee. This plan has guided subsequent action. The FY 2019 Audit Plan includes the following engagements:

Internal Audit Plan	
Engagement	Status
Annual Risk Assessment (150 Hours)	Complete
Monitor Fraud, Waste, and Abuse Ethics Hotline (20 Hours)	Ongoing
Business Affairs (200 Hours) - Process and Controls - Expense Reimbursement, P-Card & Corp. Cards	Complete
Academic Affairs Workload & PTO Tracking (120 Hours)	Ongoing
Student Health Center Fiscal Review (90 Hours)	Ongoing
Prior Audit Follow-up (20 Hours)	Summer

The Annual Risk Assessment and Audit Plan can be found on the Oregon Tech Internal Audit webpage <http://www.oit.edu/faculty-staff/internal-audit> or through the Finance and Administration homepage. During the month of May KS is meeting with campus leadership as a part of the annual risk assessment update process. This will be brought to the Committee at its November meeting.

KS will present to the Finance & Facilities (Audit) Committee meeting their concluded Process and Controls and Expense Reimbursement, P-Card and Corporate Card audits during the Action Items section of the meeting (Item 4.2).

KS continues to monitor and perform case management of Oregon Tech's Fraud, Waste, and Abuse Ethics Line, engaging appropriate offices at Oregon Tech, the most current report log for 2018 is available below.

Fraud, Waste, and Abuse Ethics Line Report Log			
Complaint Source	2016	2017	2018 (YTD)
Hotline	2	13	3
Direct to IA	16	0	0
Total	18	13	3
Issues Resolved			
Resolved	18	13	0
Open	0	0	3

## **Annual Financial and Compliance Audit**

Internal year-end planning and year-end work have commenced. The financial and compliance audits are scheduled to be issued in December 2018.

Staff have been contacted by CliftonLarsonAllen LLP (CLA) and have received the preliminary information request. CLA is scheduled to perform on-site interim fieldwork the week of June 4, 2018.

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 first meeting on January 24, 2019.

The annual financial and compliance audit function tentative timeline for the fiscal and compliance audits for the year ending June 30, 2018:

- April – May 2018: Internal planning including all audit areas: financial reporting, federal financial aid, and Information Technology Services (ITS) portions of the audit; coordination and planning meetings with various campus departments;
- May – June 2018: Auditors on-site conducting interim fieldwork for the financial and financial aid compliance audits;
- May - July 2018: Fiscal year-end close, audit related schedules, financial statement drafting;
- May – August 2018: Auditors conduct remote testing over ITS portion of audit (IT-related internal controls); year-end preparation;
- August – September 2018: Auditors conduct on-site final fieldwork; financial statement compilation and draft review; and
- September – November 2018: Auditors conclude testing off-site and audit wrap-up; finalize Annual Financial Report and Single Audit Report.

Timeline through report issuance includes:

- December 2018: Submission of audit report issuance to State for discretely presented component unit reporting; and
- January 2019: Presentation to Audit Committee (regularly scheduled Board meeting).

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

**ATTACHMENT E**  
**Quarterly Investment Report**  
**March 31, 2018**

**Public University Fund**

*(Prepared by the Public University Fund Administrator)*

The Public University Fund (PUF) declined 0.1% for the quarter and gained 0.5% fiscal year-to-date through March 31, 2018. The PUF's three-year average total return was 1.3%.

The Oregon Short-Term Fund (OSTF) returned 0.5% for the quarter and 1.2% fiscal year-to-date, outperforming its benchmark by 10 and 30 basis points, respectively. The Core Bond Fund declined 0.8% for the quarter and declined 0.5% fiscal year-to-date, outperforming its benchmark by 10 basis points during both periods. In April, Oregon State Treasury fixed income portfolio manager, Tom Lofton, conducted a quarterly performance review with university staff. Mr. Lofton discussed the OSTF's favorable sensitivity to rising short-term interest rates. Daily, the OSTF portfolio managers are reinvesting proceeds from maturing securities into new securities with higher coupons, resulting in rising investment income yields for investors. The annualized yield for the Oregon Short-Term Fund was 2.1% as of March 31, 2018, rising 80 basis points during the trailing 12-month period.

The PUF Administrator invested \$45 million of excess liquidity into the Core Bond Fund during the quarter.

During the quarter, investment earnings distributed to Oregon Tech totaled \$158,357. The market value of OIT's operating assets invested in the PUF was \$24,681,566 on March 31, 2018.

**Oregon Tech Endowment Assets**

*(Prepared by University Shared Services)*

The Oregon Tech Endowment assets declined 0.8% for the quarter and 0.3% fiscal year-to-date through March 31, 2018. The Endowment assets were valued at \$7,680,267, at the end of the quarter.



**Oregon Tech**  
**Investment Summary**  
**as of March 31, 2018**  
(Net of Fees)

	Quarter Ended 3/31/2018	Prior Fiscal YTD	Current Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Range
<b>OIT Operating Assets Invested in Public University Fund</b>									
Oregon Short - Term Fund	0.5%	0.8%	1.2%	1.0%	0.8%	0.9%	\$ 9,886,738	40.1%	1
Benchmark - 91 day T-Bill	0.4%	0.3%	0.9%	0.5%	0.3%	0.3%			
PUF Core Bond Fund	-0.8%	N/A	-0.5%	N/A	N/A	N/A	14,794,828	59.9%	1
Blended Benchmark <sup>2</sup>	-0.9%	N/A	-0.6%	1.2%	1.4%	N/A			
<b>Public University Fund Total Return</b>	-0.1%	0.3%	0.5%	1.3%			<u>\$ 24,681,566</u>	<u>100.0%</u>	
Public University Fund Investment Yield	0.5%	1.3%	1.5%	1.7%					
<b>OIT Endowment Assets</b>									
Oregon Intermediate-Term Pool <sup>3</sup>	-0.8%	N/A	-0.3%	N/A	N/A	N/A	\$ 7,396,997	96.3%	
Benchmark - Bloomberg Barclays 3-5 Year Index	-0.9%	N/A	-0.6%	1.0%	1.2%	N/A			
Public University Fund	-0.1%	0.3%	0.5%	1.3%	N/A	N/A	283,270	3.7%	
<b>Total Endowment Assets</b>	-0.8%	0.3%	-0.3%				<u>\$ 7,680,267</u>	<u>100.0%</u>	

<sup>1</sup> The Public University Fund (PUF) policy guidelines define investment allocation targets based upon total participant dollars committed.

Core balances in excess of liquidity requirements for the participants are available for investment in the Core Bond Fund.

Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.

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

<sup>3</sup> The Board-Designated Quasi-Endowment assets were invested in the Oregon Intermediate-Term Pool on June 1, 2017 and July 1, 2017, totaling \$7.58 million.

Note: Outlined returns underperformed their benchmark.

# **REPORT ITEM**

## **Agenda Item No. 3.3**

### **Capital Projects Update and Summer Plan**

#### **Summary**

Oregon Tech continues to manage a higher level of capital projects in terms of scale, complexity and budget than it has in recent years. As the university moves into the summer construction window this is an opportunity to report to the Finance and Facilities Committee on the major projects that will be underway. This is a supplement to the regular quarterly capital projects status reports. This prospective report will be followed by a report on the progress and disposition of these projects at the Committee's November meeting. Interim progress reports will be provided monthly to Trustee Jones.

In December 2018 the Board approved the use of \$11.5 million dollars in institutional reserves to pre-fund capital projects in anticipation of bonds being issued in the 3<sup>rd</sup> or 4<sup>th</sup> quarter of FY 2019. Each of the four projects approved for funding, the Center for Excellence in Engineering Technology (CEET), Cornett Hall Phase II, Student Recreation Center and OMIC R&D Facility Upgrade, are underway, though to different extents. The state has informed Oregon Tech management that capital bonds are likely to be issues during March of 2019 for projects approved during the 2017 Legislature.

The OMIC project is managed through the OMIC Host function to this point, though involvement from Facilities Management will increase as expenditures and projects move from minor upgrades to major projects. Given the limited engagement thus far, this project will not be reported on today.

Several other projects continue, including Cornett Phase I, Storm Phase II, Athletics Exterior Renovation and the Softball Complex upgrade. The attached presentation provides an overview of these projects and their status.

#### **Staff Recommendation**

No action necessary, for discussion purposes only.

#### **Attachment**

PowerPoint Presentation

FINANCE & FACILITIES COMMITTEE | 5.17.2018



# Capital Projects Update - 2018

Thom Darrah | Director of Facilities | Oregon Tech

## Presentation Outline



- 2018 Capital Projects

- North 12kV Upgrade
- Cornett Renovation – Phase 1 / Phase 2
- Emergency Storm – Phase 2a
- Athletics Exterior Renovation
- New CEET Building
- Softball Complex Renovation

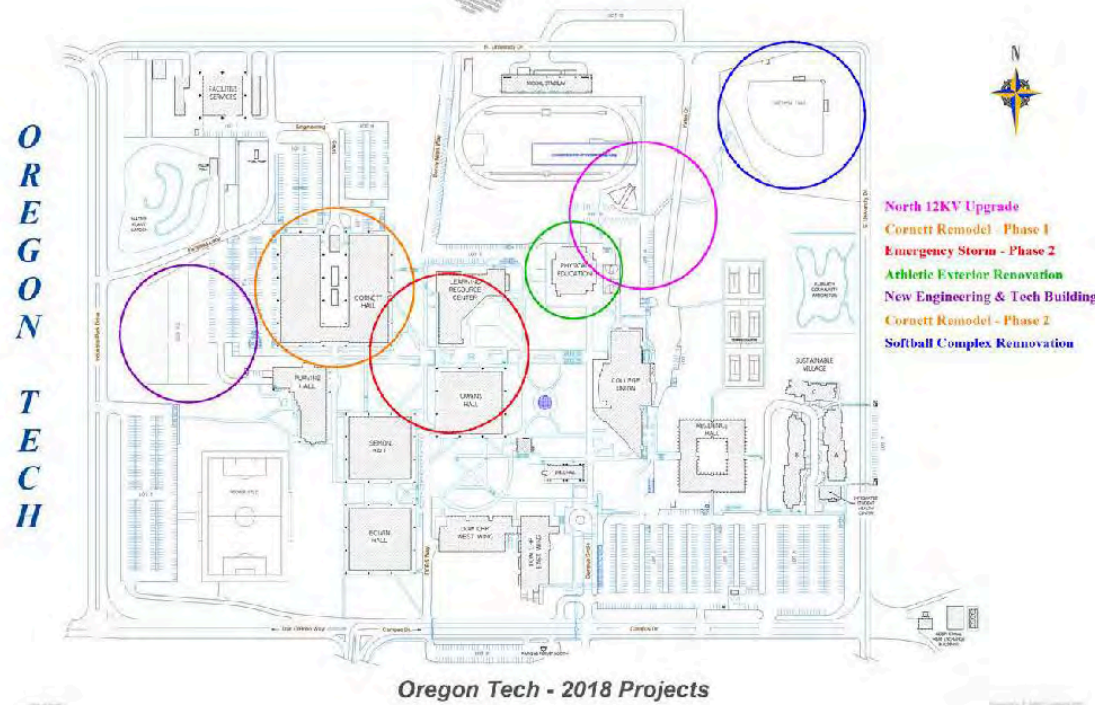
- Upcoming Projects

- Storm – Phase 2b
- Storm – Phase 2c
- Storm – Phase 3
- Student Rec Center

- Capital Repair & Renewal

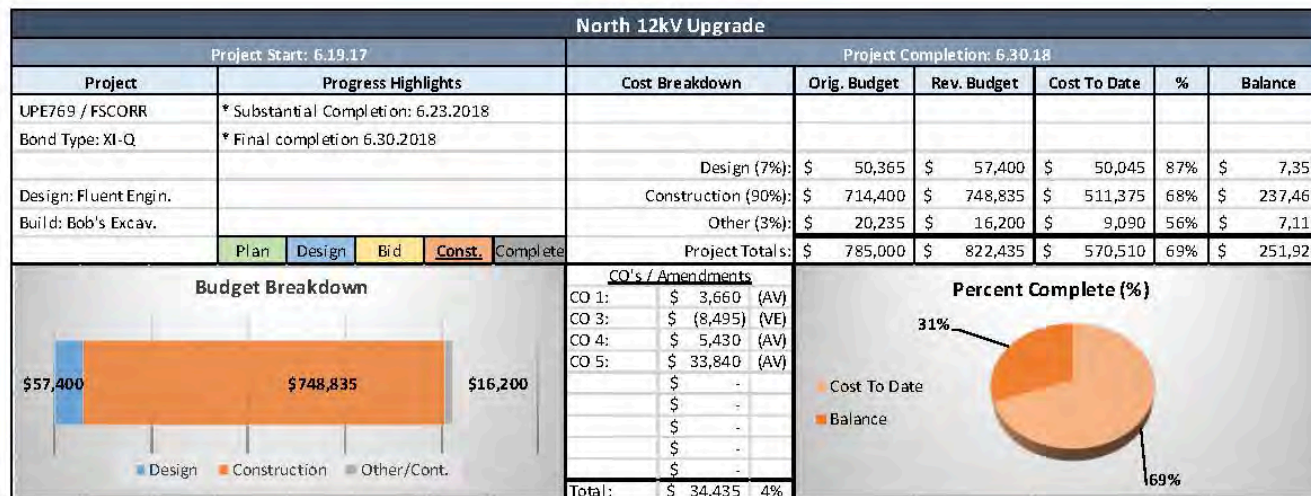
- Completed Projects
- Upcoming Projects

