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

	<u>Page</u>
1. Call to Order/Roll/Declaration of a Quorum (8:00am) <i>Chair Vince Jones</i>	
2. Consent Agenda <i>Chair Vince Jones</i>	
2.1 <u>Approve Minutes of the May 17, 2018 Meeting</u>	1
3. Reports (8:05am)	
3.1 Fiscal Operations Advisory Council (10 min) <i>FOAC Chair Richard Bailey</i>	
3.2 <u>Finance, Facilities and Audit Status Update: Fiscal Year 2018 and Quarterly Report</u> (8:15am) (20 min) <i>VPFA Brian Fox</i>	5
3.3 <u>Capital Projects Update</u> (8:35am) (25 min) <i>Director Thom Darrah</i>	26
4. Action Items (9:00am)	
4.1 <u>Approve the Fiscal Year 2019 Risk Assessment and Internal Audit Action Plan</u> (25 min) <i>VPFA Brian Fox, Kernutt Stokes</i>	44
4.2 <u>Accept the Internal Audit Report: Faculty Workload Management</u> (9:25am) (10 min) <i>Kernutt Stokes</i>	66
4.3 <u>Accept the Internal Audit Report: Integrated Student Health Center</u> (9:35am) (10 min) <i>Kernutt Stokes</i>	83
4.4 <u>Recommendation to the Full Board to Approve a Resolution on Bond Issuance for Recreation Center (XI-F(1) Bond)</u> (9:45am) (10 min) <i>VPFA Brian Fox</i>	97
5. Discussion Items - none	
5.1 <u>Long-Term Budget Forces</u> (9:55am) (30 min) <i>VPFA Brian Fox</i>	102
6. Other Business/New Business (10:25am) <i>Chair Vince Jones</i>	
7. Adjournment (10:30am)	



**Meeting of the
Oregon Tech Board of Trustees
Finance and Facilities Committee
Sunset Room, Klamath Falls Campus
May 17, 2018
8:00am – 10:30am**

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

Trustees Present:

Steve Sliwa, Chair
Jessica Gomez

Vince Jones
Nagi Naganathan, President

Paul Stewart

University Staff and Faculty Present:

Aja Bettencourt-McCarthy, Instruction Librarian
Brian Fox, VP of Finance and Administration
Dave Groff, Legal Counsel
Jim Jones, CIO/AVP of ITS
Brittany Miles, Director of Government Relations and Industry Outreach
Stephanie Pope, Budget and Resource Planning Director
Di Saunders, AVP Communication and Public Affairs
Terri Torres, FOAC Chair/Associate Professor Mathematics
Erika Veth, AVP Strategic Enrollment Management/Dean of Online Education

Others Present:

Trever Campbell, Kernutt Stokes (via skype)
Patrick Deming, Kernutt Stokes (via skype)

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

Chair Sliwa called the meeting to order at 8:04am. The Secretary called roll and a quorum was declared.

2. Consent Agenda

2.1 Approve Minutes of the March 22, 2018 Meeting

VPFA Fox clarified that the detailed tuition table included as Attachment V in the March 22, 2018 agenda report for tuition and fee approval showed a dental services fee of \$30 for students taking six or more credit hours, however staff did not recommend the fee be approved and the fee was not included in the motion. Had the fee been included in the motion, approval from the Higher Education Coordinating Commission or Legislature would have been required as the total proposed increase would have exceeded 5%. He stated no action is required by the committee or board, he simply requested that the record reflect the dental service fee was not included in the original proposal or motions.

With no changes proposed, all trustees present voted to approve the minutes. The minutes stand as published.

3. Reports

3.1 Fiscal Operations Advisory Council

FOAC Chair Torres summarized recent presentations at the Council including the new budget process, capital projects underway and proposed, and the reorganization and streamlining of business affair processes. She stated there is concern among faculty about enrollment numbers and they feel there is disproportionate growth in Administration. She also noted that the administrative ranks have been lean for some time now. She requested clarification on the process to determine when new hires are needed, more communication with all stakeholders, and a forecast for new administration hires. She expressed concern for promotion from within without explanation or external searches. **Chair Sliwa** agreed the Council was tracking the right things: planning and budgeting and hiring. Discussion regarding the appropriateness of having hiring and budget percentage targets, economies of scale for institutions, percentage spent on administration positions versus faculty, and salary discrepancies based on gender. **Chair Sliwa** suggested staff track other institutions and create a budget model that addresses investments into classrooms, academics, and administration.

3.2 Finance, Facilities and Audit Status Update: Quarterly Report

VPFA Fox stated with the hire of a new Controller, Richard Cornwell, the Business Affairs Office is fully staffed. He summarized the quarterly financial dashboard and quarterly managerial report, noting salary savings from 39 open positions. **Chair Sliwa** noted stronger modeling is required to address decreased revenues and monetary savings from remissions. He reminded the committee that the board accepted a \$2.8M deficit budget last year so strategic investments that increase enrollment could be made. He stated administration has not identified those strategic investments yet and therefore, has chosen not to spend the funds, and a neutral budget is presented this year as a result. **VPFA Fox** explained the cash flow forecast, stating there could be two months that the cash on hand might be below a conservative buffer level. He addressed both internal and external audits. Discussion regarding salary savings and hiring decisions. **Chair Sliwa** encouraged spending on technology in the classroom as it what the students want and need.

3.3 Capital Projects update and Summer Plan

Director Darrah showed a PowerPoint presentation highlighting the status of ongoing capital projects, upcoming projects, and completed projects: North 12kV upgrade; Cornett renovation phases 1 and 2; emergency storm phase 2a; athletics exterior renovation; new CEET building; softball complex renovation; storm phases 2b, 2c, and 3; northwest parking lot; and the student recreation center. **Chair Sliwa** cautioned that the CEET building could be repurposed over time so the design should be flexible. He encouraged the design team to work hard on value engineering. **VPFA Fox** explained a portion of the cost for the exterior of the student recreation center will come from bonds and some from capital repair dollars.

3.4 OMIC Budget Update – written report in agenda packet.

4. Action Items

4.1 Recommendation to the Board to Adopt the 2018-19 Fiscal Year Budget

VPFA Fox stated for the first time there are budgets for auxiliary funds and the operating budget was balanced before considering strategic investments and contingencies. He reviewed the short-term action plan goals and explained the budget was built from the bottom up and overlaid with these top-down goals. He explained the goals and assumptions of budget planning and stated reserves were put into departmental budgets for more effective budget management. Discussion regarding insurance costs and the possibility of universities going away from PEBB for benefits. He summarized that total revenue is expected to be \$62.3M with expenses budgeted just under that and there is \$2.2M allocated for strategic investments including the president's strategic fund. **Chair Sliwa** requested to see projects and programs that are strategic to increase enrollment and encouraged forward movement to avoid being in the same position next year talking about strategic items.

Trustee Stewart moved to recommend the Board adopt the 2018-19 Fiscal Year budget as proposed. **Trustee Jones** seconded the motion. With all Trustees present voting aye, the motion passed unanimously.

4.2 Acceptance of the Internal Audit Update

Mr. Campbell and **Mr. Denning** with **Kernutt Stokes** showed a PowerPoint presentation reviewing the audit of Business Affairs. **President Naganathan** requested **Kernutt Stokes** schedule periodic calls with him to identify things to which we should be paying attention. **VPFA Fox** addressed the finding regarding issuing purchase orders for transactions over \$5,000. **Chair Sliwa** requested any time that staff does not agree with the auditors finding, they should identify a root cause for not being successful or implementing something different.