# Oregon Tech – 2018 Projects

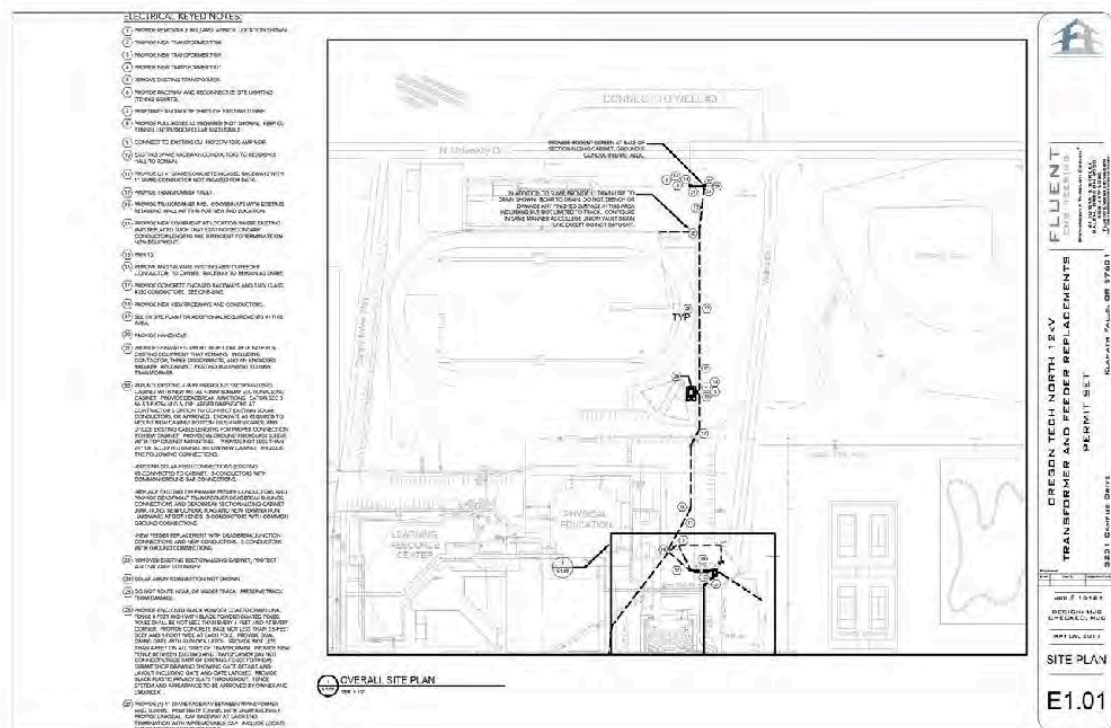




# North 12kV Upgrade



## North 12kV Upgrade





## North 12kV Upgrade

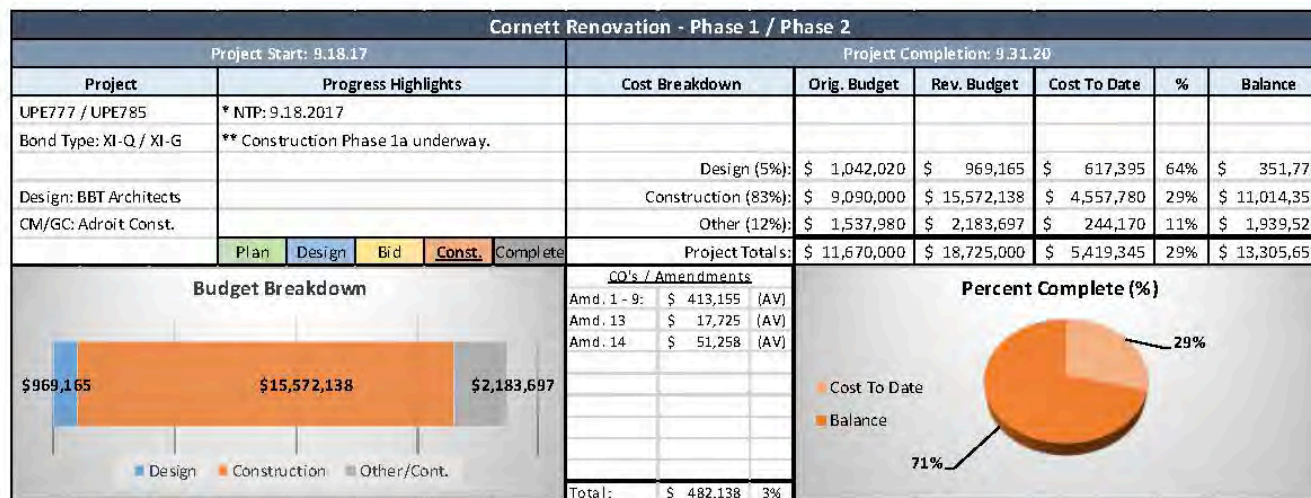


## North 12kV Upgrade

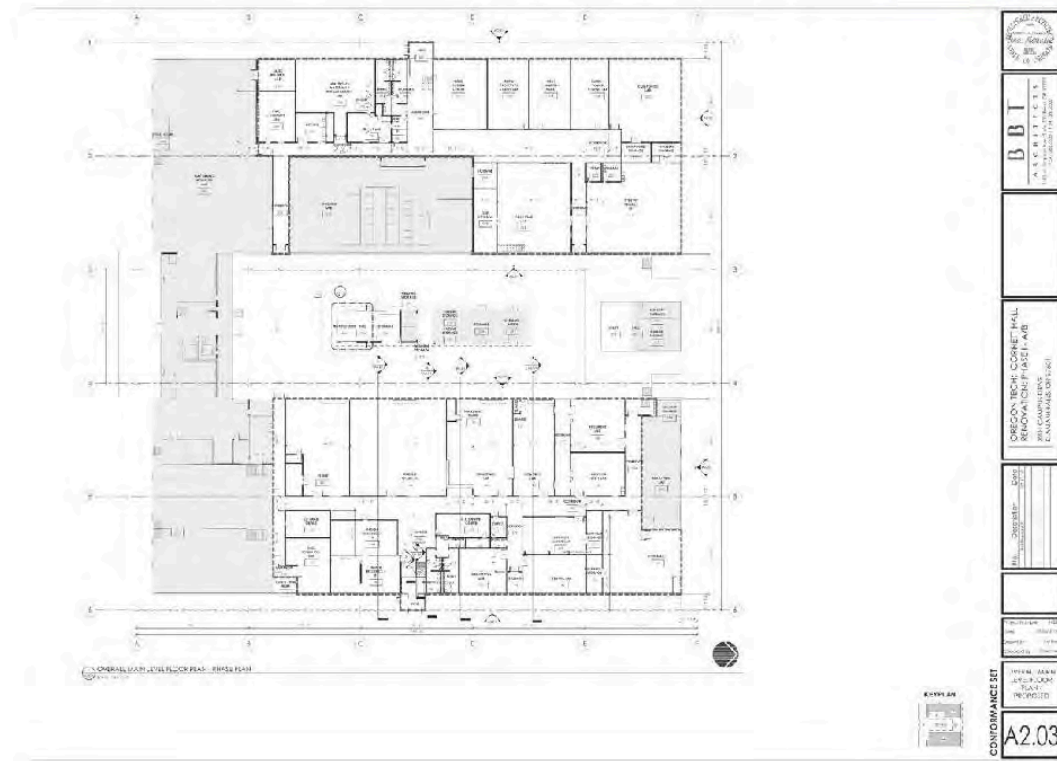




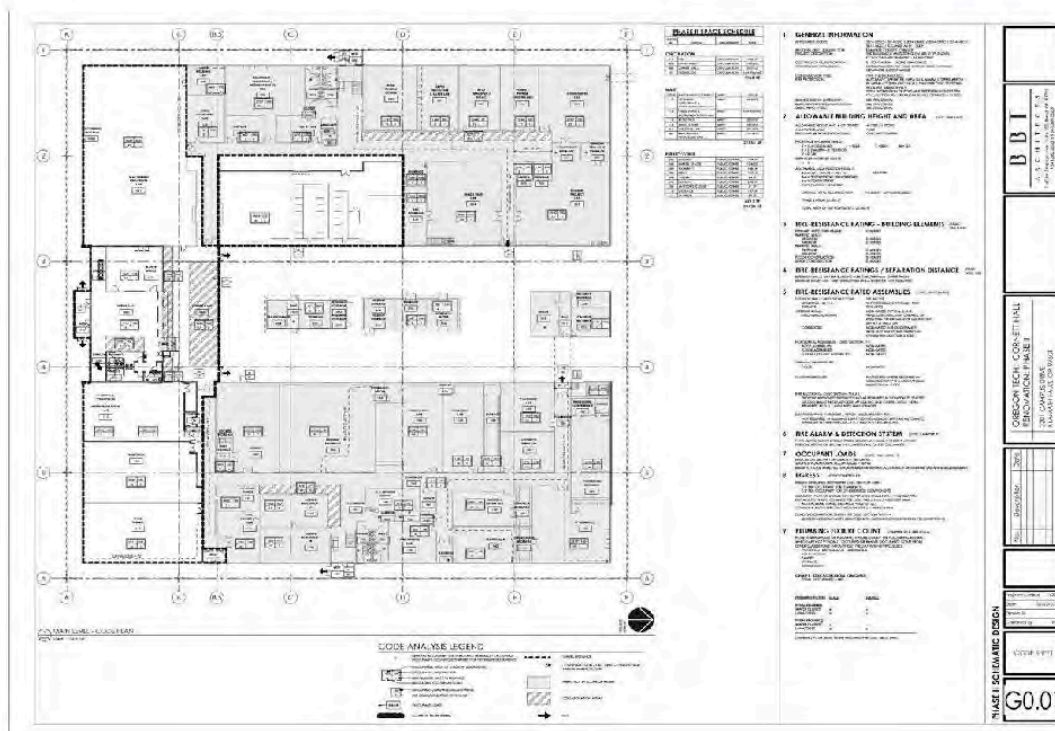
# Cornett Renovation – Phase 1 / Phase 2



# Cornett Renovation – Phase 1



# Cornett Renovation – Phase 2



## Cornett Renovation – Phase 1





## Cornett Renovation – Phase 1

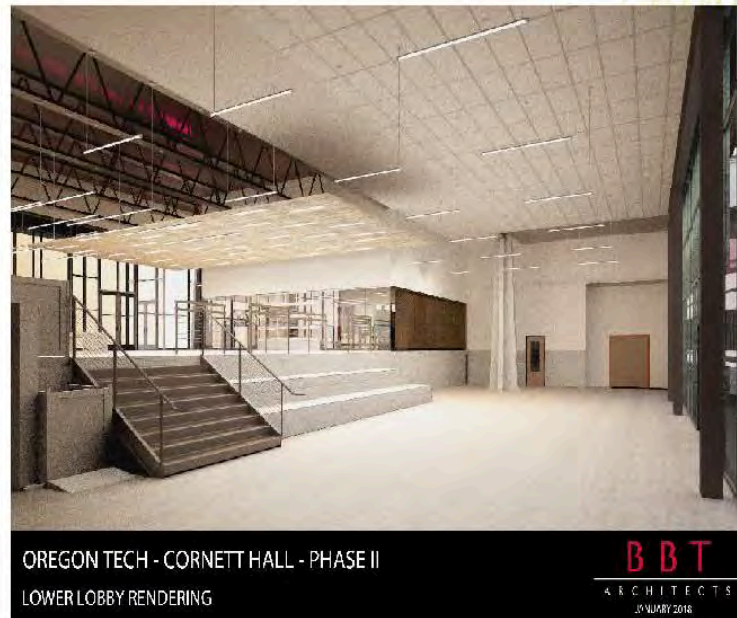




## Cornett Renovation – Phase 2



## Cornett Renovation – Phase 2



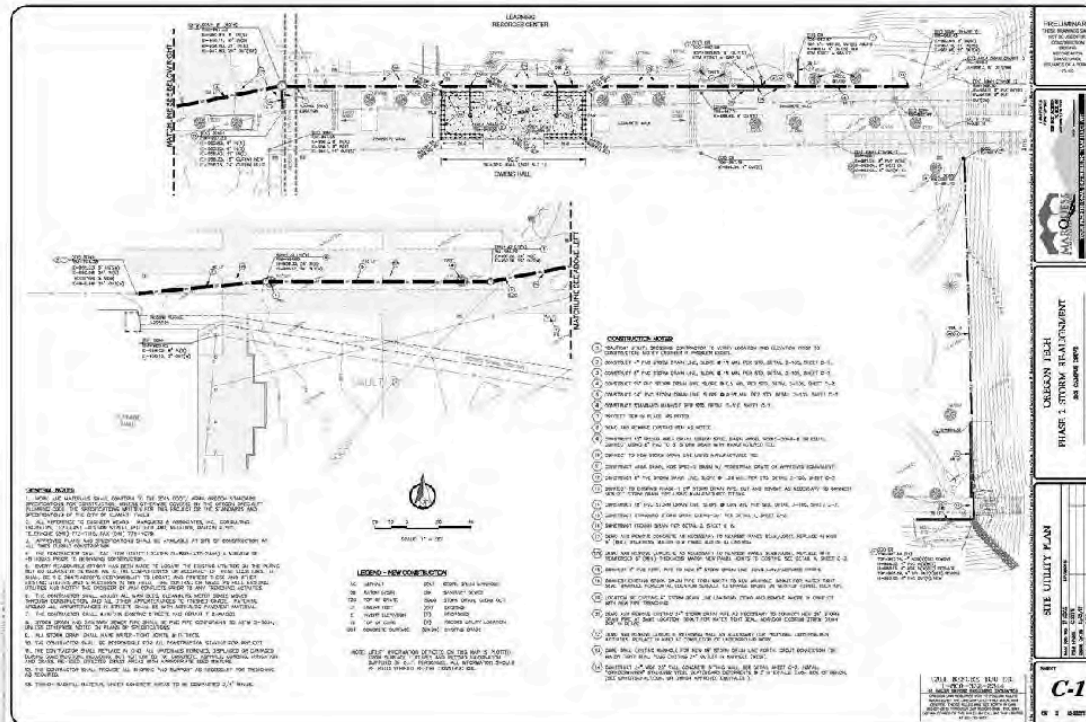
## Emergency Storm – Phase 2a



Emerg. Storm - Phase 2a							
Project Start: 6.18.18		Project Completion: 9.28.18					
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE769 / FSSTDTR	Design: Completed November 2017						
Bond Type: XI-Q	Construction: April 2018 - September 2018						
		Design (5%):	\$ 80,283	\$ 35,500	\$ 22,885	64%	\$ 12,615
Design: Marquess		Construction (70%):	\$ 1,107,346	\$ 467,405	\$ 36,545	8%	\$ 430,860
Build: Bob's Excavating		Other (25%):	\$ 189,356	\$ 164,745	\$ -	0%	\$ 164,745
	Plan Design Bid Const. Complete	Project Totals:	\$ 1,376,985	\$ 667,650	\$ 59,430	9%	\$ 608,220
<b>Budget Breakdown</b> 		CO's / Amendments		<b>Percent Complete (%)</b> 			
		\$ -					
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		\$ -					
		Total =	\$ -				



## Emergency Storm – Phase 2a



## Emergency Storm – Phase 2a



# Athletics Exterior Renovation



Athletics Exterior Renovation							
Project Start: 6.04.2018		Project Completion: 11.30.2018					
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE773	Design: April 2018 - June 2018						
Bond Type: XI-F	Construction: July 2018 - November 2019						
		Design (10%):	\$ 150,000	\$ 123,850	\$ -	0%	\$ 123,850
Design: BBT Architects		Construction (85%):	\$ 1,275,000	\$ 1,275,000	\$ -	0%	\$ 1,275,000
Build: TBD		Other (5%):	\$ 75,000	\$ 101,150	\$ -	0%	\$ 101,150
	Plan Design Bid Const. Complete	Project Totals:	\$ 1,500,000	\$ 1,500,000	\$ -	0%	\$ 1,500,000
<b>Budget Breakdown</b> 		CO's / Amendments		<b>Percent Complete (%)</b> 			
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			\$ -				
		Total =	\$ -				



# Athletics Exterior Renovation



## Project Scope:

- New exterior metal siding.
- Painting of all exposed structural steel and plaster soffits.
- Add Alternates: New vestibule entry / brick veneer at lower elevations /

Project Budget: \$1,500,000.00

Design Start: April 2018

Construction Start: July 2018

Completion: November 2018

Design: BBT Architects

Construction: TBD



## Athletics Exterior Renovation





## Athletics Exterior Renovation





Project Start: 6.03.2019				New CEET Building							
Project Completion: 12.31.2020											
Project	Progress Highlights			Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance		
UPE785 / FCEET	Design: April 2018 - June 2019										
Bond Type: XI-Q / XI-G	Construction: July 2019 - December 2020										
	<i>* TVA has been selected for the visioning phase.</i>			Design (8%):	\$ 2,800,000	\$ 2,800,000	\$ -	0%	\$ 2,800,000		
Design: TVA Architects				Construction (75%):	\$ 26,250,000	\$ 26,250,000	\$ -	0%	\$ 26,250,000		
Build: TBD				Other (17%):	\$ 5,950,000	\$ 5,950,000	\$ -	0%	\$ 5,950,000		
	Plan	Design	Bid	Const.	Complete	Project Total:	\$ 35,000,000	\$ 35,000,000	\$ -	0%	\$ 35,000,000

### Budget Breakdown

■ Design ■ Construction ■ Other/Cont.