Trustee Gomez moved to accept the internal audit update. **Trustee Stewart** seconded the motion. With all trustees voting aye, the motion passed unanimously.

4.3 Approval of Finance and Facilities Committee 2019-2020 Fiscal Year Work Plan

VPFA Fox explained the proposed general plan and schedule for the committee for the 2019-20 school year. **Chair Sliwa** requested long-term financial planning and budget modeling be addressed at the retreat. He stated the committee needs to have the student enrollment metric in front of it and forecasting models for enrollment and status of where we are. He requested better forecast models, specifically for tuition and fees revenue.

Trustee Gomez moved to adopt the fiscal year 2019-20 Finance and Facilities Committee Work Plan as described in the agenda report. **Trustee Jones** seconded the motion. With all Trustees present voting aye, the motion passed unanimously.

5. Discussion Items

5.1 2019 Legislative Session and State Budget Outlook – no presentation. Item is tabled until the November meeting.

6. Other Business/New Business – none

7. Adjournment

Meeting adjourned at 10:40am

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'S. Fox', is written over the typed name.

Sandra Fox
Board Secretary

REPORT

Agenda Item 3.2

Finance, Facilities and Audit Status Update: Fiscal Year 2018 and Quarterly Report

Background

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

Staff Recommendation

No action required. For discussion purposes only.

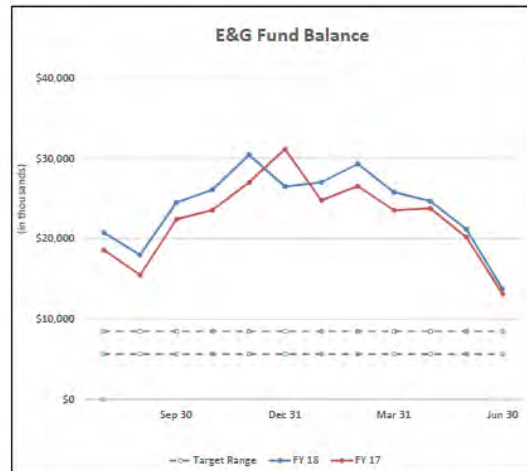
Attachments

Unaudited FYE 2018 and Q1 FY 2019 Quarterly Finance, Facilities and Audit Status Reports including the following:

- A. [Financial and Enrollment Dashboards and Quarterly Managerial Reports \(FYE 2018 and Q1 2019\)](#)
- B. [Facilities and Capital Projects](#)
 - a. Capital Projects Status Report
 - b. Deferred Maintenance and Capital Renewal
 - c. Cash Balances Projection
- C. [Audit Status Updates](#)
- D. [Quarterly Investment Report \(FYE 2018 and Q1 2019\)](#)

ATTACHMENT A

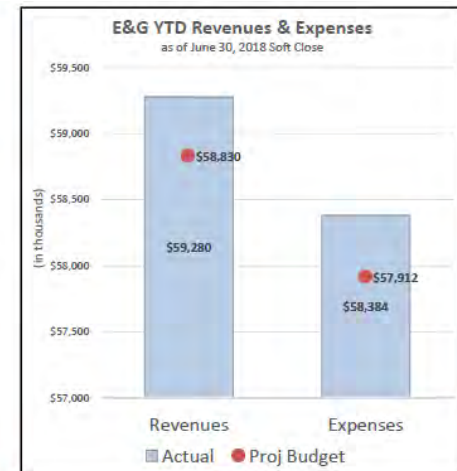
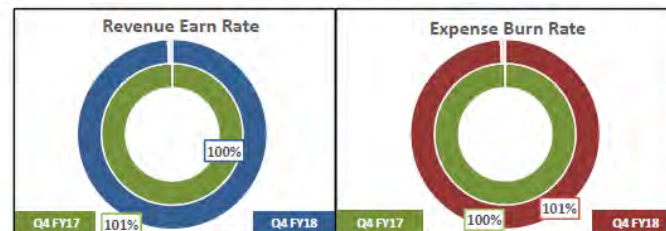
Financial and Enrollment Dashboards and Quarterly Managerial Reports



Oregon TECH

Quarterly Financial Dashboard

As of June 30, 2018 - Soft Close



Key Financial Indicators

E&G Fund Balance:	\$13,649	As of June 30, 2018
Total Cash on Hand:	\$24,720	As of June 30, 2018
E&G Cash on Hand:	\$16,793	As of June 30, 2018
Days Cash on Hand:	123 Days	As of June 30, 2018
Debt Burden Ratio:	4.4%	As of Dec. 31, 2017
Quasi Endowment:	\$7,610	As of June 30, 2018
Foundation Assets:	\$26,824	As of Jun. 30, 2017
Deferred Maint. Backlog:		

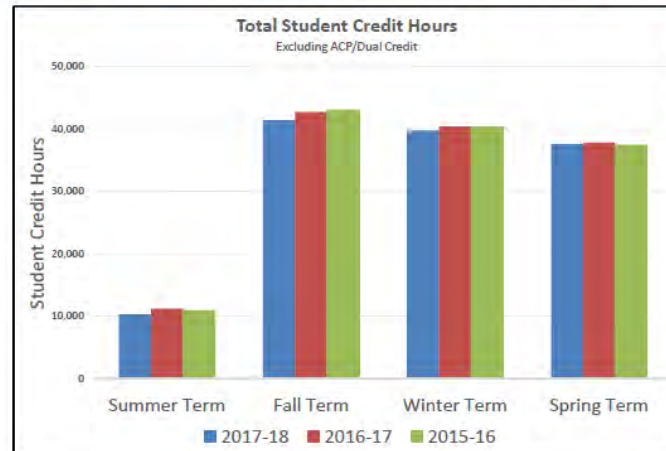
Student Tuition

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

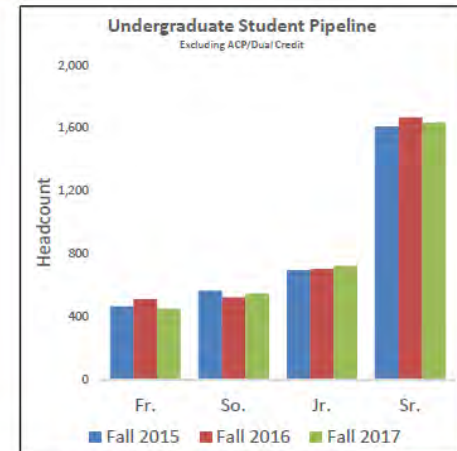
Graduate Tuition

	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	2016-17	2015-16	3 Year Δ
Undergraduate	Resident:	516	557	558	-7.5%
	Non-Resident:	212	218	194	9.3%
Graduate	Resident:	7	4	8	-12.5%
	Non-Resident:	11	13	16	-31.3%



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

General Fund Monthly Report
FY18 Year End 'Soft Close'