### CO's / Amendments

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### Percent Complete (%)

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● Cost To Date ● Balance

100%

## New CEET Building

### Project Scope:

- 60,000 – 80,000 sq. ft.
- Maker Space / Collaboration Spaces / Flexible class & lab spaces

Project Budget: \$35,000,000

Design Start: April 2018

Construction Start: July 2019

Completion: December 2020

Visioning: TVA Architects

Architect: tbd

Contractor: tbd







Softball Complex Renovation										
Project Start: 11.01.2017					Project Completion: Fall 2018					
Project	Progress Highlights				Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE780 / FSBC	Design: Nov. 2017 - May 2018									
Bond Type:	Construction: May 2018 - Oct. 2018									
					Design (5.5%):	\$ 60,500	\$ 60,500	\$ 26,260	43%	\$ 34,240
Design: ZCS Engineering					Construction (90%):	\$ 1,009,354	\$ 1,009,354	\$ -	0%	\$ 1,009,354
Build: FieldTurf					Other (4.5%):	\$ 51,588	\$ 51,588	\$ -	0%	\$ 51,588
	Plan	Design	Bid	Const.	Complete					
Project Totals:						\$ 1,121,442	\$ 1,121,442	\$ 26,260	2%	\$ 1,095,182

### Budget Breakdown

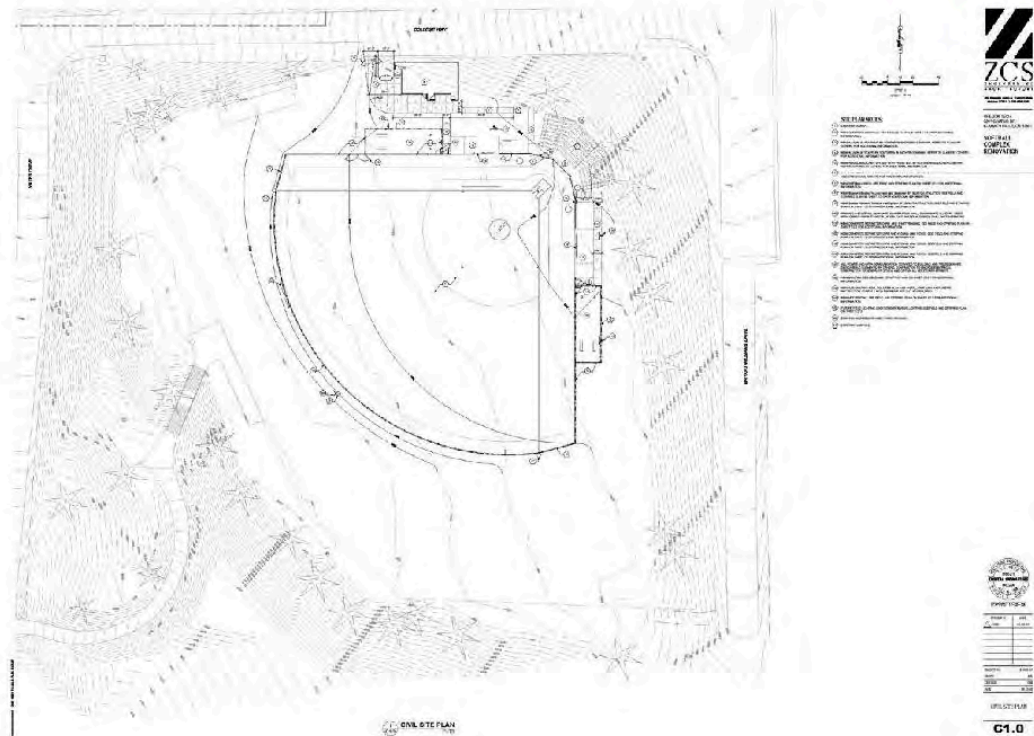
A horizontal bar chart titled "Budget Breakdown" showing the distribution of the total budget across three phases: Design, Construction, and Other/Cont. The Design bar is blue and represents 5.5% of the total. The Construction bar is orange and represents 90% of the total. The Other/Cont. bar is grey and represents 4.5% of the total.

Phase	Amount (\$)
Design	60,500
Construction	1,009,354
Other/Cont.	51,588

### CO's / Amendments

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# Softball Complex Renovation



# Softball Complex Renovation



**DOOR SCHEDULE**

NO.	TYPE	FINISH	SWING	MARKING	NOTES
1	PREHUNG	6061 ALUMINUM	OUT	10"	GLASS DOOR
2	PREHUNG	6061 ALUMINUM	OUT	10"	GLASS DOOR
3	PREHUNG	6061 ALUMINUM	OUT	10"	GLASS DOOR
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99	PREHUNG	6061 ALUMINUM	OUT	10"	GLASS DOOR
100	PREHUNG	6061 ALUMINUM	OUT	10"	GLASS DOOR

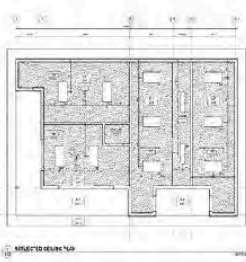


**GENERAL NOTES**

1. REFER TO ALL SHEETS FOR NOTES.
2. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND SPECIFICATIONS.
3. ALL MATERIALS AND WORKMANSHIP SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE ARCHITECT.
4. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS.
5. THE CONTRACTOR SHALL MAINTAIN ACCESS TO ALL ADJACENT PROPERTIES AND UTILITIES.
6. ALL UTILITIES SHALL BE PROTECTED AND MARKED PRIOR TO CONSTRUCTION.
7. THE CONTRACTOR SHALL MAINTAIN ADEQUATE SAFETY MEASURES THROUGHOUT THE PROJECT.
8. ALL WASTE SHALL BE PROPERLY DISPOSED OF AT AN APPROVED LOCATION.
9. THE CONTRACTOR SHALL MAINTAIN ADEQUATE RECORDS OF ALL CONSTRUCTION ACTIVITIES.
10. ALL WORK SHALL BE COMPLETED WITHIN THE SPECIFIED TIME FRAME.

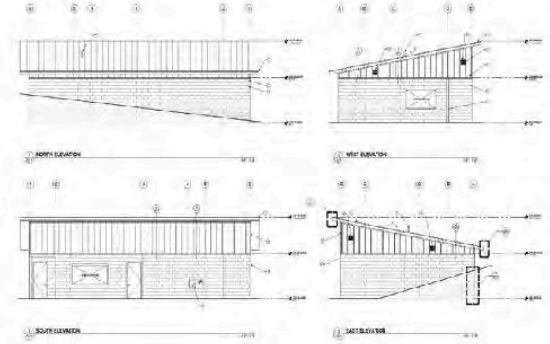
**FINISH SCHEDULE**

NO.	FINISH	LOCATION	NOTES
1	PAINT	INTERIOR WALLS	WHITE PEARL
2	PAINT	CEILING	WHITE PEARL
3	PAINT	EXTERIOR WALLS	GRAY
4	PAINT	DOORS	WHITE PEARL
5	PAINT	WALLS	WHITE PEARL
6	PAINT	FLOORS	GRAY
7	PAINT	CEILING	WHITE PEARL
8	PAINT	EXTERIOR WALLS	GRAY
9	PAINT	DOORS	WHITE PEARL
10	PAINT	WALLS	WHITE PEARL
11	PAINT	FLOORS	GRAY
12	PAINT	CEILING	WHITE PEARL
13	PAINT	EXTERIOR WALLS	GRAY
14	PAINT	DOORS	WHITE PEARL
15	PAINT	WALLS	WHITE PEARL
16	PAINT	FLOORS	GRAY
17	PAINT	CEILING	WHITE PEARL
18	PAINT	EXTERIOR WALLS	GRAY
19	PAINT	DOORS	WHITE PEARL
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21	PAINT	FLOORS	GRAY
22	PAINT	CEILING	WHITE PEARL
23	PAINT	EXTERIOR WALLS	GRAY
24	PAINT	DOORS	WHITE PEARL
25	PAINT	WALLS	WHITE PEARL
26	PAINT	FLOORS	GRAY
27	PAINT	CEILING	WHITE PEARL
28	PAINT	EXTERIOR WALLS	GRAY
29	PAINT	DOORS	WHITE PEARL
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36	PAINT	FLOORS	GRAY
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38	PAINT	EXTERIOR WALLS	GRAY
39	PAINT	DOORS	WHITE PEARL
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41	PAINT	FLOORS	GRAY
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44	PAINT	DOORS	WHITE PEARL
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72	PAINT	CEILING	WHITE PEARL
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76	PAINT	FLOORS	GRAY
77	PAINT	CEILING	WHITE PEARL
78	PAINT	EXTERIOR WALLS	GRAY
79	PAINT	DOORS	WHITE PEARL
80	PAINT	WALLS	WHITE PEARL
81	PAINT	FLOORS	GRAY
82	PAINT	CEILING	WHITE PEARL
83	PAINT	EXTERIOR WALLS	GRAY
84	PAINT	DOORS	WHITE PEARL
85	PAINT	WALLS	WHITE PEARL
86	PAINT	FLOORS	GRAY
87	PAINT	CEILING	WHITE PEARL
88	PAINT	EXTERIOR WALLS	GRAY
89	PAINT	DOORS	WHITE PEARL
90	PAINT	WALLS	WHITE PEARL
91	PAINT	FLOORS	GRAY
92	PAINT	CEILING	WHITE PEARL
93	PAINT	EXTERIOR WALLS	GRAY
94	PAINT	DOORS	WHITE PEARL
95	PAINT	WALLS	WHITE PEARL
96	PAINT	FLOORS	GRAY
97	PAINT	CEILING	WHITE PEARL
98	PAINT	EXTERIOR WALLS	GRAY
99	PAINT	DOORS	WHITE PEARL
100	PAINT	WALLS	WHITE PEARL



**GENERAL NOTES**

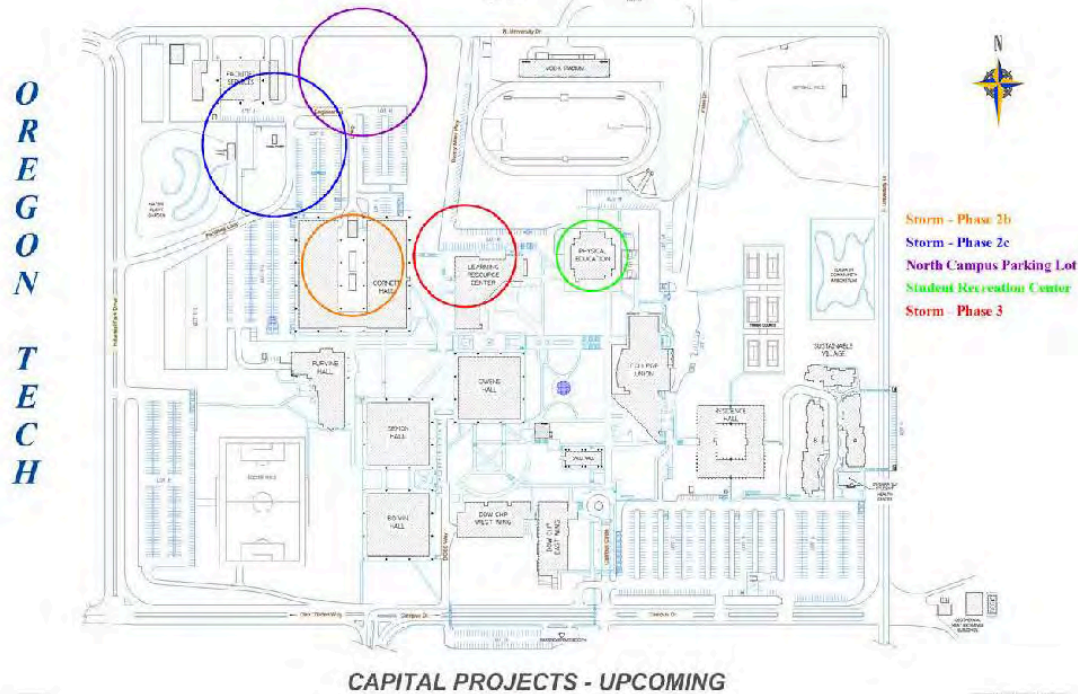
1. REFER TO ALL SHEETS FOR NOTES.
2. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND SPECIFICATIONS.
3. ALL MATERIALS AND WORKMANSHIP SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE ARCHITECT.
4. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS.
5. THE CONTRACTOR SHALL MAINTAIN ACCESS TO ALL ADJACENT PROPERTIES AND UTILITIES.
6. ALL UTILITIES SHALL BE PROTECTED AND MARKED PRIOR TO CONSTRUCTION.
7. THE CONTRACTOR SHALL MAINTAIN ADEQUATE SAFETY MEASURES THROUGHOUT THE PROJECT.
8. ALL WASTE SHALL BE PROPERLY DISPOSED OF AT AN APPROVED LOCATION.
9. THE CONTRACTOR SHALL MAINTAIN ADEQUATE RECORDS OF ALL CONSTRUCTION ACTIVITIES.
10. ALL WORK SHALL BE COMPLETED WITHIN THE SPECIFIED TIME FRAME.



**GENERAL NOTES**

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# Upcoming Projects



- Storm - Phase 2b
- Storm - Phase 2c
- North Campus Parking Lot
- Student Recreation Center
- Storm - Phase 3



## Upcoming Projects



- Storm - Phase 2b
  - Design: Underway – Marquess Engineering
  - Construction: June 2018 – September 2018
  - Est. Budget: \$655,000.00
- Storm – Phase 2c
  - Design: Underway – Marquess Engineering
  - Construction: June 2018 – October 2018
  - Est. Budget \$675,000.00
- New Northwest Parking Lot
  - Design: Underway
  - Construction: Fall 2018
  - Budget: TBD
- Storm – Phase 3
  - Design: Fall 2018
  - Construction: Summer 2019
  - Budget: \$725,000.00
- Student Rec Center
  - Design: Fall 2018
  - Construction: Summer 2019
  - Budget: \$3,500,000.00





## Capital Repair & Renewal Projects

## UPE 773 CR&R Projects



Capital Renewal Replacement UPE 773 , FY 15/17						
#	Project Description	Est. Cost	Final Cost	Bond Balance	Status	Date Complete
	UPE 773			\$ 2,760,605		
1	FACP Upgrades-PE/SN (Balance)	\$ 5,745	\$ 5,745	\$ 2,754,860	Underway	30-Aug-17
2	PE Waterline N Upgrade	\$ 23,350	\$ 23,350	\$ 2,731,510	Completed	30-Aug-17
3	Chiller CH-1 and CH-2 Overhaul	\$ 125,480	\$ 101,650	\$ 2,629,860	Completed	30-Nov-17
4	LRC/Snell/PE Elev. Upgrades	\$ 231,315	\$ 231,315	\$ 2,398,545	Underway	TBD
5	CU Sidewalk Replacement	\$ 5,490	\$ 5,490	\$ 2,393,055	Completed	22-Sep-17
6	Well 1-4 Chlorine Syst. Upgrade	\$ 40,000	\$ 35,365	\$ 2,357,690	Completed	14-Dec-17
7	Purvine Chiller Compressor	\$ 25,000	\$ -	\$ 2,332,690	Underway	TBD
8	Facilities Rollup Door (#3)	\$ 5,749	\$ 5,550	\$ 2,327,140	Completed	28-Mar-18
9	LRC Ventilator Heaters	\$ 7,350	\$ -	\$ 2,319,790	Underway	TBD
10	Boivin Static Pressure	\$ 6,000	\$ -	\$ 2,313,790	Underway	TBD
11	Academic Student Rec Center (ASRC)	\$ 1,050,000	\$ -	\$ 1,263,790	Summer 2018	TBD
12	Purvine VFD's	\$ 10,000	\$ -	\$ 1,253,790		
13	TBD	\$ -	\$ -	\$ 1,253,790		
14	TBD	\$ -	\$ -	\$ 1,253,790		
15	TBD	\$ -	\$ -	\$ 1,253,790		
	Balance			\$ 1,253,790		



## Contact Information

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# **REPORT**

## **Agenda Item No. 3.4**

### **OMIC Budget Update**

#### **Background:**

In December 2017, the OMIC R&D status report detailed the overall progress for Oregon Tech in its three roles as Research Partner, Host, and Landlord. This update is targeted at the financial and facility status.