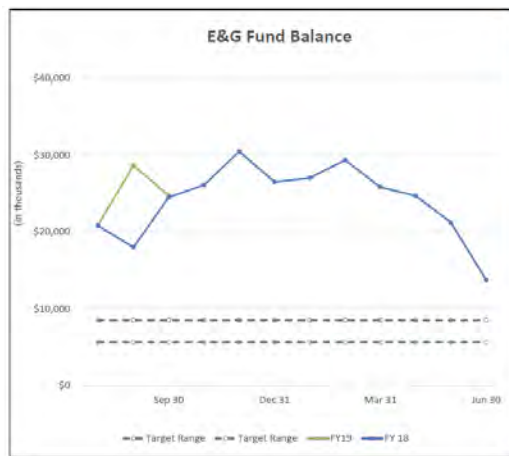
Acct	YTD Comparison		FY18 Forecast					Notes
	FY17 Year End Actuals	FY18 Year End Actuals	Board Adopted Budget	FY18 Adjusted Budget	FY18 Year-End Forecast	Variance from Adj. Budget	Variance Year- End Actuals from Forecast	
State Allocations	26,388	27,657	24,948	27,657	27,657			(1)
Tuition & Fees	32,053	33,639	37,038	37,038	33,354	(3,684)	285	(2)
Remissions	(3,578)	(3,843)	(4,278)	(4,428)	(3,700)	728	(143)	(3)
Other	2,182	1,828	1,391	2,026	1,519	(507)	309	
Total Revenue	57,044	59,280	59,099	62,293	58,830	(3,463)	451	
Unclassified	22,403	23,631	24,827	25,397	23,521	(1,876)	110	(4)
Classified	5,206	5,422	5,539	5,772	5,507	(265)	(85)	(4)
Student	623	769	753	765	756	(9)	12	(4)
GTA	22	25	40	40	22	(18)	3	(4)
OPE	13,069	14,665	15,643	15,991	14,622	(1,369)	43	(5)
Total Labor	41,323	44,512	46,803	47,965	44,428	(3,537)	84	
Service & Supplies	9,693	10,726	11,542	11,823	10,112	(1,711)	615	
Internal Sales	(1,225)	(1,154)	(1,107)	(1,107)	(1,107)		(47)	
Debt Service	1,436	1,034	1,205	1,205	1,272	67	(238)	(9)
Capital	376	657	802	1,176	566	(610)	91	
Utilities	1,329	1,274	1,307	1,307	1,307	-	(34)	(6)
Transfers Out	1,204	1,334	1,334	1,334	1,334		(1)	
Total Direct Expense	12,812	13,871	15,083	15,738	13,484	(2,254)	387	
Total All Expense	54,135	58,384	61,886	63,703	57,912	(5,790)	471	
Net From Operations	2,909	897	(2,787)	(1,410)	918	2,328	(21)	
Extraordinary Transfers In	113	291	-	-	325		(34)	
Extraordinary Transfers Out		(366)	-	(515)	(261)	254	(105)	(8)
Miscellaneous	(7,500)				-	-	-	
Special Projects	(1,485)	(205)	(430)		(205)	(205)	-	(7)
Fund Additions/(Deductions)	133				-	-	-	
Change in Fund Balance	(5,830)	616	(3,217)	(1,926)	777	2,702	1,926	
Beginning Fund Balance	17,996	13,114	9,692	13,114	13,114			
Ending Fund Balance	12,166	13,730	6,475	11,188	13,890			
Ending Cash Balance	11,005	12,670						
% Operating Revenues	21.3%	23.2%	17.5%	18.0%	23.6%			

Notes:

Education & General

Soft Close July 23, 2018 - hard close will occur immediately prior to audit release, expected in November 2018

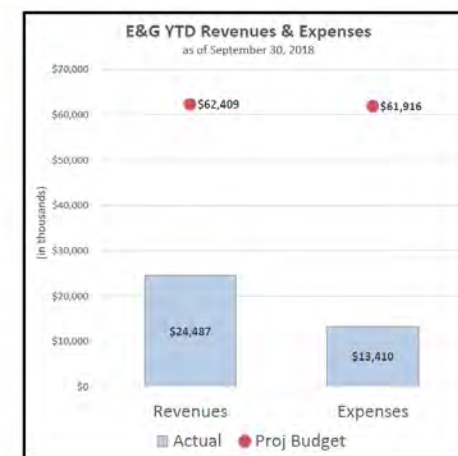
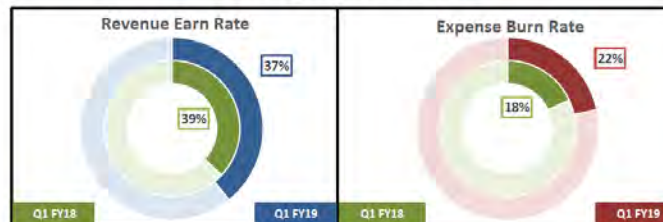
- (1) (Forecast) State funding was increased beyond Board approved budget - Updated per revised HECC allocation. Additional increase in State Funding for ETIC reported in November
- (2) (Forecast) Tuition forecast recalculated based on current collections and future estimates (1/2018)
- (2) (June Actuals) June actuals are before summer distributions \$2,894,277.92 will move to FY19 at year-end close
- (3) Fee remissions are estimated at 11.5% of tuition
- (4) (Forecast) Current forecast based on estimated vacancies and turnover savings calculated June 2018
- (5) (Forecast) Impact of vacant positions and traditional underspend. Forecast as of June 2018
- (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.
- (7) (YTD April) Campus funding match for Softball Renovation donation
- (8) (Nov. Actuals) Difference in transfers out were for two projects - Cornett (\$489,000) and Semon (\$273,600)
- (9) (Nov. Actuals) Unused F-Bond funds used to reduce debt service payment



Oregon TECH

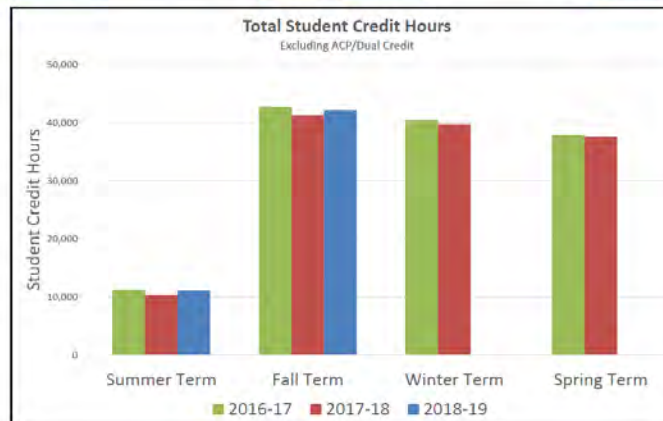
Quarterly Financial Dashboard

As of September 30, 2018

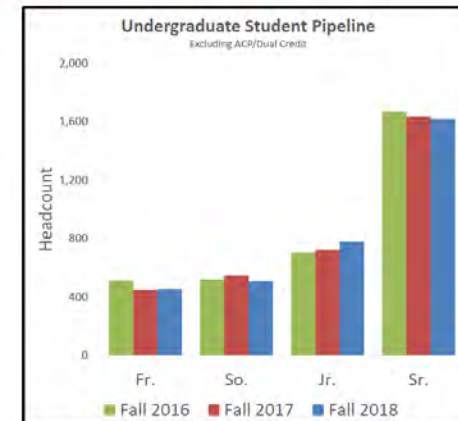


Key Financial Indicators		
E&G Fund Balance:	\$24,724	As of Sept. 30, 2018
Total Cash on Hand:	\$26,277	As of Sept. 30, 2018
E&G Cash on Hand:	\$18,747	As of Sept. 30, 2018
Days Cash on Hand:	131 Days	As of Sept. 30, 2018
Debt Burden Ratio:	4.4%	As of Dec. 31, 2017
Quasi Endowment:	\$7,610	As of Sept. 30, 2018
Foundation Assets:	\$26,824	As of Jun. 30, 2017
Deferred Maint. Backlog:		

Student Tuition		
Undergraduate Tuition		
	2018-19	2017-18
Resident:	\$8,277	\$7,921
Non-Resident:	\$26,345	\$25,211
WUE:	\$12,416	\$11,882
Online:	\$11,025	\$11,025
Differential:	25% Premium	20% Premium
Graduate Tuition		
	2018-19	2017-18
Resident:	\$3,844	\$14,927
Non-Resident:	\$6,452	\$34,886
Online:	\$11,088	\$11,088
ETM Differential:	25% Premium	20% Premium