#### **Key Financial Results:**

##### **Research Partner**

Oregon Tech has the opportunity to bid on applied research projects from two sources: 1) the general member dues paid yearly; and 2) special projects for individual members funded separately. The Master Services Agreement between the three universities, executed March 30, 2018, covers the general projects.

The initial investment of \$1.7M is being amortized against the research work to recoup the liquid funds in support of future strategic initiatives.

Year to date, \$975,000 has been invoiced in annual membership dues, of which \$189,050 has been spent on the three pilot general research projects. As stipulated in the Collaboration Agreement, the \$200,000 received in annual membership dues from OSU and PSU was transferred to the landlord operational fund. Otherwise, membership dues are restricted to research projects approved by the Tech Board of OMIC.

Oregon Tech's research recovery overhead rate is under review for projects conducted off-site.

Forecasts for success on the research initiatives should be discussed with the Provost and relevant departments.

##### **Host**

Under the Collaboration Agreement establishing OMIC R&D and identifying Oregon Tech as the Host, the university obligations are limited to fiduciary over the general member dues. Satisfying this obligation is straightforward and administrative. All structure and processes are in place now to do so.

Other work requested by OMIC R&D Board of Governors in support of OMIC R&D will be conducted under contract to a funding entity. Currently, Oregon's economic development department (Business Oregon) has state funding at \$6.6M available for operational and one time support for OMIC R&D for the 2017-2019 biennium.

Oregon Tech had an initial Launch Phase contract covering operational expenses from July 2017 through January 2018. A second contract for the Strategy Phase from February – May 2018 was executed to cover operational and capital expenditures. Year to date, approximately \$1.033 million of the state funding has been spent. This includes approximately \$580k in operational and expenses, \$410k in capital building and equipment purchases and encumbrances, and roughly \$44k has been charged as F&A Cost (indirect) on direct payroll.

As of May 1, 2018, the executive director for OMIC R&D, Craig Campbell, has been hired after a nationwide search. Mr. Campbell and the Board of Governors are working on the completion of the 3-5 year strategic plan and the next budget and operational plan with Business Oregon. Additionally, a second FTE, Josh Koch, was hired as Machine Operator. Oregon Tech is still providing 50% FTE administrative support until additional facility staff are hired.

Based on the contracting shifts from Business Oregon, all future capital and operational expenditures will not be undertaken without signed contracts.

The Phase One retrofit of the building, which included electrical service upgrades, compressed air, isolated foundation and floor improvements to prepare for the delivery of the WFL Millturn was completed as of the end of April.

No capital projects have been or will be commenced prior to the EDA grant decision, as all State funds are held as matching funds. In addition, operational funds from Business Oregon must be available to cover the bridge between bond fund availability in Spring 2019 and expenditure date for the capital improvements. This plan will be negotiated with Business Oregon over the next two months. The most urgent capital project is the connection of the site to the City of Scappoose utilities. The City should be completing its work by September 2018 on the road and utilities for Charles T. Parker Way.

Based on funding from Business Oregon, Oregon Tech has underwritten a loan to the City of Scappoose for the construction of the roadway. We will need to fund this obligation within 5 days of notice. Business Oregon has been instrumental in arranging the funding approach and is aware of our need for immediate monies. The billing from the City of Scappoose was recently received, and while over what was anticipated, was within the planned contingency amount. These funds will be reimbursed to Business Oregon once the ODOT bonds are sold.

### **Landlord**

As the landlord, Oregon Tech cares for the development of the property and on-going property management.

Success as the landlord is measured by:

- **Sound capital investment.** All improvements accrue to the value of the property. Within 10 years, the state will relinquish its claims on the property based on its \$2.5M investment.

Oregon Tech will then own a site in a growing area within the urban growth boundary. This is contingent on the site being used to support applied research activities for OMIC R&D.

- Operational funding covered by membership commitments from OSU/PSU. The member dues from our sister research institutions cover the basic costs of operating the site.
- **Responsiveness to OMIC R&D needs.** Oregon Tech should be developing its site in support of the long-term direction of OMIC R&D.

**Sound capital investment.** To date, OMIC R&D will garner the benefits of the infrastructure improvements funded by the bonds, including the road, annexation and access to City of Scappoose utilities, and building improvements for ADA compliance, occupancy improvements, and building upgrades to support the advanced manufacturing machinery and projects. EDA grant proposal has been submitted for \$3M, with the State matching bond funds of \$3.875M.

**Operational funding.** For the first two years, we have \$200,000 guaranteed from each partner university: Portland State and Oregon State. We are able to support the operations of the site well within this funding level. We have a commitment from Oregon State through year 5 at \$100,000 per year. Should Portland State decide not to continue, they would not be liable for the \$100,000/year, but also would no longer be eligible to compete for research business.

Oregon Tech will be able to recoup the costs from the initial period prior to membership (Nov 2016-June 2017) of \$47,147.

Current financial summary:

- Income YTD through Feb is \$200,000.
- Current YTD through Feb expenditures are \$44,859, with income of \$12,500 for a net of \$32,359. Forecast total expenditures for the year are \$77,427, which includes minor contingency in maintenance/repairs. To mitigate long-term risk, a replacement reserve study will be conducted to yield the operational set-aside needed for future maintenance and replacement. This additional amount will be added as soon as it is known.
- Including the \$47,147 of monies owed for the prior fiscal year, the forecast end of year expenditures will be \$112,074, plus the replacement reserve allocation to be determined.

Given that the expenses to the landlord are expected to increase as the facility sees more use, the fund balance is being maintained carefully to ensure that we have sufficient balance for out years in this initial 5 year membership period.

### **Recommendation**

No action is required. This item is informational only.

### **Attachment**

OMIC Budget Summary

**Oregon TECH** Summary by Acct Detail - Current Year  
 (Data as of 05/08/2018 05:04:07 AM)

Period May-2018 (Open) | Budget Annual Adjusted Budget | Chart = H | Fund = 355401 OBDD Grant C2017434-ORTECH OMIC | Orgn = 007525 OMIC Host Administration | Prog = 13000 Other Institutes &amp; Research Centers

Acct	Title	May-2018 Month Actual	May-2018 YTD Actual	O/S Commitments	YTD Total Activity	Annual Adjusted Budget	Budget Available	Budget Fav/Unfav
<b>Gift Grants and Contracts</b>								
03120	State of Oregon Govt GC	144,729.39	544,729.39	0.00	544,729.39	2,000,000.00	-1,455,270.61	72.8%U
	<b>Subtotal</b>	<b>144,729.39</b>	<b>544,729.39</b>	<b>0.00</b>	<b>544,729.39</b>	<b>2,000,000.00</b>	<b>-1,455,270.61</b>	<b>72.8%U</b>
	<b>Total Revenue</b>	<b>144,729.39</b>	<b>544,729.39</b>	<b>0.00</b>	<b>544,729.39</b>	<b>2,000,000.00</b>	<b>-1,455,270.61</b>	<b>72.8%U</b>
<b>Unclassified Salaries</b>								
10100	Unclassified Salaries	0.00	0.00	0.00	0.00	11,904.00	11,904.00	100%F
10102	Staff-Unclassified Salaries-Faculty	0.00	34,923.27	9,160.00	44,083.27	54,101.00	10,017.73	18.5%F
10103	Staff-Unclassified Salaries-Non-Fac	0.00	35,621.87	23,275.70	58,897.37	139,157.00	80,259.63	57.7%F
10107	Other Unclassified Salary-Stipend	0.00	2,598.00	1,299.00	3,897.00	0.00	-3,897.00	U
	<b>Subtotal</b>	<b>0.00</b>	<b>73,142.94</b>	<b>33,734.70</b>	<b>106,877.64</b>	<b>205,162.00</b>	<b>98,284.36</b>	<b>47.9%F</b>
<b>Unclassified Pay</b>								
10204	Summer Unclassified Pay - Non-Instr	0.00	6,960.00	0.00	6,960.00	0.00	-6,960.00	U
10209	Other Unclassified Pay	0.00	84,014.08	0.00	84,014.08	0.00	-84,014.08	U
	<b>Subtotal</b>	<b>0.00</b>	<b>90,974.08</b>	<b>0.00</b>	<b>90,974.08</b>	<b>0.00</b>	<b>-90,974.08</b>	<b>0%U</b>
<b>Classified Salaries</b>								
10301	Staff-Classified Salaries	0.00	4,682.25	2,424.00	7,106.25	0.00	-7,106.25	U
	<b>Subtotal</b>	<b>0.00</b>	<b>4,682.25</b>	<b>2,424.00</b>	<b>7,106.25</b>	<b>0.00</b>	<b>-7,106.25</b>	<b>0%U</b>
<b>Other Payroll Expenses</b>								
10900	Other Payroll Expenses (OPE)	0.00	0.00	0.00	0.00	9,251.00	9,251.00	100%F
10964	OPE Und HealthLife	0.00	20,668.91	8,734.80	29,403.71	34,337.00	4,933.29	14.4%F
10967	OPE Und Retirement	0.00	26,907.01	6,397.81	33,304.82	24,215.00	-9,089.82	37.5%U
10968	OPE Und Other	0.00	12,586.27	2,762.06	15,348.33	15,807.00	458.67	2.9%F
10974	OPE Class HealthLife	0.00	1,550.00	753.00	2,303.00	0.00	-2,303.00	U
10977	OPE Class Retirement	0.00	1,129.54	557.52	1,687.06	0.00	-1,687.06	U
10978	OPE Class Other	0.00	405.72	200.54	606.26	0.00	-606.26	U
	<b>Subtotal</b>	<b>0.00</b>	<b>63,247.45</b>	<b>19,405.73</b>	<b>82,653.18</b>	<b>83,610.00</b>	<b>956.82</b>	<b>1.1%F</b>
	<b>Total Labor</b>	<b>0.00</b>	<b>232,046.72</b>	<b>55,564.43</b>	<b>287,611.15</b>	<b>288,772.00</b>	<b>1,160.85</b>	<b>0.4%F</b>
<b>Service &amp; Supplies</b>								
20000	Services & Supplies Expense	0.00	0.00	0.00	0.00	811,228.00	811,228.00	100%F
20101	Office & Administrative Supplies	0.00	1,424.87	0.00	1,424.87	0.00	-1,424.87	U
20102	General Operating Supplies	0.00	2,544.33	0.00	2,544.33	0.00	-2,544.33	U
20103	Laboratory Supplies	0.00	1,613.38	0.00	1,613.38	0.00	-1,613.38	U
20200	Minor Equipment	0.00	1,843.91	0.00	1,843.91	0.00	-1,843.91	U
20201	Computer (Noncapitalized)	0.00	500.26	6,150.72	6,650.98	0.00	-6,650.98	U
20204	Other IT Related Peripherals	0.00	217.27	0.00	217.27	0.00	-217.27	U
20215	Specialized Equip-(Noncapitalized)	0.00	1,275.87	6,647.00	7,922.87	0.00	-7,922.87	U
22016	Communications Network Access Chg	0.00	1,323.34	0.00	1,323.34	0.00	-1,323.34	U
22032	Computer Conferencing Fee	0.00	348.00	0.00	348.00	0.00	-348.00	U



Acct	Title	May-2018 Month Actual	May-2018 YTD Actual	O/S Commitments	YTD Total Activity	Annual Adjusted Budget	Budget Available	Budget Fav/Unfav
22502	Postage	0.00	13.09	0.00	13.09	0.00	-13.09	U
22503	Mailing Services - Incl Postage	0.00	11.20	0.00	11.20	0.00	-11.20	U
22511	Freight/Moving-Not Employee Related	0.00	158.23	0.00	158.23	0.00	-158.23	U
23511	Contract Maint/Repair-Building	0.00	0.00	0.00	0.00	0.00	0.00	
23535	Custodial Supplies	0.00	5.80	0.00	5.80	0.00	-5.80	U
24101	Equipment Rentals	0.00	7,318.40	0.00	7,318.40	0.00	-7,318.40	U
24201	Equipment Leases	0.00	0.00	1,356.33	1,356.33	0.00	-1,356.33	U
24502	Legal Service	0.00	36,070.00	0.00	36,070.00	0.00	-36,070.00	U
24526	Web Design Services	80.96	13,280.96	10,800.00	24,080.96	0.00	-24,080.96	U
24599	Other Professional Services	12,000.00	174,213.87	8,000.00	182,213.87	0.00	-182,213.87	U
24602	Duplicating & Copying Expense	0.00	198.16	0.00	198.16	0.00	-198.16	U
24611	Advertising-Pers Recruit/Pub Notice	0.00	1,269.00	0.00	1,269.00	0.00	-1,269.00	U
24612	Advertising-Inst Promo/Pub Relation	0.00	339.20	0.00	339.20	0.00	-339.20	U
24702	Engineering & Architectural Service	0.00	3,500.00	0.00	3,500.00	0.00	-3,500.00	U
24704	Construction Permits & Fees	0.00	45.00	0.00	45.00	0.00	-45.00	U
28612	Hosting Groups & Guests	0.00	2,423.62	0.00	2,423.62	0.00	-2,423.62	U
28613	Public Relations/Fund Raising	0.00	36.18	0.00	36.18	0.00	-36.18	U
39415	In-St Empl Program Travel	0.00	3,078.97	0.00	3,078.97	0.00	-3,078.97	U
39445	In-St Non-Empl Prog Travel	0.00	397.62	0.00	397.62	0.00	-397.62	U
39545	Out-St Non-Empl Prog Travel	0.00	2,315.68	0.00	2,315.68	0.00	-2,315.68	U
39615	Foreign Empl Program Travel	0.00	2,966.03	0.00	2,966.03	0.00	-2,966.03	U
<b>Subtotal</b>		<b>12,080.96</b>	<b>258,732.24</b>	<b>32,954.05</b>	<b>291,686.29</b>	<b>811,228.00</b>	<b>519,541.71</b>	<b>64%F</b>
<b>Capital Expense</b>								
40101	Equipment	0.00	0.00	109,056.00	109,056.00	0.00	-109,056.00	U
40199	Construction in Progress(Equipment)	0.00	2,735.62	19,785.00	22,520.62	900,000.00	877,479.38	97.5%F
40501	Buildings	0.00	170,155.57	0.00	170,155.57	0.00	-170,155.57	U
40513	Bldg-Enging & Arch Svc	0.00	23,135.00	17,070.00	40,205.00	0.00	-40,205.00	U
40520	Bldg-BOLI Prevailing Wage Rate Fee	0.00	1,561.43	0.00	1,561.43	0.00	-1,561.43	U
40701	Infrastructure	0.00	25,356.00	41,578.95	66,934.95	0.00	-66,934.95	U
<b>Subtotal</b>		<b>0.00</b>	<b>222,943.62</b>	<b>187,489.95</b>	<b>410,433.57</b>	<b>900,000.00</b>	<b>489,566.43</b>	<b>54.4%F</b>
<b>Indirect Costs</b>								
70005	F & A Cost (formerly Indirect)	0.00	43,887.81	0.00	43,887.81	0.00	-43,887.81	U
<b>Subtotal</b>		<b>0.00</b>	<b>43,887.81</b>	<b>0.00</b>	<b>43,887.81</b>	<b>0.00</b>	<b>-43,887.81</b>	<b>0%U</b>
<b>Total Direct Expenditures</b>		<b>12,080.96</b>	<b>525,563.67</b>	<b>220,444.00</b>	<b>746,007.67</b>	<b>1,711,228.00</b>	<b>965,220.33</b>	<b>56.4%F</b>
<b>Total All Expenses</b>		<b>12,080.96</b>	<b>757,610.39</b>	<b>276,008.43</b>	<b>1,033,618.82</b>	<b>2,000,000.00</b>	<b>966,381.18</b>	<b>48.3%F</b>
<b>Total Revenues Less Expenses and Transfers</b>		<b>132,648.43</b>	<b>-212,881.00</b>	<b>-276,008.43</b>	<b>-488,889.43</b>	<b>0.00</b>	<b>-488,889.43</b>	<b>0%U</b>