Degree Completions					
		2017-18	2016-17	2015-16	3 Year Δ
Undergraduate	Resident:	516	557	558	-7.5%
	Non-Resident:	212	218	194	9.3%
Graduate	Resident:	7	4	8	-12.5%
	Non-Resident:	11	13	16	-31.3%



Notes:	
Undergrad. Tuition calculated at 15 credits; Grad. tuition at 9 credits	
Enrollment and completion projection dates as of 02/06/2018	

General Fund Monthly Report

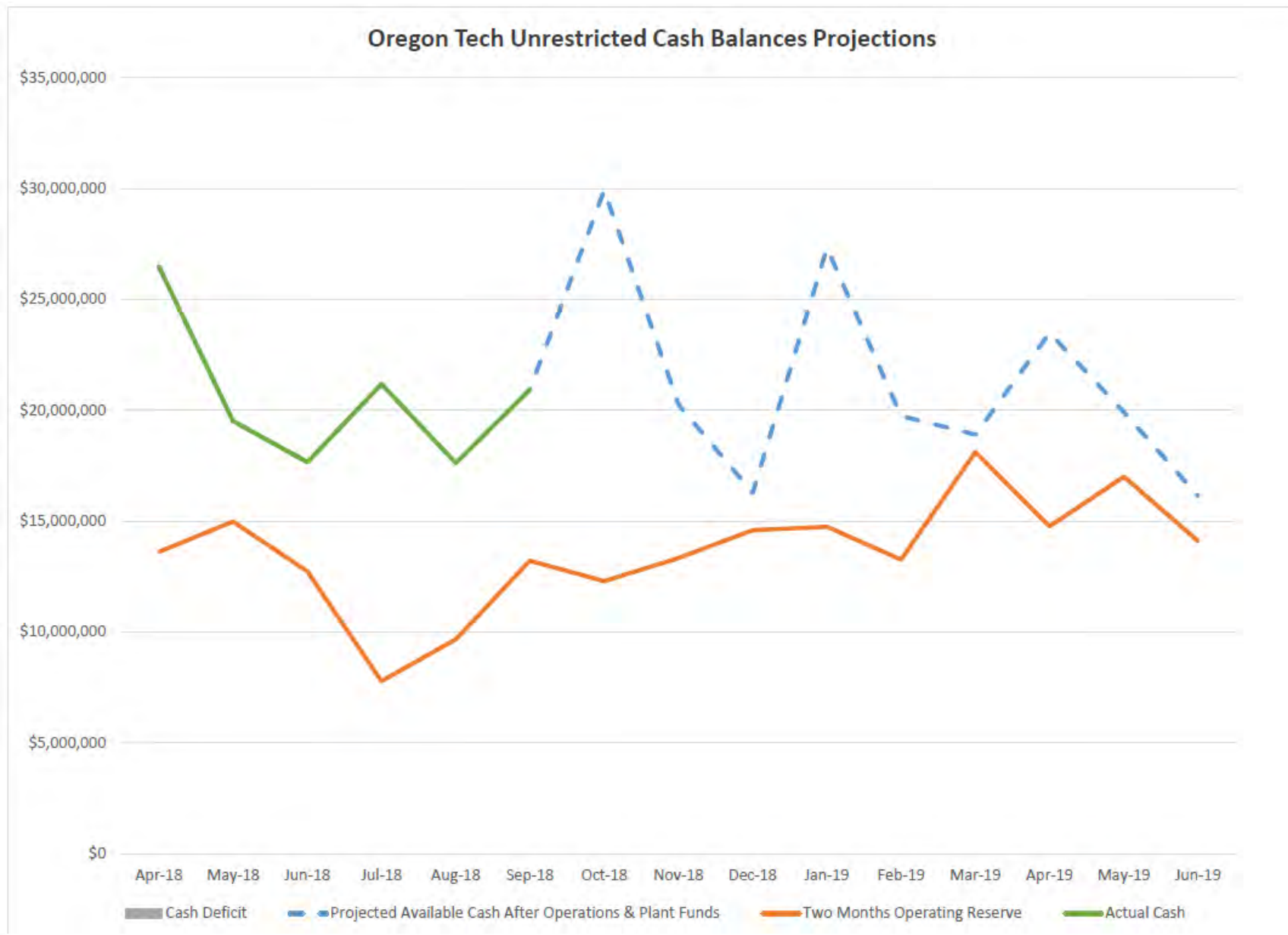
September 2018 Report

Acct	YTD Comparison		FY19 Forecast			Notes
	FY18 YTD Sept Actuals	FY19 YTD Sept. Actuals	FY18 Year End Actuals	Board Adopted Budget	Year-End Forecast	
State Allocations	9,411	9,994	27,657	29,300	28,945	
Tuition & Fees	13,435	14,417	33,639	35,558	36,465	(1)
Remissions	(1,085)	(1,022)	(3,843)	(4,111)	(4,558)	
Other	147	1,098	1,828	1,557	1,557	(2)
Total Revenue	21,909	24,487	59,280	62,304	62,409	
Unclassified	3,367	3,774	23,631	24,594	23,803	(6)
Classified	1,298	1,371	5,422	6,000	5,764	(6)
Student	159	189	769	1,034	1,034	
GTA	-	8	25	152	152	
OPE	2,396	3,461	14,665	16,616	15,978	(6)
Total Labor	7,221	8,804	44,512	48,396	46,730	
Service & Supplies	2,231	3,379	10,726	11,640	10,476	(3)
Internal Sales	(241)	(251)	(1,154)	(491)	(491)	
Debt Service	564	608	1,034	1,468	1,468	
Capital	182	126	657	1,179	1,061	
Utilities	242	314	1,274	1,103	1,103	(4)
Transfers Out	342	430	1,334	1,551	1,551	(5)
Total Direct Expense	3,321	4,607	13,871	16,450	15,168	
Total All Expense	10,541	13,410	58,384	64,846	61,899	
Net From Operations	11,368	11,077	897	(2,542)	510	
Extraordinary Transfers In	6		291	302	302	
Extraordinary Transfers Out	(112)	(2)	(366)	-	-	
Miscellaneous	-	-		-	-	
Special Projects	-	-	(205)	-	-	
Fund Additions/(Deductions)	-	-		-	-	
Change in Fund Balance	11,262	11,075	616	(2,240)	812	
Beginning Fund Balance	13,114	13,762	13,114	13,762	13,762	
Ending Fund Balance	24,376	24,837	13,730	11,522	14,574	
Ending Cash Balance	13,181	14,508	12,670			
% Operating Revenues	111.3%	101.4%	23.2%	18.5%	23.4%	

Notes:

Education & General

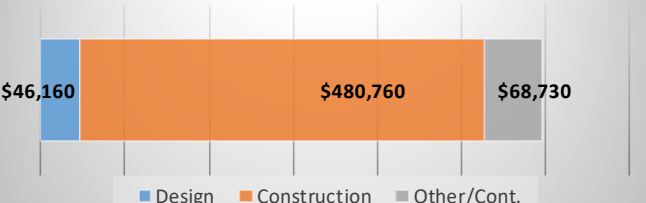
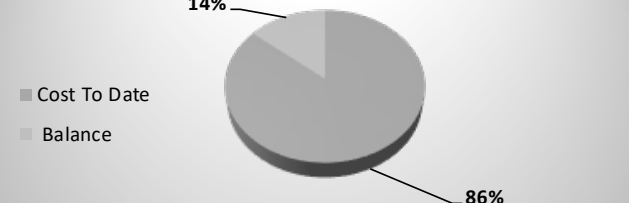
- (1) FY19 Actuals: Tuition was billed to students in August rather than September as in previous years
- (2) FY18 Actuals: An adjustment to OMIC revenue downwardly inflates other revenue in FY18
- (3) FY19 Actuals: S&S includes equipment allocations made in FY18 and carried forward into FY19
- (4) FY19 Budget: Geothermal plant is expected to come online in FY19 reducing utilities costs overall
- (5) FY19 Actuals: General Fund support for Athletics and Shaw Library were performed earlier this fiscal year than in previous years.
- (6) FY19 Year End Forecast: Estimated salary savings based on current information. Will continue to monitor and update