## **ACTION**

### **Agenda Item No. 4.1**

## **Recommendation to the Board to Adopt the Fiscal Year 2018-19 Oregon Tech All-Funds Budget**

### **Summary**

The FY 2019 budget process was aligned with the President's 11 Short-Term Action Plan goals and the Board's One-Time Funding Budget Philosophy. It balances General Fund operations before proposing a series of strategic investments. The process created, for the first time, an opportunity for departments and units to have direct involvement in developing their own budgets based on their unique needs and is a first step towards a redesigned budget process.

The requested budget increases, significantly, investments in professional development for faculty and administrative staff. Adjunct and overload pay, which has traditionally been funded by the Provost and separate from the course planning and assignment process has been moved into the departmental budgets with a reserve housed at the Dean level. This aligns expenses with the units responsible for planning and approving courses and creates an incentive for prudent fiscal management when paired with a deliberate budget rollover program.

Investments for upgraded classroom computing equipment and campus projects have been included within core operations as these are needed ongoing expenses. Because the institution's capacity to plan and forecast has improved for the first time the university is anticipating salary savings within the budget. As accuracy improves this number will increasingly reflect expectations reducing budget to actual variances.

Additional investments in personnel are aligned around three primary tasks, those that support immediate growth potential, increase operational effectiveness, and foster long-term growth opportunities for Oregon Tech. A modest contingency and strategic investment fund has been established in the President's budget in order to support implementation of Short-Term Action Plan goals and to manage through unforeseen conditions.

### **Background**

The following docket provides the Education and General, Auxiliary, Service Operations and Designated Operations Funds budget. The General Fund (GF) is the primary operating budget for the university and will be the bulk of the report. The GF includes revenues from tuition and fees, State General Fund appropriations and other income. These revenues are used to fund instruction, research, public service, academic support, student service, physical plant, and administrative expenses of the institution. Service and Designated Operations funds are minor pools of restricted or highly purpose-driven resources and are *de minimis* portions of the budget. The Auxiliary budgets include residence hall operations, campus life, athletics, parking, student health and other various non-core operations, but are of significant size, scope and importance to the university overall.

The overall goal of the process was to balance revenues and expenses based on continuing operations in the General Fund budget, and to identify areas for additional investment that will advance the institution over the short and medium term time horizon.

## **Strategy**

The 2018-19 fiscal year budget is designed to accomplish two primary tasks: sustain continued operations while increasing flexibility, and make progress towards the President's Short-Term Action Plan's 11 goals. The senior leadership team recognizes the need to adjust the universities organizational chart, departments and investments over time to ensure that the institution can grow in areas of high demand, respond in areas with less demand, and maintain a lean but responsive administrative operating environment. In particular, academic administration is undersized and lacking key positions necessary to support academic programs and faculty in an expedient manner or to effectively manage, plan, execute and grow new initiatives. Investments and reorganizations in enrollment management have been accomplished over the past year and will continue into the next.

## **Short Term Action Plan Goals**

The President established a set of 11 action-oriented goals, and assigned champions for the development and implementation of actions around these goals from the senior executive team. The goals are as follows:

1. Increase Reputational Capital
2. Increase Enrollment
3. Grow Student and Campus Diversity
4. Extend Academic Planning I (Essential Studies)
5. Extend Academic Planning II (Classroom Technology)
6. Invest in Talent
7. Grow Our Culture of Pride
8. Organizational Improvement I (Business Processes)
9. Organizational Improvement II (Entrepreneurial Culture)
10. Build Alumni Relations and Philanthropy
11. Leverage Academic and Industry Partnerships

## **Process**

The Budget and Planning Department led an inclusive budget development process, building from department/division up the institution's budget using input from across the university. Established executive level review and finalized budget assumptions and investment decisions with a lead from the President and Vice-President of Finance and Administration and significant input from other senior staff members. This process included the following major steps:

1. Established assumed enrollment, tuition and state funding rates and incorporated these into the budget build.
2. Distributed budget development templates to the vice-presidents and the President's direct reports.
  - a. Shifted 85% of trailing three-year average overload and adjunct expenses into departments and remainder to dean and provost level (previously all housed in the Provost's office).
  - b. Increased professional development for faculty, and for the first time created specific professional development budgets for administrative and classified positions.

- c. Scheduled meetings of the budget staff with provost, deans, department directors and auxiliary units to answer questions related to budget development for their respective units.
  - d. Created opportunities for departments to request additional investments or change line items for executive review.
3. Reviewed and requested clarifying or additional material, explanation and justification from departments for new budget requests.
4. Aggregated budget requests from all departments for the President and Vice President of Finance and Administration to review and establish goals and priorities.
5. Worked with Senior Leadership Team and Vice Presidents to prioritize investments, new and replacement positions.
6. Finalized the budget for presidential approval.

### **Budget Assumptions**

The following assumptions were used in establishing the 2018-19 GF budget:

#### **Revenues** (utilizing 2017-18 forecast budget as the base for comparison):

1. Tuition was increased as approved by the Board through its tuition and fee approval on March 22, 2018. Briefly summarized as increases of 4.5% on base undergraduate tuition for resident, non-resident and Western Undergraduate Exchange (WUE) students and for various other programs as well as an additive increase of 5% to tuition differentials. Enrollment was assumed to remain flat in all categories except for Distance Education where a 5% growth assumption was used. This generated approximately: \$2.2M in additional revenues compared to the 2018-19 fiscal year-end forecast.
2. Fee remissions were budgeted at 12.1% of gross tuition (increased by 1% over the current fiscal year), resulting in an addition of \$410k in total remissions from the current fiscal year-end forecast.
3. State appropriations are budgeted using the HECC derived forecast. This assumes level degree production from the 2016-17 academic year, and funding for the Public University Support Fund (PUSF) as approved by the 2017 Legislature. This funding level will change incrementally, but is likely to remain within a fairly tight range unless unforeseen legislative action were to occur. Engineering Technology Sustaining Funds (ETSF) funding is assumed to be essentially flat. This resulted in a 5.9% increase in state funding from forecast and budget, or \$1.6M.
4. Other income was assumed to remain essentially flat from the current year.
5. Resulting in a net increase in General Fund Revenue of \$3.25M from the current year.

#### **Expenses** (utilizing 2017-18 forecast budget as the base for comparison unless otherwise noted):

1. Total Labor was established as follows:
  - a. The position roster rolled from 2017-18 into 2018-19, which includes 480 total individuals and 39 currently vacant positions (8% of the total).
  - b. The full impact of prior year pay-plan increases were folded into a complete fiscal year.
  - c. Steps and COLAs, as established through the SEIU Collective Bargaining Agreement, were included.
  - d. A significant increase in student employment was included.

- e. The net change in labor expense, excluding OPE, was an increase of \$2.0M in expenses from forecast or \$169K from prior year budget after incorporating an expected \$1.0M in salary savings. Total budgeted positions have increased by a total of \$1.2M (see Expenses 7).
2. Retirement expenses were calculated using the published 2017-19 PERS and OPSRP rates, these rates remain flat during the 2018-19 fiscal year as they are adjusted biannually. Health care expenses were increased based on published PEBB rates. This results in \$2.0M in increased expenses from forecast or \$608K from prior year budget.
3. Professional development was inserted into the budget, totaling \$416K.
4. Services and supplies were decreased by 5% to offset increases in professional development and to close the budget. Utilities are anticipated to increase ratably from current year forecast given continuing uncertainty surrounding the geothermal power plant. This prevents budgeting anticipated savings. Capital Outlay was increased, which includes portions of what was previously classified as S&S expenses but tends to be in capitalizable assets. The net change was an increase of \$1.9M including, net transfers and the President's strategic fund and contingency funds (see Expenses 6).
5. Additional Investments embedded in the budget request include:
  - a. Emergency Fund – increase emergency reserve fund for insurance loss claims and ready access if a situation were to arise requiring immediate access to liquid capital.
  - b. ITS – funds the replacement of 25% of classroom computing equipment and various small-scale, classroom equipment installation projects.
  - c. Facilities – increase funding for exterior beautification projects to support continued investments in improving the campus.
  - d. Various minor adjustments in departments reflecting additions and subtractions to support known programmatic changes.
6. The President's Strategic Investment Fund includes a total of \$1.06M for investment and to meet contingencies as they arise. This includes a contingency fund and resources for possible adjustments in salaries and resources for strategic or tactical investments throughout the year where it is deemed appropriate to seize on unanticipated opportunities.
7. Certain new hires in areas designed to result in immediate growth, increase operating effectiveness and decision making and ensure long-term growth were made, resulting in \$1.2M in new salary and OPE.

General Fund Budget Request	
<b>Revenue</b>	
State Funding	\$29,301,174
Tuition & Fees	\$35,557,629
Remission	(\$4,110,518)
Other	<u>\$1,556,975</u>
<b>Total Revenue</b>	<b>\$62,305,260</b>
<b>Expenses</b>	
Labor & OPE	\$48,229,090
Planned Salary Savings	(\$1,000,000)
Other Expenses	<u>\$15,030,778</u>
<b>Total Expenses</b>	<b>\$62,259,868</b>
<b>Net Revenue</b>	<b>\$45,392</b>
<b>Investments</b>	
Contingency Fund	\$250,000
Strategic Fund & Salary Pool	\$814,480
New Positions	<u>\$1,166,880</u>
<b>Total Strategic Fund</b>	<b>\$2,231,360</b>
<b>Total FY19 Budget</b>	<b>(\$2,185,969)</b>

**Fund Balance:**

Oregon Tech is forecast to end FY 2018 with \$13.4M in General Fund reserves or 22.7% in operating reserves. With the FY 2019 budget as presented, ending fund balance would be \$11.2M in General Fund reserves or 17.9% in operating reserves, if no transfers to the Quasi Endowment are made.

**Budget Investments:****Position Requests**

The President and Senior Leadership Team identified a series of investments in positions across several divisions, and outlined a strategic rationale for investments in strategic reserves. New positions approved for this year fall into several major categories including; investing in immediate growth potential, increasing operating effectiveness and investing in long-term growth.

The budget includes 12.0 FTE of new positions in the following areas:

New FY19 Positions		FTE
Immediate Growth Potential		
<b>Academic Affairs</b>	<b>Asst. Professor, Communications</b>	<b>1.0</b>
<ul style="list-style-type: none"> <li>- Fill position in outstanding need, particularly focused on expanding online course offerings needed to support general education requirements</li> </ul>		
<b>Academic Affairs</b>	<b>Asst. Professor, Marriage and Family Therapy</b>	<b>1.0</b>
<ul style="list-style-type: none"> <li>- Support new degree program with necessary additional staff as Marriage and Family Therapy program grows and reaches scale</li> </ul>		
<b>Academic Affairs</b>	<b>Instructional Designer (Distance Education)</b>	<b>1.0</b>
<ul style="list-style-type: none"> <li>- Critical faculty support for designing high quality online education</li> <li>- Necessary organizational change with shift of Dean Veth to SEM Leadership</li> </ul>		
<b>SEM</b>	<b>Marketing Specialist</b>	<b>1.0</b>
<ul style="list-style-type: none"> <li>- Lead marketing efforts for SEM in conjunction with Marketing Communications and Public Affairs which has its own competing priorities.</li> <li>- Support departments and programs with marketing collateral development and ensuring availability of supplies/material as necessary</li> <li>- Partner with Admissions on program/academic cluster based recruiting efforts</li> </ul>		
<b>Student Affairs</b>	<b>Career Center Employee Relations Specialist</b>	<b>1.0</b>
<ul style="list-style-type: none"> <li>- Create additional capability to proactively prepare students in connecting with prospective employers</li> <li>- Work with departments and Career Center leadership in establishing relationships with employers and facilitating connection with students</li> </ul>		
<b>Student Affairs</b>	<b>Wilsonville Campus Life Coordinator</b>	<b>1.0</b>
<ul style="list-style-type: none"> <li>- Support increasing international students and their unique needs (visas, SEVIS documentation etc.)</li> <li>- Support Portland-Metro based student clubs, veterans and student activities</li> </ul>		
Operating Effectiveness		
<b>Academic Affairs</b>	<b>Assoc. Provost for Institutional Effectiveness</b>	<b>1.0</b>
<ul style="list-style-type: none"> <li>- Coordinate and increase effective management of Academic Affairs operations, including course scheduling, faculty utilization, and workload/release management</li> <li>- Lead accreditation and institutional effectiveness processes</li> </ul>		
<b>Finance &amp; Admin.</b>	<b>Budget Analyst</b>	<b>1.0</b>
<ul style="list-style-type: none"> <li>- Create capacity to allow for robust ad hoc analysis and data based decision making</li> <li>- Enhance capability to analyze changes in operational environment and support Assoc. Provost for Institutional Effectiveness and executive team in planning and execution</li> <li>- Implement departmental margin analysis and decentralized budget modeling processes</li> </ul>		
<b>ITS</b>	<b>Director of IT Security &amp; Compliance</b>	<b>1.0</b>
<ul style="list-style-type: none"> <li>- Necessary to comply with US DOE requirements and payment card industry regulations.</li> <li>- Increase protection/decrease probability of adverse cyber event and increase post-event reaction capability</li> </ul>		



New FY19 Positions		FTE
Long-Term Growth		
<b>SEM</b>	<b>Academic Program Recruiter</b>	<b>1.0</b>
<ul style="list-style-type: none"> <li>- Key hire to support SEM shift from purely region based recruiting to program based recruiting</li> <li>- Support the definition and execution of academic cluster designations for programs which can be related for the purposes of marketing and recruiting</li> </ul>		
<b>Academic Affairs</b>	<b>Dir. International Programs</b>	<b>1.0</b>
<ul style="list-style-type: none"> <li>- Strategic investment necessary to prepare the institution to grow international student population</li> <li>- Work directly with departments and partner institutions on cohort/joint enrollment programs with partner institutions</li> <li>- Identify and cultivate opportunities for expanded enrollment partnerships with foreign governments and institutions</li> </ul>		
<b>Academic Affairs</b>	<b>Research Assistant/Grant Writer</b>	<b>1.0</b>
<ul style="list-style-type: none"> <li>- Match funded position with OREC</li> <li>- Designed to create capacity to identify and execute on grant opportunities for creative works across institution</li> <li>- Partner with Deans, Faculty and Vice Provost for Research and Academic Affairs to increase creative works</li> </ul>		
<b>New Positions Added in FY19</b>		<b>12.0</b>

## Position and Organizational Review

The President has asked for all Directors and Vice Presidents to submit a justification for filling all currently vacant positions that do not currently have a search underway. These will be reviewed by the President and a determination made to move forward or to hold vacant as necessary.

## President's Strategic Fund Investments

The Office of Budget and Planning has designed an investment template for members of the university to utilize when requesting additional investments throughout the year from the President's Strategic Fund ensuring alignment with mission/goal attainment. These investments will be designed to align with the Board's One-Time Funding Budget Philosophy<sup>1</sup>:

One-time monies will yield one or more of the following outcomes in order to meet the criteria outlined above:

1. Generate increased revenue through creation of new or expanding existing applied-degree programs and/or university revenue producing functions that are affordable while being responsive to industry and student demand.
2. Generate recurring cost savings for both financial and human capital.
3. Contribute to the strategic mission of Oregon Tech.

<sup>1</sup> Oregon Tech Board of Trustees. "[Strategic View of Budget and One-Time Funding Budget Philosophy](#)."

4. Address unmet needs that do not necessarily result in increased revenue and/or generate recurring cost savings, especially where the nature of unrestricted funds can be used.

Investments will also support a reframed strategic plan for the institution and advance the 11 Short-Term Action Plan Goals established by the President and endorsed by the Board of Trustees. Workgroups formed around each goal are developing reports, actions and funding requests to implement these goals. Many have been funded through department budgets during this fiscal year, or the Strategic Fund has been tapped where necessary. For those investments that carry into next year, the President's Strategic Fund will be the main source of funding.

### **Recommendation**

Staff recommends the Committee support the proposed Fiscal Year 2018-19 All-Funds Budget as outlined in the Attachments, and recommend adoption by the full Board of Trustees.

### **Attachments**

- A. [General Fund Budget Overview](#)
- B. [Auxiliary Fund Budget](#)
- C. [Service Operations Budget](#)
- D. [Designated Operations Budget](#)

**ATTACHMENT A**  
**General Fund Budget Overview**

<b>General Fund Summary</b>			
<b>Acct</b>	<b>FY19 Budget</b>	<b>FY18 Forecast</b>	<b>FY18 Budget (Adjusted)</b>
State Allocations	\$29,301,174	\$27,657,000	\$27,656,930
Tuition & Fees	\$35,557,629	\$33,353,903	\$37,038,081
Remissions	(\$4,110,518)	(\$3,700,000)	(\$4,428,445)
Other	\$1,556,975	\$1,519,000	\$2,084,198
<b>Total Revenue</b>	<b>\$62,305,259</b>	<b>\$58,829,903</b>	<b>\$62,350,764</b>
Unclassified	\$24,593,769	\$23,561,378	\$25,379,534
Classified	\$6,000,017	\$5,348,135	\$5,747,192
Student	\$1,034,136	\$823,186	\$781,716
GTA	\$152,000	\$40,000	\$40,000
OPE	\$16,616,048	\$14,592,201	\$16,007,923
<b>Total Labor</b>	<b>\$48,395,970</b>	<b>\$44,364,900</b>	<b>\$47,956,365</b>
Travel	\$1,018,177	\$0	\$702,310
Professional Development	\$416,634	\$0	\$0
Supplies and Service	\$11,308,381	\$12,498,000	\$12,408,243
Capital	\$1,179,229	\$465,000	\$1,190,713
Net Transfers	\$1,082,098	\$1,095,000	\$1,390,803
Debt Service	\$1,468,483	\$1,272,000	\$1,471,570
Internal Sales	(\$491,400)	(\$1,107,000)	(\$1,107,064)
Equipment Sinking Fund	\$113,656	\$0	\$0
<b>Total Non-Personnel Expense</b>	<b>\$16,095,258</b>	<b>\$14,223,000</b>	<b>\$16,056,575</b>
<b>Total All Expenses</b>	<b>\$64,491,228</b>	<b>\$58,587,900</b>	<b>\$64,012,940</b>
<b>Net (Revenue - Expenses)</b>	<b>(\$2,185,969)</b>	<b>\$242,003</b>	<b>(\$1,662,176)</b>

**ATTACHMENT B**  
**Auxiliary Fund Budget**

Auxiliary Fund Summary		
Acct	FY19 Budget	FY18 Budget
Carryover	\$664,373	\$0
Incidental Fee Revenue	\$3,127,423	\$3,229,765
Room Fees	\$2,741,314	\$3,884,847
Board Fees	\$1,211,760	\$0
Other Revenue	\$3,298,348	\$2,860,217
<b>Total Revenue</b>	<b>\$11,043,218</b>	<b>\$9,974,829</b>
Unclassified	\$1,759,758	\$1,373,522
Classified	\$842,878	\$731,241
Student	\$504,135	\$386,674
GTA	\$0	\$0
OPE	\$1,559,425	\$1,345,375
<b>Total Labor</b>	<b>\$4,666,196</b>	<b>\$3,836,812</b>
Travel	\$543,099	\$20,260
Professional Development	\$0	\$0
Supplies and Service	\$4,826,788	\$6,481,762
Capital	\$215,150	\$3,000
Net Transfers	(\$1,571,698)	(\$1,150,361)
Debt Service	\$1,343,605	\$1,214,130
Internal Sales	(\$8,000)	(\$16,575)
Equipment Sinking Fund	\$69,000	\$0
<b>Total Non-Personnel Expense</b>	<b>\$5,417,944</b>	<b>\$6,552,216</b>
<b>Total All Expenses</b>	<b>\$10,084,140</b>	<b>\$10,389,028</b>
<b>Net (Revenue - Expenses)</b>	<b>\$959,078</b>	<b>(\$414,199)</b>

**ATTACHMENT C**  
**Service Operations Budget**

Service Operations Summary		
Acct	FY19 Budget	FY18 Budget
Carryover	\$156,531	\$0
New Revenue	\$75,000	\$470,815
<b>Total Revenue &amp; Carryover</b>	<b>\$231,531</b>	<b>\$470,815</b>
Unclassified	\$0	\$33,337
Classified	\$27,000	\$0
Student	\$12,740	\$9,000
GTA	\$0	\$0
OPE	\$3,267	\$315
<b>Total Labor</b>	<b>\$43,007</b>	<b>\$42,652</b>
Travel	\$0	\$0
Professional Development	\$0	\$0
Supplies and Service	\$341,461	\$461,500
Capital	\$0	\$0
Net Transfers	\$0	(\$33,337)
Debt Service	\$57,900	\$0
Internal Sales	(\$290,000)	\$0
Equipment Sinking Fund	\$0	\$0
<b>Total Non-Personnel Expense</b>	<b>\$109,361</b>	<b>\$428,163</b>
<b>Total All Expenses</b>	<b>\$152,368</b>	<b>\$470,815</b>
<b>Net (Revenue - Expenses)</b>	<b>\$79,163</b>	<b>\$0</b>



**ATTACHMENT D**  
**Designated Operations Budget**

<b>Designated Operations Summary</b>		
<b>Acct</b>	<b>FY19 Budget</b>	<b>FY18 Budget</b>
Carryover	\$196,351	\$0
Other Revenue	\$32,000	\$45,158
<b>Total Revenue</b>	<b>\$228,351</b>	<b>\$45,158</b>
Unclassified	\$25,800	\$500
Classified	\$0	\$0
Student	\$0	\$4,431
GTA	\$0	\$0
OPE	\$4,386	\$196
<b>Total Labor</b>	<b>\$30,186</b>	<b>\$5,127</b>
Travel	\$0	\$8,000
Professional Development	\$0	\$0
Supplies and Service	\$27,075	\$52,423
Capital	\$0	\$0
Net Transfers	\$0	\$0
Debt Service	\$0	\$0
Internal Sales	\$0	\$0
Equipment Sinking Fund	\$1,000	\$0
<b>Total Non-Personnel Expense</b>	<b>\$28,075</b>	<b>\$60,423</b>
<b>Total All Expenses</b>	<b>\$58,261</b>	<b>\$65,550</b>
<b>Net (Revenue - Expenses)</b>	<b>\$170,090</b>	<b>(\$20,392)</b>

## **ACTION ITEM**

### **Agenda Item No. 4.2**

## **Acceptance of the Internal Audit Reports**

### **Summary**

Internal Audit has completed two scheduled audits this fiscal year, both were within the Business Affairs Office operations. The first relating to the expense reimbursement processes, dated May 1, 2018 and the second relating to accounts payable processes, also dated May 1, 2018.

Internal audit results are classified into three categories; findings, observations, and recommendations in declining order of significance.

The Procurement Cards and Expense Reimbursements Internal Audit was designed “effectiveness and appropriateness of existing policies and procedures related to the fiscal, operational, and administrative controls of accounts payable.” The audit had no findings, two observations and four process improvement recommendations. Management respectfully agrees and disagrees with several items brought forward by Internal Audit and has made significant changes to processes both during and after the conclusion of this process audit.

The Accounts Payable 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 had one finding, three observations and two process improvement recommendations. Management respectfully agrees and disagrees with several items brought forward by Internal Audit and has made significant changes to processes both during and after the conclusion of this process audit.

Specific results identified by Internal Audit and management responses to the audits are identified in the following reports.

### **Staff Recommendation**

Internal Audit recommends that the Audit Committee of the Board of Trustees accept the attached Procurement Cards and Expense Reimbursements Internal Audit and associated management responses as well as the attached Accounts Payable Internal Audit Report and associated management response.

### **Attachments**

Internal Audit Reports

- Procurement Cards and Expense Reimbursements
- Accounts Payable



Procurement Cards and Expense  
Reimbursements Internal Audit Report  
May 01, 2018



**To:** Board of Trustees and Management of Oregon Tech

**From:** Kernutt Stokes, Contract Internal Auditors (IA)

**Subject:** Procurement Cards and Expense Reimbursements

### **EXECUTIVE SUMMARY**

We have completed our internal audit of procurement cards and expense reimbursements at Oregon Tech. The objective of this audit was to ascertain the effectiveness and appropriateness of existing policies and procedures related to fiscal, operational and administrative controls of procurement cards and expense reimbursements as part of the 2017/2018 Annual Internal Audit Plan.

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

*One observation was identified during the audit relating to Procurement Cards. This observation was related to the clarity of the policy around when to use Procurement Cards and/or other procurement methods.*

*One observation was identified during the audit relating to expense reimbursements. This observation was related to the reimbursement form overall process.*

- Process Improvement Recommendation – An instance of a potential improvement opportunity. A process improvement recommendation does not require action, but is encouraged for improvement.

*One process improvement recommendation was identified during the audit relating to Procurement Cards. This process improvement recommendation relates to Core Check approvals, and dollar thresholds.*

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*Three process improvement recommendations were identified during the audit related to expense reimbursements. These process improvement recommendations relate to the reimbursement request overall process and policies, mileage reimbursement, and per diem.*

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

### **BACKGROUND**

The Business Affairs Office (BAO) at Oregon Tech is responsible for carrying out all accounting functions inside the University. These functions include financial reporting, accounts payable and accounts receivable, travel reimbursements, and tax compliance.

The BAO is staffed by a director, an administrative assistant, accounting manager, manager of accounting services, accounts receivable manager, two accounts payable specialists, and three other accountants.

Based on the annual risk assessment, IA focused specifically on the following areas:

- Procurement Cards – Procurement cards (P-Cards) allow for the quick acquisition of low dollar value items by departments. All purchases must have supporting documentation and be allowable expenses in accordance with the P-Card Policy and be approved by the appropriate Budget Authority.
- Expense Reimbursements – Out-of-pocket employee expenses for which the employee is allowed to seek reimbursement from Oregon Tech. These types of reimbursements are broken down into two categories:
  - Travel Reimbursements – Amounts paid by an employee for lodging, food, transportation, etc. while traveling on an approved trip.
  - Personal Reimbursements – Amounts paid by an employee for supplies, repairs, or other items as part of carrying out a job function.

Between July 1, 2016 and November 30, 2017, there were \$4,003,159 of purchases made on P-Cards and \$1,283,888 of travel and personal reimbursements paid to employees.

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**OBJECTIVE**

The objectives of this audit were to:

1. Verify that P-Card purchases and employee expense reimbursements are allowable charges as described in the policies and procedures.
2. Verify that P-Card purchases and employee expense reimbursements include all original itemized receipts and are approved by the appropriate personnel.
3. Verify P-Card payments and employee expense reimbursements are approved by accounts payable, and all payments over \$5,000 are approved through the Core Check approval queue.
4. Gain an understanding of the policies and procedures related to P-Card's and expense reimbursements.

**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, IA reviewed P-Card and expense reimbursement policies and procedures, where available, and performed a review of P-Card and employee reimbursements between July 1, 2016 and November 30, 2017.

IA tested a sample of 40 out of 3,431 cash disbursements related to P-Card transactions or employee reimbursements. During this testing, IA verified whether P-Card and employee reimbursement expenses were allowable expenses in accordance with the policies and procedures. IA verified that there was proper approval for each P-Card transaction and employee reimbursement, that the amounts were appropriate, and that each transaction contained supporting receipt documentation. IA further verified that each transaction contained correct reconciliation reports, travel reimbursement sheets, or other documentation as described in the policies and procedures.

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IA segregated the testing into two categories based off identified risks to each category of transaction: P-Card Transactions and Employee Reimbursements. The table below outlines the current year testing selections.

Type of Expense	Total Population		Sample Size	
	# of Cash Disbursements	\$ of Cash Disbursements	# of Individual Expenses Selected <sup>1</sup>	\$ of Individual Expenses Selected for Testing
P-Card Transactions Summary Report	252	\$4,003,159	25	\$7,538
Employee Reimbursements	3,179	\$1,283,888	15	\$ 8,364
<b>Total</b>	<b>3,431</b>	<b>\$5,287,047</b>	<b>40</b>	<b>\$ 15,902</b>

<sup>1</sup>IA tested a sample of 12 out of 252 P-Card transaction summary reports paid between July 1, 2016 and November 30, 2017. IA selected two individual expense items from each transaction summary report (3 selections were made from one transaction summary report) to reach a sample of 25 individual P-Card expenses.