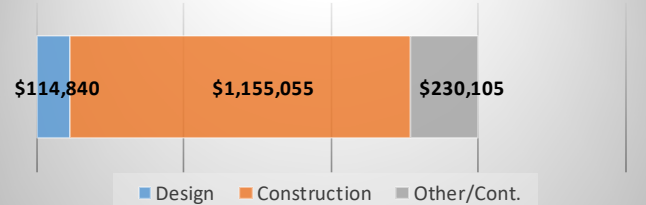



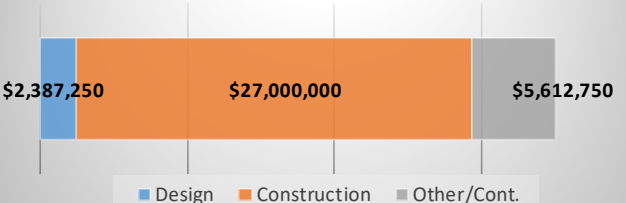
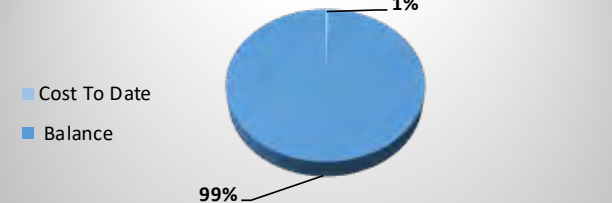
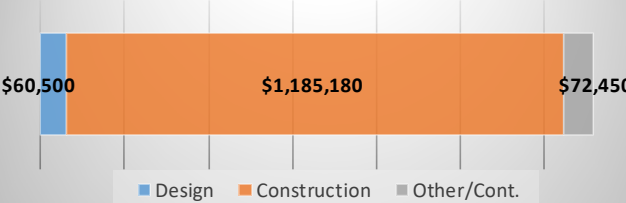
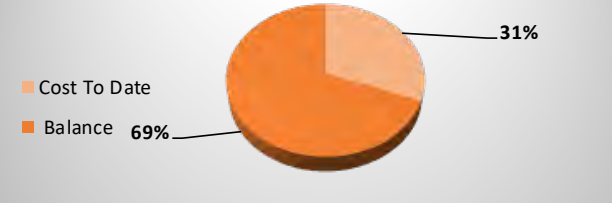
ATTACHMENT B

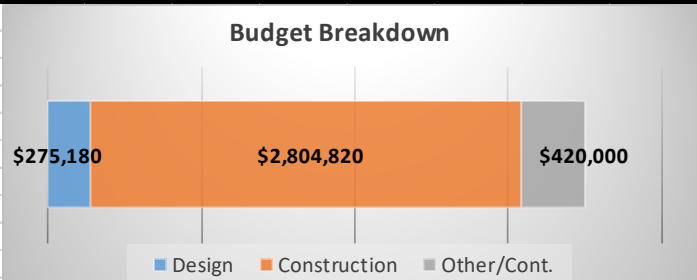
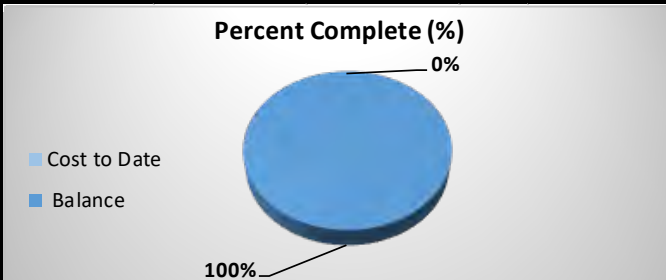
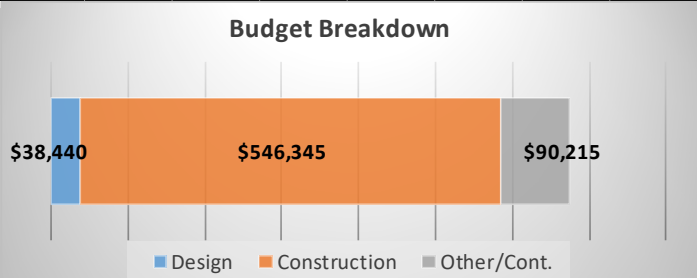
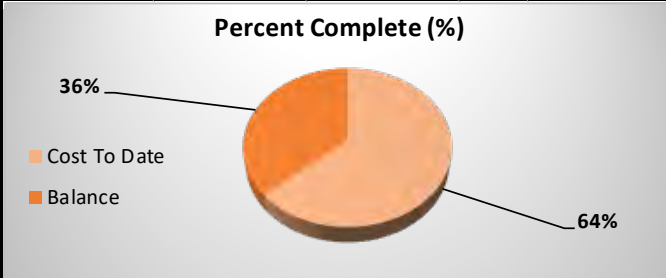
Facilities and Capital Projects

Capital Bond Projects - Status Report										11/1/2018			
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: 11.30.2018											
Bond Type: XI-Q		** Final completion 12.14.2018											
		*** \$116,450 for CO 2 to PRK301				Design (7%):		\$ 50,365	\$ 57,400	\$ 57,400	100%	\$ -	
Design: Fluent Engin.						Construction (85%):		\$ 714,400	\$ 783,790	\$ 721,250	92%	\$ 62,540	
Build: Bob's Excav.						Other (8%):		\$ 20,235	\$ 13,810	\$ 4,740	34%	\$ 9,070	
		Plan	Design	Bid	Build	Closeout	Project Totals:		\$ 785,000	\$ 855,000	\$ 783,390	92%	\$ 71,610
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)			
						CO 6:			\$ (10,835)	(VE)			
						CO 7:			\$ (16,750)	(VE)			
						CO 8:			\$ 62,540	(AV)			
									\$ -				
									\$ -				
						Total:			\$ 69,390	8%			
Cornett Renovation - Phase 1 / Phase 2													
Project Start: 9.18.17						Project Completion: 9.31.20							
Project		Progress Highlights				Cost Breakdown		Orig. Budget	Rev. Budget	Cost To Date	%	Balance	
UPE777 / UPE785		* NTP: 9.18.2017											
Bond Type: XI-Q / XI-G		** Phase 1a complete / Phase 1b underway.											
Total = \$18,725,000		*** Phase 2 exterior upgrades underway.				Design (6%):		\$ 1,042,020	\$ 1,017,335	\$ 691,730	68%	\$ 325,605	
Design: BBT Architects		Phase 1 = \$11,670,000.00				Construction GMP (64%):		\$ 9,090,000	\$ 11,752,015	\$ 8,956,590	76%	\$ 2,795,425	
CM/GC: Adroit Const.		Phase 2 = \$7,055,000.00				Other (30%):		\$ 1,537,980	\$ 5,955,650	\$ 380,185	6%	\$ 5,575,465	
		Plan	Design	Bid	Build	Closeout	Project Totals:		\$ 11,670,000	\$ 18,725,000	\$ 10,028,505	54%	\$ 8,696,495
Budget Breakdown						CO's / Amendments			Percent Complete (%)				
						Amd. 1 - 9:			\$ 413,155	(AV)			
						Amd. 13 - 24			\$ 236,780	(AV)			
						Amd. 25:			\$ 20,675	(AV)			
						Amd. 27:							
Total:			\$ 670,610	4%									

Capital Bond Projects - Status Report										11/1/2018			
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 (7%):		\$ 35,500	\$ 46,160	\$ 46,160	100%	\$	
Design: Marquess						Construction (68):		\$ 413,206	\$ 480,760	\$ 454,475	95%	\$ 26,285	
Build: Bob's Excavating						Other (25%):		\$ 146,944	\$ 68,730	\$ 11,760	17%	\$ 56,970	
		Plan	Design	Bid	Build	Closeout	Project Totals:		\$ 595,650	\$ 595,650	\$ 512,395	86%	\$ 83,255
<div>Budget Breakdown</div> 						CO's / Amendments		<div>Percent Complete (%)</div> 					
						Design Add	\$ 49,100 (AV)						
						CO 1:	\$ 2,997 (AV)						
						CO 2:	\$ 8,250 (AV)						
						CO 3:	\$ 28,172 (AV)						
						CO 4:	\$ 19,830 (AV)						
						CO 5:	\$ 8,305 (AV)						
		\$ -											
		\$ -											
		\$ -											
Total:		\$ 67,554											

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 / UPE789		* Design: April 2018 - June 2018											
Bond Type: XI-F		** Construction: July 2018 - November 2019											
		UPE773 = \$1,050,000				Design (8%):		\$ 114,100	\$ 114,840	\$ 52,910	46%	\$ 61,930	
Design: BBT Architects		UPE789 = \$450,000				Construction GMP (80%):		\$ 1,194,055	\$ 1,155,055	\$ 997,390	86%	\$ 157,665	
Build: BCI						Other (12%):		\$ 191,845	\$ 230,105	\$ -	0%	\$ 230,105	
		Plan	Design	Bid	Build	Closeout	Project Totals:		\$ 1,500,000	\$ 1,500,000	\$ 1,050,300	70%	\$ 449,700
<div>Budget Breakdown</div> 						CO's / Amendments		<div>Percent Complete (%)</div> 					
						CO 1:	\$ (10,280) (VE)						
						CO 2:	\$ 16,418 (AV)						
						CO 3:	\$ (45,142) (VE)						
													\$ -
													\$ -
													\$ -
		\$ -											
		\$ -											
Total:		\$ (39,004)											

Capital Bond Projects - Status Report										11/1/2018			
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		Visioning: May 2018 - August 2018											
Bond Type: XI-Q / XI-G		Design: Sept. 2018 - July 2019											
		Construction: August 2019 - December 2020				Visioning/Design (7%):		\$ 2,240,000	\$ 2,387,250	\$ 159,115	7%	\$ 2,228,135	
Design: TVA Architects		<u>* Includes RMC - Replacement Parking Contract</u>				* Construction (77%):		\$ 27,000,000	\$ 27,000,000	\$ -	0%	\$ 27,000,000	
CM/GC: TBD						Other (16%):		\$ 5,760,000	\$ 5,612,750	\$ 27,260	0%	\$ 5,585,490	
		Plan	Design	Bid	Build	Closeout	Project Totals:		\$ 35,000,000	\$ 35,000,000	\$ 186,375	1%	\$ 34,813,625
Budget Breakdown  ■ Design ■ Construction ■ Other/Cont.						CO's / Amendments		Percent Complete (%)  ■ Cost To Date ■ Balance					
						Amd 1:	\$ 8,000 (AV)						
							\$ -						
							\$ -						
							\$ -						
							\$ -						
							\$ -						
							\$ -						
							\$ -						
						Total:	\$ 8,000						
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 J.Stillwell		* Design: Nov. 2017 - May 2018											
UPE782 OIT		** Construction: July 2018 - Oct. 2018											
		FieldTurf GMP = \$982,995 (less bleachers)				Design (5%):		\$ 60,500	\$ 60,500	\$ 55,700	92%	\$ 4,800	
Design: ZCS Engineering						Construction (88%):		\$ 982,995	\$ 1,185,180	\$ 320,235	27%	\$ 864,945	
Build: FieldTurf						Other (7%):		\$ 80,950	\$ 72,450	\$ 30,545	42%	\$ 41,905	
		Plan	Design	Bid	Build	Closeout	Project Totals:		\$ 1,124,445	\$ 1,318,130	\$ 406,480	31%	\$ 911,650
Budget Breakdown  ■ Design ■ Construction ■ Other/Cont.						CO's / Amendments		Percent Complete (%)  ■ Cost To Date ■ Balance					
						CO 1:	\$ 8,090 (AV)						
						CO 2:	\$ 193,685 (AV)						
						CO 3:	\$ 410 (AV)						
							\$ -						
							\$ -						
							\$ -						
							\$ -						
							\$ -						
						Total:	\$ 202,185						

Capital Bond Projects - Status Report							11/1/2018	
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	
UPE789	* Design: January 2018 - June 2018							
Bond Type: XI-F	** Construction: June 2018 - September 2019							
		Design (8%):	\$ 280,000	\$ 275,180	\$ -	0%	\$ 275,180	
Design: BBT Architects		Construction (80%):	\$ 2,797,765	\$ 2,804,820	\$ -	0%	\$ 2,804,820	
Build: TBD		Other (12%):	\$ 422,235	\$ 420,000	\$ -	0%	\$ 420,000	
	Plan Design Bid Build Closeout	Project Totals:	\$ 3,500,000	\$ 3,500,000	\$ -	0%	\$ 3,500,000	
Budget Breakdown 		CO's / Amendments		Percent Complete (%) 				
		\$ -						
		\$ -						
		\$ -						
		\$ -						
		\$ -						
		\$ -						
		\$ -						
		\$ -						
		Total:	\$ -					
Emerg. Storm - Phase 2b								
Project Start: 8.20.18				Project Completion: 10.26.18				
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance	
UPE769 / FSSTD	* Design: Completed July 2018							
Bond Type: XI-Q	** Construction: August 2018 - October 2018							
		Design (5%):	\$ 34,550	\$ 38,440	\$ 31,005	81%	\$ 7,435	
Design: Marquess		Construction (87%):	\$ 508,210	\$ 546,345	\$ 394,925	72%	\$ 151,420	
Build: Bob's Excavating		Other (8%):	\$ 132,240	\$ 90,215	\$ 2,805	3%	\$ 87,410	
	Plan Design Bid Build Closeout	Project Totals:	\$ 675,000	\$ 675,000	\$ 428,735	64%	\$ 246,265	
Budget Breakdown 		CO's / Amendments		Percent Complete (%) 				
		CO 7:	\$ 3,323 (UC)					
		CO 8:	\$ 7,803 (AV)					
		CO 9:	\$ -					
		CO 10:	\$ 3,293 (UC)					
		CO 11:	\$ 23,715 (UC)					
			\$ -					
			\$ -					
			\$ -					
		Total:	\$ 38,134					

Notes:

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

Cornett - Phase 1 (UPE777)			Cornett - Phase 2 (UPE785)		
CO's / Amendments			CO's / Amendments		
Amd. 1 - 9:	\$ 413,155	(AV)	Amd. 10:	\$ 6,000,000	GMP
Amd. 13:	\$ 17,725	(AV)	Amd. 11:	\$ (270,895)	(AV)
Amd. 14:	\$ 51,260	(AV)	Amd. 12:	\$ (789,250)	(AV)
Amd. 17:	\$ 15,455	(AV)	Amd. 15:	\$ (610,320)	(AV)
Amd. 18:	\$ 47,140	(AV)	Amd. 16:	\$ (167,950)	(AV)
Amd. 19	\$ 27,700	(AV)	Amd. 22:	\$ (71,020)	(AV)
Amd. 20:	\$ 27,205	(AV))	Amd. 23:	\$ (73,760)	(AV)
Amd. 21:	\$ 38,770	(AV)	Amd. 26:	\$ (8,210)	(AV)
Amd. 24:	\$ 11,525	(AV)		\$ -	
Amd. 25:	\$ 20,675	(AV)		\$ -	
Amd.: 27	\$ -			\$ -	
	\$ -			\$ -	
	\$ -			\$ -	
	\$ -			\$ -	
	\$ -			\$ -	
	\$ -			\$ -	
	\$ -			\$ -	
	\$ -		P2 Total:	\$ (1,991,405)	(AV)
P1 Total:	\$ 670,610	4%	P2 Balance	\$ 4,008,595	

Deferred Maintenance and Capital Renewal Report

Capital Renewal Replacement UPE 773 , FY 17/18						
#	Project Description	Est. Cost	Final Cost	Bond Balance	Status	Date Complete
	UPE 773			\$ 2,760,605		
1	FACP Upgrades-PE/SN (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	Completed	29-Jun-18
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	\$ 26,597	\$ 2,331,093	Completed	9-May-18
8	Facilities Rollup Door (#3)	\$ 5,749	\$ 5,550	\$ 2,325,543	Completed	28-Mar-18
9	LRC Ventilator Heaters	\$ 7,350	\$ -	\$ 2,318,193	Underway	TBD
10	Boivin Static Pressure	\$ 6,000	\$ 4,999	\$ 2,313,194	Completed	9-Apr-18
11	Athletics Exterior Upgrades	\$ 1,050,000	\$ -	\$ 1,263,194	Underway	TBD
12	Purvine VFD's	\$ 10,000	\$ -	\$ 1,253,194	Underway	TBD
13	Chiller Refrig. Monitor/Alarm	\$ 5,968	\$ 5,968	\$ 1,247,226	Completed	21-May-18
14	Athletics Hot Water Syst. Upgrade	\$ 134,020	\$ 134,020	\$ 1,113,206	Completed	31-Sept-18
15	Well 1 - Pump Replacement	\$ 55,000		\$ 1,058,206	Underway	TBD
16	TBD	\$ -	\$ -	\$ 1,058,206		
17	TBD	\$ -		\$ 1,058,206		
18	TBD	\$ -	\$ -	\$ 1,058,206		
19	TBD	\$ -		\$ 1,058,206		
20	TBD	\$ -	\$ -	\$ 1,058,206		
	Balance			\$ 1,058,206		

Capital Renewal Replacement UPE , FY 19/20						
#	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		\$ -		

Note: Oregon Tech has completed a condition analysis of all MEP systems across campus and is updating its two-year deferred maintenance plan to reflect this. The analysis identified \$885K in immediate needs, substantially all of these will be prioritized to be completed immediately except those associated with Cornett Hall and Boivin Hall which will be managed through current or future major capital projects. Needs will be prioritized by location and level of criticality, with some funds retained for emergencies. Larger infrastructure systems which can be replaced through the separate campus infrastructure bond (sewer, sidewalk, electrical, storm drain, etc.) will be managed through this bond and completed during the 2019 construction season.

11/1/2018

Identified Deferred Maintenance						
#	Building	Other	MEP Systems	Exterior	Interior	Bldg. Total
1	Bovin Hall	\$ 640,500	\$ 987,000	\$ 1,454,250	\$ 1,853,250	\$ 4,935,000
2	Cornett Hall	\$ 125,000	\$ 325,000	\$ 500,000	\$ 175,000	\$ 1,125,000
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	\$ 9,840,237	\$ 10,412,824	\$ 11,767,731	\$ 10,721,590	\$ 42,742,382
	Total	\$ 42,742,382				

Identified Deferred Maintenance - Auxiliary Services						
#	Building	Other	MEP Systems	Exterior	Interior	Bldg. Total
1	ASRC Exterior	\$ -	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000
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	\$ 1,657,770	\$ 5,876,150	\$ 6,747,650	\$ 6,721,570	\$ 21,003,140
	Total	\$ 21,003,140				

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 C

Audit Status

Internal Audit

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

KS updated the annual risk assessment during spring and summer of 2018 and discussed with management and the Board of Trustees member identified as a liaison to Internal Audit. This plan will guide subsequent action for the upcoming three years, with only minor revisions during that time period. The FY 2018 Audit Plan included several engagements, these including their status are as follows:

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 Management (120 Hours)	Complete
Student Health Center Fiscal Review (90 Hours)	Complete
Prior Audit Follow-up (20 Hours)	Ongoing

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 Action Items section of the November, 2018 meeting of the Audit Committee KS will present the findings of its recently concluded Academic Affairs Workload Management audit. This audit comes without a management response, which is under development and is expected to be discussed in greater depth by the Academic Quality and Student Success Committee meeting in January, 2019 as this audit primarily relates to management responsibilities of Academic Affairs.

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	8
Direct to IA	16	0	0
Total	18	13	8
Issues Resolved			
Resolved	18	13	3
Open	0	0	5

Annual Financial and Compliance Audit

Internal year-end planning and audit work are complete. The financial and compliance audits are scheduled to be issued in November 2018.

Staff worked with CliftonLarsonAllen LLP (CLA) and have completed all information requests. CLA performed on-site interim compliance fieldwork the week of June 4, 2018. On-site financial fieldwork was performed the weeks of August 27 and September 3, 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 of 2019.

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

- 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:

- November 2018: Submission of audit report issuance to State for discretely presented component unit reporting;
- 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 D
Quarterly Investment Report
June 30, 2018

Public University Fund

(Prepared by the Public University Fund Administrator)

The Public University Fund (PUF) gained 0.4% for the quarter and gained 0.9% for the fiscal year ended June 30, 2018. The PUF's three-year average total return was 1.4%.

The Oregon Short-Term Fund (OSTF) returned 0.5% for the quarter and 1.7% for the fiscal year, in-line with its benchmark for the quarter and outperforming the benchmark by 30 basis points for the fiscal year. The Core Bond Fund returned 0.2% for the quarter and declined 0.3% for the fiscal year, outperforming its benchmark by 20 and 30 basis points, respectively. The annualized yield on the PUF portfolio was 2.1% for the fiscal year.

In July, Oregon State Treasury fixed income portfolio manager, Tom Lofton, conducted a quarterly performance review with university staff. In an effort to mitigate price volatility within the Core Bond Fund, as a result of rising interest rates, Mr. Lofton is actively reducing security positions with high interest rate risk to yield and spread risk to yield ratios. Mr. Lofton is seeking opportunities to deploy the \$26 million cash position into the corporate bond sector during the first quarter of fiscal year 2019.

The PUF Administrator invested \$15 million of excess liquidity into the Core Bond Fund during the quarter and \$65 million during fiscal year 2018.

During the quarter, investment earnings distributed to Oregon Tech totaled \$174,545. The market value of OIT's operating assets invested in the PUF was \$24,882,253 on June 30, 2018.