## **AUDIT RESULTS**

### **P-Cards**

1. **Objective:** Verify the P-Card purchase was an allowable charge as described in the policies and procedures documents.
  - a. **Audit work performed:** IA reviewed documentation of 25 P-Card expense transactions, reviewing the description of each transaction and the receipt ensuring the description appeared reasonable based on the list of allowable expenses in the policies and procedures manual.
  - b. No findings, observations, or process improvement recommendations noted.
2. **Objective:** Verify the transaction includes all original itemized receipts and the P-Card reconciliation sheet and was reviewed by the department card custodian and Budget Authority.
  - a. **Audit work performed:** IA reviewed documentation of 25 P-Card expense transactions, ensuring all supporting documentation was correctly reviewed and approved by the card custodian and the Budget Authority directly on the reconciliation sheet.
  - b. No findings, observations, or process improvement recommendations noted.

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3. **Objective:** Verify P-Card payments are approved by accounts payable, and all payments over \$5,000 are approved through the Core Check approval queue.
  - a. **Audit work performed:** For all 25 selections, IA reviewed the Banner approval queue noting all electronic approvers.
  - b. **Process improvement recommendation:** IA noted that all transaction summary reports over \$5,000 were appropriately approved by Core Check however Core Check is not a documented policy.
    - i. **Recommendation:** It was noted that the Core Check procedure is not documented in the policies and procedures manual. In conjunction with IA's report on Accounts Payable, IA recommends Management evaluate the current \$5,000 threshold and evaluate the purpose of the procedure. If it is determined this is a desired procedure to retain, evaluate an increase in the approval threshold to help reduce the number approvals needed on smaller disbursements.
    - ii. **Management response:** Management respectfully agrees. We have reviewed the various dollar thresholds as shown in the table in the Accounts Payable Internal Audit Report and based on disbursement volume, Management will increase the Core Check threshold to \$10,000. Management believes this will result in a more effective use of resources, while sufficiently managing risk. In addition, Management will formalize the policy for Core Check.
    - iii. **Responsible party:** Director of Business Affairs
    - iv. **Target implementation date:** April 30, 2018
4. **Objective:** Review the overall policies and procedures related to P-Card transactions.
  - a. **Audit work performed:** IA reviewed the overall policies and processes related to P-Card transactions during testing to evaluate compliance to these policies and identify potential efficiencies in the process.
  - b. **Observation:** IA noted there was no bright-line policy or specific dollar threshold related to usage of P-Card's.
    - i. **Recommendation:** In conjunction with IA's report on Accounts Payable, IA recommends a definitive policy and dollar threshold be put in place related to purchases on P-Cards vs purchases with purchase orders. IA recommends Oregon Tech generally require all purchases for goods and equipment or office supplies under \$5,000 be made via P-Card and all purchases over \$5,000 be requested with a purchase order. If deemed appropriate, IA recommends outlining specific thresholds for specific departments as some departments may benefit from a higher or lower threshold than others, or needs may vary at certain times of the year.





- ii. **Management response:** Management respectfully disagrees. The P-Card provides Oregon Tech with a cost effective and efficient mechanism for rapid acquisition and prompt payment. To enter a bright line amount would severely hinder our procurement. P-Card limits are established based upon the business needs of each department. Any request for either transaction or monthly P-Card limits require an email approval by the budget authority and the Director of Business Affairs. For certain purchases P.O's are useful for budget management purposes.

We do find that some vendors will not accept a P-card for purchases. Therefore not all purchases under IA's recommended threshold would apply. In addition, requiring purchase orders for all goods over \$5,000 would be time prohibitive.

Our current Purchasing – Procurement Card Policy does list prohibited transactions and staff review P-Card statements and supporting documentation monthly.

Management agrees that additional training and /or clarified guidance may be in order and will review and make changes accordingly.

- iii. **Responsible party:** N/A  
iv. **Target implementation date:** N/A

#### Expense Reimbursements

1. **Objective:** Verify amounts reimbursed to employees are for allowable charges as described in the policies and procedures documents.
  - a. **Audit work performed:** IA reviewed support for 15 employee expense reimbursement requests, ensuring there was an attached reimbursement request, the form was signed by the employee, and the expenses were allowable expenses.
  - b. **Observation:** All selections were accompanied by a reimbursement request form. However, one form was not signed by the employee submitting the request. IA also noted there were several instances where there appeared to be manual changes made to the form after the claimant had completed and signed the form. All changes should have documented approval from the claimant, ensuring they understand why the changes made.
    - i. **Recommendation:** IA recommends that all reimbursement request forms be signed by the claimant before payment. Additionally, IA recommends that any changes to the reimbursement request also be approved by the claimant if made after the date of the original signature to ensure mutual understanding as to why a change was made.

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- ii. **Management response:** Management respectfully agrees and disagrees on certain elements. Prior to receiving this Audit Report Management has already put into place an e-mail notification to each traveler and preparer of any changes to the Reimbursement Request. This process seems to be working well both as informational and a training tool. We respond to any questions or clarifications as needed. We, therefore, believe that this is adequate to address this finding which was received after our process improvement. Management believes all Reimbursement Request forms were properly approved by the claimant for payment prior to reimbursement. In one instance the form was not signed as the claimant was a candidate, not an employee whose visit was for on-campus interviews. Management believes that the documentation support, including official itinerary, is sufficient as requiring a signature after the candidate has left campus would be overly burdensome. The form was electronically approved by the Budget Authority.
  - iii. **Responsible party:** N/A
  - iv. **Target implementation date:** N/A
- 2. **Objective:** Verify amounts reimbursed to employees are supported by receipts, and are approved by the appropriate Budget Authority.
  - a. **Audit work performed:** IA reviewed support for 15 employee expense reimbursement requests, ensuring there was an attached reimbursement request, the expense was supported with appropriate documentation and the request was approved by the Budget Authority.
  - b. **Process Improvement Recommendation:** IA noted that there appears to be no clear policy regarding support for mileage reimbursement. Some mileage reimbursements were accompanied by up to 10 pages of driving directions printed from the internet showing the actual miles driven. Other mileage reimbursements contained no support for the miles driven. Further, it appears there is a "standard mileage" chart for travel inside of Oregon that Oregon Tech will occasionally use to update or fix an employee's miles. It was noted that there were often changes made to the employee's miles from what they originally entered on the form.
    - i. **Recommendation:** IA recommends Management update and formalizes their policy regarding what type of documentation is required for mileage reimbursement and ensure that all faculty and staff understand the policy.
    - ii. **Management response:** Management respectfully agrees. Management has updated the Travel/AP website with a detailed mileage chart for Oregon. Departments were instructed to use this mileage chart for Oregon mileage in lieu of driving directions. If traveling outside of Oregon driving directions are





required. Business Office Forums have been held to discuss Travel Changes and brainstormed with faculty and staff on possible future improvements. Management believes these steps are adequate responses to the recommendations.

iii. **Responsible party:** Director of Business Affairs

iv. **Target implementation date:** April 12, 2018

- c. **Process Improvement Recommendation:** IA noted that requests for per diem on meals appeared to be correctly adjusted for the meals provided by the hotel or provided by conferences being attended. However, it was noted that the employees' reimbursement forms were often manually adjusted on the form. It appears the employees do not have a full understanding of which meals qualify for per diem reimbursement and which meals should not be included.

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

ii. **Management response:** Management respectfully agrees. As an outcome of the Business Office Forum and working with Forum participants, we are redesigning our reimbursement forms, and streamlining our processes. Prior to implementation we will reach out campus wide for input and feedback. Once this is complete we will work on revised policy and employee training.

iii. **Responsible party:** Director of Business Affairs

iv. **Target implementation date:** November 30, 2018

3. **Objective:** Verify expense reimbursements payments over \$5,000 are approved through the Core Check approval queue.

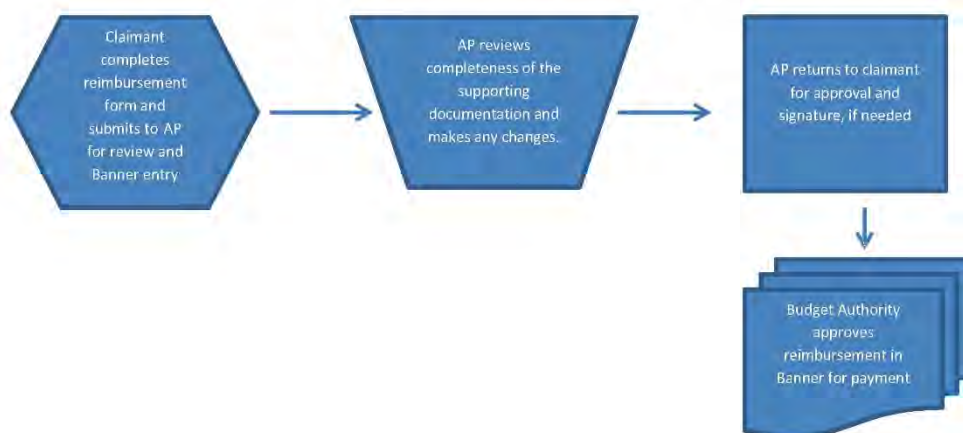
- a. **Audit work performed:** IA did not select any employee expense reimbursement requests that exceeded the \$5,000 Core Check threshold.
- b. No findings, observations, or process improvement recommendations noted. See recommendation identified in Objective 3 related to P-Cards.

4. **Objective:** IA reviewed the overall policies and processes related to employee expense reimbursement transactions during testing to evaluate compliance to these policies and identify potential efficiencies in the process.

- a. **Audit work performed:** IA reviewed support for 15 employee expense reimbursement requests, ensuring there was an attached reimbursement request, the expense was supported with appropriate documentation and the request was approved by the Budget Authority.

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- b. **Process Improvement Recommendation:** IA noted that all expense reimbursement requests were approved by the Budget Authority. In 4 instances, the Budget Authority signed the physical request form, but did not approve it in Banner. In 4 different instances, the Budget Authority approved the reimbursement in Banner, but did not sign the physical request form. In 7 instances, the Budget Authority signed the physical request form and approved the invoice in Banner.
- i. **Recommendation:** IA recommends Oregon Tech develop a consistent policy for the employees and the BA to follow. IA recommends the following work flow:



- ii. **Management response:** Management respectfully agrees and disagrees on certain elements. The instances noted when the Budget Authority signed the physical request form, but did not approve it in Banner are related to the timing of implementation of the electronic approval system. Those reimbursements were processed under the "old" manual system as the electronic approval system was implemented subsequent to those reimbursements. In addition, due to the nature of certain reimbursements additional approvals are needed to avoid conflicts of interest. Management believes additional training would benefit the campus community and assist with streamlining the process. In addition many "kinks" have been discovered and resolved since implementing the electronic approval system on July 1, 2016 and that those items will also be included in the training program.



Management believes that the work flow as suggested by IA would be overly burdensome, not meaningfully improving the controlled environment and cost additional time and effort of employees. The changes already in place as described in Objective 1 adequately address the recommendation.

- iii. **Responsible party:** Director of Business Affairs
- iv. **Target implementation date:** October 31, 2018

**ACKNOWLEDGEMENT**

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

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Accounts Payable Internal Audit Report  
May 01, 2018



**To:** Board of Trustees and Management of Oregon Tech

**From:** Kernutt Stokes, Contract Internal Auditors (IA)

**Subject:** Accounts Payable Internal Audit

### **EXECUTIVE SUMMARY**

We have completed our internal audit of accounts payable and wire transfers 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 accounts payable as part of the 2017/2018 Annual Internal Audit Plan.

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

*One finding was identified during the audit related to purchase order approval and consistency in the use of the purchase order function.*

- **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.

*Three observations were identified during the audit related to purchase order approvals, defining a project for the purpose of approval level, and the documentation of policies and procedures for wire transfers.*

- **Process Improvement Recommendation** – An instance of a potential improvement opportunity. A process improvement recommendation does not require action, but is encouraged for improvement.

*Two process improvement recommendations were identified during the audit related to the purchase order and invoice approval process and the Core Check function.*

For a detailed explanation of the results, please refer to the individual objectives contained in the body of this audit report.

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**BACKGROUND**

The Business Affairs Office (BAO) at Oregon Tech is responsible for carrying out all accounting functions inside the University. These functions include financial reporting, accounts payable and accounts receivable, travel reimbursements, and tax compliance.

The BAO is staffed by a director, an administrative assistant, an accounting manager, a manager of accounting services, an accounts receivable manager, two accounts payable specialists, and three other accountants.

Accounts payable is integral to the operation of the University, and operates daily ensuring vendors, students, and employees are paid timely and accurately. The BAO is responsible for carrying out the accounts payable policies and procedures described on University's website which includes ensuring proper segregation of duties, ensuring proper approvals on purchase orders (PO's) and invoices, and ensuring accuracy of all payments.

Based on the annual risk assessment, IA focused on policies and procedures related to PO's and invoice creation/approval rights, as well as determining whether the written policies were appropriately followed.

Between July 1, 2016 and November 30, 2017, there were 8,689 disbursements totaling approximately \$41,945,000 made via check, ACH or wire transfer.

**OBJECTIVE**

The objectives of this audit were to:

1. Verify that user access and rights in Banner are granted to appropriate users and confirm that safeguards are in place to mitigate potential conflicts in segregation of duties.
2. Verify all PO's and invoices are approved by the correct individuals as outlined in the policies and procedures manual.
3. Gain an understanding of the policies and procedures related to the accounts payable cycle at the University, and suggest any areas of improvement or increased efficiency.
4. Verify all disbursements over \$5,000 are approved through the Core Check approval queue and evaluate Core Check procedure.
5. Verify that a consistent and appropriate process for outgoing wires is followed.

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### 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.

IA obtained listings of all active employees, employees with Banner access, employees with PO creation access, employees with invoice creation access, employee Banner approval rights, and a listing of all active and inactive budget authorities. IA performed various testing on this data to test segregation of duties.

Further, we reviewed accounts payable policies and procedures where available, and performed a review of payments made from July 1, 2016 through November 30, 2017. IA tested a sample of 65 out of 8,689 accounts payable transactions that were processed via check, ACH or wire transfer. During this testing, IA verified the following:

- For selections with PO's, the PO was initiated by an allowed individual, approved by the correct Budget Authority, approved by the BAO, and the total of all invoices paid did not exceed to total approved PO amount.
- For all selections, the invoice created in Banner was created by an allowed individual, approved by the correct Budget Authority, approved by the BAO, and ensure that all amounts \$5,000 or over were approved through Core Check approval queue.
- For wire transfers, IA reviewed the process for approving wires to ensure that it was consistently followed as documented processes and procedures are not available.

The table below breaks down the current year testing selections.

Payment method	Total Population		Sample Size	
	# of Cash Disbursements	\$ of Cash Disbursements	# of Individual Expenses Selected	\$ of Individual Expenses Selected for Testing
Check/ACH	8,484	\$24,452,471	60	\$1,582,564
Wire Transfer	205	\$17,491,764	5	\$1,525,566
<b>Total</b>	<b>8,689</b>	<b>\$41,944,235</b>	<b>65</b>	<b>\$3,108,130</b>

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### AUDIT RESULTS

1. **Objective:** Verify that user access and rights in Banner are granted to appropriate users and confirm that safeguards are in place to mitigate potential conflicts in segregation of duties.
  - a. **Audit work performed:** IA reviewed the Banner user access list to determine that the University's financial system is being safeguarded and that only the appropriate users have access to the accounts payable related modules. IA ensured all individuals with Banner access were also active employees.
  - b. No findings, observations or process improvement recommendations noted.
  
2. **Objective:** Verify all PO's and invoices are approved by the correct individuals as outlined in the policies and procedures manual.
  - a. **Audit work performed:** IA gained an understanding of the PO and invoice process through the accounts payable policies and procedures available on the University's website. The accounts payable policies and procedures note that Budget Authorities and, when applicable, project managers are required to approve invoices. IA reviewed 60 disbursements from accounts payable, ensuring each associated invoice contained the correct approvers.
  - b. **Observation:** There were 9 instances when the Budget authority did not approve PO's. It was noted that approval of invoices and PO's varies based on the nature of the transaction, and having a Budget Authority approve an invoice or PO is not always required.
    - i. **Recommendation:** IA recommends the BAO clarify approval policies and which individuals are required to approve an invoice and a PO. See the recommendation at Objective #3 below.
    - ii. **Management response:** Management respectfully disagree as POs do not require Budget Authority in Banner. As POs are entered in Banner the document text will indicate which Budget Authority approved the PO. Since we consider POs to be a contractual obligation they are electronically routed for approval to the Purchasing/Contracts Officer (currently Vivian Chen). Depending on the amount and nature other approvals may be required.  
  
At this time Management does not plan to require Budget Authority in Banner.
    - iii. **Responsible party:** N/A
    - iv. **Target implementation date:** N/A

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c. **Observation:** IA noted "Projects" are defined by the facilities department, depending on the nature of the work to be performed. It was noted that project managers are not always required to approve "Project" related invoices.

i. **Recommendation:** IA recommends the BAO and facilities department formulate a policy that all "Projects" require PO approval by the project manager. Further, we recommend that all Projects be given a "Project" designation through Banner, to more effectively track which PO is project related. For project related invoices, we recommend BAO follow the recommendation outlined at Objective #3 below.

ii. **Management response:** Management respectfully agrees and disagrees with certain elements of the audit report findings. We recognize our Accounts Payable Policies and Procedures Manual needs extensive revision to reflect the current operating environment. Our Facilities Director is in most instances the Project Manager and does have Budget Authority. Oregon Tech's instance of Banner FIS is not set up to recognize "Projects". As a mitigating control our Manager of Accounting Services since November 2017 has been charged with reviewing all construction related POs and invoices for the University prior to approval for payment.

Management believes that this practice is the most effective use of resources and mitigates risk to a level which is acceptable.

iii. **Responsible party:** BAO in conjunction with the Oregon Tech President's Council for review of all policy changes.

iv. **Target implementation date:** June 30, 2019 – related to updating the Accounts Payable Policies and Procedures Manual

3. **Objective:** Gain an understanding of the policies and procedures related to the accounts payable cycle at the University, and suggest any areas of improvement or increased efficiency.

a. **Audit work performed:** Reviewed policies and procedures and performed tests of stated processes and policies and procedures in place.

b. **Finding:** IA reviewed PO dollar thresholds and requirements as outlined on the University website. IA noted that per this document, a PO or contract should be completed for each purchase request over \$5,000. Through our testing of accounts payable disbursements, IA noted 11 out of 25 cash disbursements over \$5,000 did not have an associated PO (total amount of these 11 disbursements was \$216,782).

i. **Recommendation:** IA recommends that Management develop a policy to ensure all purchases over \$5,000 have an associated PO in Banner. Further, IA recommends that the BAO "front load" approvals to the PO, requiring all major

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approvals be made on the PO instead of the invoice (discussed below). IA recommends a tiered structure be developed for the PO approvers. For example, the Budget Authority may need to approve a PO only at a certain dollar threshold.

- ii. **Management response:** Management respectfully agrees and disagrees with certain elements of the audit report findings. Oregon Tech's Procurement, Contracts, and Risk Department ("PACS") does not believe it necessary for departments to create PO's in Banner for fully-executed contracts, regardless of dollar amount. Contracts are accessible electronically for review. It is at the discretion of a department to enter a PO if they wish to encumber the funds for internal budgetary purposes. Departments may directly pay invoices issued for an executed contract.

The language listed on the Purchasing-at-a-Glance document, outlining the institution's procurement and contracting policy, will be revised to reflect this update and to establish new PO guidelines. At this time the discussion is that POs would be required for all orders over \$10,000 with the exception of retainers or monthly expense commitments (such as lease expense) which would be required from \$5,000. Once the new guidelines are completed by PACS it will be made available to all departments across campus and on the website.

- iii. **Responsible party:** Procurement, Contracts, and Risk Department
- iv. **Target implementation date:** August 1, 2018

- c. **Process improvement recommendation:** IA noted that there are significant approvals required in the Banner approval queue once an invoice is received. At this point the goods or services have likely already been rendered.

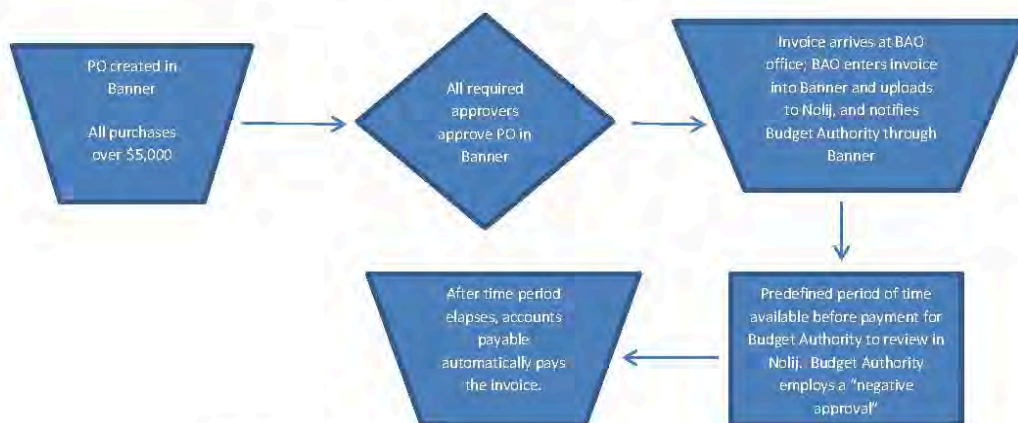
- i. **Recommendation:** IA recommends Management focus all significant approvals on the initial PO approval, as described under the Objective #2 above. Ensuring all appropriate individuals approve the PO will help reduce or eliminate the extensive approvals required once the invoice is received. IA recommends that accounts payable enter all invoices once received, and immediately upload the invoice to Banner. If the dollar threshold of the invoice exceeds a certain amount, the Budget Authority will be automatically notified through Banner. The Budget Authority will then be able to review the invoice in Noli. Here, we recommend using a negative approval system. The Budget Authority is only required to notify accounts payable if they do not approve the invoice. After a

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predetermined number of days in the queue, accounts payable will automatically confirm payment.

See below for an example of the process flow chart.



- ii. **Management response:** Management respectfully disagrees. Entering PO's for all transactions over \$5,000 would be time and labor intensive. A duplication of effort would result when a transaction is covered by an executed contract. As previously described above by the Procurement, Contracts, and Risk Department it is believed unnecessary for departments to create PO's in Banner for fully executed contracts, unless the department would like to encumber the funds for internal budgetary purposes. In addition, Accounts Payable does not have system access to enter invoices as they approve invoices for disbursements. To perform both invoice entry and approval functions would create a segregation of duties conflict. Negative approvals do not work in the Grants area due to regulatory and compliance requirements. Management believes creating multiple approval systems and "one-offs" would be an ineffective use of time. Also please see response in 3 (b) above concerning increased PO limits.

iii. **Responsible party:** N/A

iv. **Target implementation date:** N/A



4. **Objective:** Verify all disbursements over \$5,000 are approved through the Core Check approval queue and evaluate Core Check procedure.

- a. **Audit work performed:** On all 60 disbursement selections, IA ensured all payments greater than \$5,000 were approved through the Core Check approval queue.
- b. **Process improvement recommendation:** IA noted that this policy was not a formal policy in the Accounting Policies and Procedures manual. IA found that all disbursements over \$5,000 were appropriately approved through the Core Check approval queue.
  - i. **Recommendation:** IA suggests Management review their policy regarding the Core Check procedure. IA recommends Management evaluate the current \$5,000 threshold and the purpose of the procedure. If it is determined this is a desired procedure to retain, evaluate an increase in the approval threshold to help reduce the number approvals needed on smaller disbursements. See the table below for the number of disbursements and dollar values currently approved through this process, and how those figures would change based on raising those thresholds.

Disbursement Amount	# of Cash Disbursements	\$ of Cash Disbursements	% Coverage of total disbursements
Over \$5,000	1,163	\$36,860,411	88%
Over \$10,000	705	\$33,696,061	80%
Over \$25,000	305	\$27,633,766	66%
Over \$50,000	124	\$21,444,226	51%

- ii. **Management response:** Management respectfully agrees. We have reviewed the various dollar thresholds as shown in the table above and based on disbursement volume, Management will increase the Core Check threshold to \$10,000. Management believes this will result in a more effective use of resources, while sufficiently managing risk. In addition, Management will formalize the policy for Core Check.
  - iii. **Responsible party:** Information Technology Services and Director of Business Affairs
  - iv. **Target implementation date:** April 30, 2018
5. **Objective:** Verify that a consistent and appropriate process for outgoing wires is followed.
- a. **Audit work performed:** IA reviewed support for a selection of outgoing wires.

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- b. **Observation:** It was noted that there was no formal policy and process for outgoing wires. However, it was apparent that a consistent process is followed for each outgoing wire based on the reviewed support. Further, none of the wire transfer documentation was available in Nolij and was instead kept in manual files.
  - i. **Recommendation:** IA recommends the BAO formalize a policy related to wire transfers for both recurring and non-recurring wire transfers. Further, IA recommends all documentation be uploaded to Nolij on a go forward basis to reduce the need for paper storage.
  - ii. **Management response:** Management respectfully agrees and disagrees with certain elements. Management has written wire instructions that need updating and will formalize this process related to these wire transfers. At Oregon Tech recurring wire transfers are limited to student account refunding. Therefore, all documentation is held in Banner SIS. A nightly process posts to Banner FIS. Our AP Nolij is accessible to multiple campus users. Therefore, we would not want to include FERPA protected information in this system.
  - iii. **Responsible party:** Accounts Receivable Manager
  - iv. **Target implementation date:** April 1, 2018

#### ACKNOWLEDGEMENT

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

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## **ACTION ITEM**

### **Agenda Item No. 4.3**

## **Approval of Finance and Facilities Committee Fiscal Year 2019-20 Work Plan**

### Summary

The Finance and Facilities Committee of the Board of Trustees has several prescribed recurring functions that support and oversee the financial and capital improvement operations of the institution. These include tuition and budget recommendations to the full Board, internal audit planning and financial statement audit overview. As an aid to the Committee and the Finance and Administration Division adopting an annual work plan allows for an orderly and mindful work process by staff and supports the deliberation and decision making function of the Committee and the Board.

At the Committee's December 2017 meeting a work plan for the remainder of the current fiscal year was adopted. This included "Major Topics" and "Minor Topics" which are designed to supported each other and build to major actions of the Board. The FY 2019 Work Plan is similarly organized.

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

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

Minor topics and informational items are generally sequenced to inform the Committee and establish a framework for decision making in advance of major decisions. For example, the Long-Term Financial Planning report during the November 2018 meeting will lead into the Budget Development Principles action item at the January 2019 meeting. This in turn supports staff work on developing the FY 2020 budget for adoption at the May 2019 meeting of the Board. Similarly, the January 2019 Strategic Enrollment Management Update will inform the March 2019 adoption of 2019-20 Academic Year tuition.

Many of these work plan items are rolled over from the current year, with adjustments and refinements where necessary. Bringing in external information through educational docket items, such as the discussion of the HECC's funding formula at the March 2018 meeting of the Committee will be planned with the Chair and linked with action items where possible.

**Fiscal Year 2019 Finance and Facilities Committee Work Plan**

November 15, 2018	
<b>Major Topics:</b>	
<ul style="list-style-type: none"> <li>- Capital Projects Report</li> <li>- Long-Term Financial Planning</li> <li>- Annual Internal Audit Risk Report and FY 2019 Work Plan [Action]</li> </ul>	
<b>Minor Topics:</b>	
<ul style="list-style-type: none"> <li>- FY 2018 Q4 Quarterly Dashboard (Unaudited FYE)</li> <li>- FY 2019 Q1 Quarterly Dashboard</li> <li>- Cash Balances &amp; Cash Flow Forecast Update</li> <li>- OMIC Annual Update</li> <li>- Fall Enrollment Update</li> </ul>	
January 24, 2019	
<b>Major Topics:</b>	
<ul style="list-style-type: none"> <li>- Financial Statement Audit Presentation [Action]</li> <li>- Budget Development Principles [Action]</li> <li>- Financial Ratio Analysis</li> </ul>	
<b>Minor Topics:</b>	
<ul style="list-style-type: none"> <li>- FY 2019 Q2 Quarterly Dashboard*</li> <li>- State Budget Forecast</li> <li>- Strategic Enrollment Management Update</li> <li>- Bond Issuance Resolution [Action]</li> </ul>	
March 21, 2019	
<b>Major Topics:</b>	
<ul style="list-style-type: none"> <li>- Tuition Adoption [Action]</li> <li>- Capital Asset Condition Analysis &amp; Master Planning Update</li> </ul>	
<b>Minor Topics:</b>	
<ul style="list-style-type: none"> <li>- Legislative Update</li> <li>- Internal Audit Update</li> </ul>	
May 30, 2019	
<b>Major Topics:</b>	
<ul style="list-style-type: none"> <li>- Budget Adoption [Action]</li> <li>- Legislative Session Update</li> <li>- Internal Audit Risk Assessment and Annual FY 2020 Work Plan [Action]</li> </ul>	
<b>Minor Topics:</b>	
<ul style="list-style-type: none"> <li>- FY 2019 Q3 Quarterly Dashboard</li> <li>- Capital Projects Summer Plan</li> <li>- FY 2020 Committee Work Plan [Action]</li> </ul>	
* Due to timing of January month end close the FY 2019 Q2 Dashboard may be pushed to the March 21 meeting.	



## **DRAFT Fiscal Year 2020 Finance and Facilities Committee Work Plan**

### **Fall**

- Capital Projects Update
- Enrollment Update
- Long-Term Financial Forecast
- OMIC Annual Update
- Legislative Session Review (Long-Session)
- FY 2019 Q4 Quarterly Dashboard
- FY 2020 Q1 Quarterly Dashboard

### **Winter**

- Financial Statement Audit Presentation [Action]
- Financial Ratio Analysis
- FY20 Q2 Quarterly Dashboard
- Budget Development Principles [Action]

### **Early Spring**

- Tuition Setting [Action]
- Internal Audit Update
- Legislative Session Review (Short-Session)

### **Late Spring**

- Budget Setting [Action]
- Internal Audit Risk Assessment and Annual Work Plan [Action]
- 2021 Legislative Planning
- FY20 Q3 Quarterly Dashboard

### **Staff Recommendation**

Staff recommends the Committee adopt the FY Fiscal Year 2019-20 Finance & Facilities Committee Work Plan as described in the agenda report.