Oregon Tech Endowment Assets

(Prepared by University Shared Services)

The Oregon Tech Endowment assets gained 0.1% for the quarter and declined 0.2% fiscal year ended June 30, 2018. The Endowment assets were valued at \$7,406,036, at the end of the quarter. The endowment assets previously invested in the PUF were liquidated and transferred to Oregon Tech's Foundation for investment during June 2018. Investment balances and performance data reported do not include those managed by the Foundation.

Oregon Tech
Investment Summary
as of June 30, 2018
 (Net of Fees)

	Quarter Ended 6/30/2018	Prior Fiscal YTD	Current Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Range
OIT Operating Assets Invested in Public University Fund									
Oregon Short - Term Fund	0.5%	1.1%	1.7%	1.2%	0.9%	0.9%	\$ 9,877,083	39.7%	1
Benchmark - 91 day T-Bill	0.5%	0.5%	1.4%	0.7%	0.4%	0.4%			
PUF Core Bond Fund	0.2%	N/A	-0.3%	N/A	N/A	N/A	15,005,170	60.3%	1
Blended Benchmark ²	0.0%	-0.6%	-0.6%	1.5%	2.0%	N/A			
Public University Fund Total Return	0.4%	0.9%	0.9%	1.4%			<u>\$ 24,882,253</u>	<u>100.0%</u>	
Public University Fund Investment Yield	0.6%	1.8%	2.1%	1.8%					
OIT Endowment Assets									
Oregon Intermediate-Term Pool	0.1%	N/A	-0.2%	N/A	N/A	N/A	\$ 7,406,036	100.0%	
Benchmark - Bloomberg Barclays 3-5 Year Index	0.0%	0.2%	-0.6%	1.1%	1.3%	N/A			
Public University Fund ³	0.4%	0.9%	0.9%	1.4%	N/A	N/A	-	0.0%	
Total Endowment Assets	0.1%	1.0%	-0.2%				<u>\$ 7,406,036</u>	<u>100.0%</u>	

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

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

³ The Matthews Endowment assets were transferred to the OIT Foundation for investment management during June 2018.

Note: Outlined returns underperformed their benchmark.

Quarterly Investment Report September 30, 2018

Public University Fund

(Prepared by the Public University Fund Administrator)

The Public University Fund (PUF) gained 0.3% for the fiscal quarter ended September 30, 2018.

The Oregon Short-Term Fund (OSTF) returned 0.6% for the quarter, outperforming its benchmark by 10 basis points. The Core Bond Fund returned 0.1% for the quarter, performing in line with its benchmark. The investment yield on the PUF portfolio was 0.6% for the quarter.

In October, Oregon State Treasury fixed income portfolio manager, Tom Lofton, conducted a quarterly performance review with university staff. The investment team took advantage of market volatility and rising interest rates to deploy cash into U.S. Treasuries and corporate fixed income securities during the quarter, increasing the portfolio's investment yield by 8 bps.

The Public University Fund continues to meet the PUF investment policy's stated objectives of providing adequate liquidity to meet operating needs while producing a total return that exceeds short duration cash strategies, over the long term. The PUF returned 1.4% over a trailing three-year period compared to 0.8% for the 91-day Treasury bill. The yield on the portfolio averaged 1.9% for three years ending September 30, 2018.

During the quarter, investment earnings distributed to Oregon Tech totaled \$168,927. The market value of OIT's operating assets invested in the PUF was \$24,556,925 on September 30, 2018.

Oregon Tech Quasi-Endowment Assets

(Prepared by University Shared Services)

The Oregon Tech Quasi-Endowment assets gained 0.2% for the quarter ended September 30, 2018. The Endowment assets were valued at \$7,122,895, at the end of the quarter. The endowment assets previously invested in the PUF were liquidated and transferred to Oregon Tech's Foundation for investment during June 2018. Investment balances and performance data reported do not include those managed by the Foundation.

Oregon Tech
Investment Summary
as of September 30, 2018
 (Net of Fees)

	<u>Quarter Ended 9/30/2018</u>	<u>Current Fiscal YTD</u>	<u>Prior Fiscal YTD</u>	<u>3 Yr Avg</u>	<u>5 Yr Avg</u>	<u>10 Yr Avg</u>	<u>Market Value</u>	<u>Actual Asset Allocation</u>	<u>Policy Allocation Range</u>
OIT Operating Assets Invested in Public University Fund									
Oregon Short - Term Fund	0.6%	0.6%	0.4%	1.3%	1.0%	0.9%	\$ 8,522,275	34.7%	¹
Benchmark - 91 day T-Bill	0.5%	0.5%	0.3%	0.8%	0.5%	0.3%			
PUF Core Bond Fund	0.1%	0.1%	0.6%	N/A	N/A	N/A	16,034,650	65.3%	¹
Blended Benchmark ²	0.1%	0.1%	0.6%	0.9%	1.9%	N/A			
Public University Fund Total Return	0.3%	0.3%	0.5%	1.4%			<u>\$ 24,556,925</u>	<u>100.0%</u>	
Public University Fund Investment Yield	0.6%	0.6%	0.5%	1.9%					
OIT Quasi-Endowment Assets									
Oregon Intermediate-Term Pool	0.2%	0.2%	0.6%	N/A	N/A	N/A	\$ 7,122,895	100.0%	
Benchmark - Bloomberg Barclays 3-5 Year Index	0.1%	0.1%	0.6%	0.8%	1.2%	N/A			
Total Endowment Assets	0.2%	0.2%	0.6%				<u>\$ 7,122,895</u>	<u>100.0%</u>	

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

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

Note: Outlined returns underperformed their benchmark.

REPORT

Agenda Item 3.3

Capital Projects Update

Summary

Oregon Tech continues to oversee and manage multiple large capital projects of varying levels of scale and complexity. This uptick in activity will continue for at least the next three years as major new projects have been approved and current projects reach completion.

There are eight current major capital projects (projects in excess of \$500,000) or with discrete state appropriations. These include:

- North 12kV Upgrade (Electrical System)
- Emergency Storm Drain Phase 2a
- Emergency Storm Drain Phase 2b
- Cornett Hall Renovation (Phase I and Phase II)
- Center for Excellence in Engineering Technology
- Athletics Exterior Renovation
- Academic Student Recreation Center (ASRC) Renovation
- Softball Complex Renovation

In addition to the major capital projects, Oregon Tech is also managing a deferred maintenance program of \$2.7M dollars from the prior 2015-17 Biennia and is expecting a \$2.0-\$2.5M dollar allotment from the current 2017-19 Biennia. Final 2017-19 dollars will be determined by the Higher Education Coordinating Commission (HECC) in the coming months, and bonds are expected to be sold during February or March of 2019.

The HECC has ranked Oregon Tech's Boivin Hall Renovation project as its second highest university specific priority and has advanced this recommendation to the Governor's Office for subsequent prioritization and referral to the Legislature for funding. The ultimate disposition of this \$19.6M project will not be determined until the end of the 2019 Legislative Session in July, 2019.

On a monthly basis the Director of Facilities and Project Management submits a Capital Bond Project Status Report for each major project to the Vice President of Finance and Administration and the Chair of the F&F Committee. Quarterly reports are submitted to the F&F Committee as a part of the Finance, Facilities and Audit Status Update. At the spring F&F Committee meeting, a report on upcoming projects was made. This follow up report provides an update on those projects as well as future campus projects, to be undertaken. This is a non-exhaustive report as various small campus improvement, remodel, beautification projects have been completed over the summer or are still underway.

Lastly, during the summer and fall of 2018 Fluent Engineering completed a comprehensive facilities condition analysis on all infrastructure and building subsystems. Final submission of the report is expected shortly. This report and associated data will feed into a new building system reporting and tracking tool which is expected to roll out to facilities as well as other departments to manage tracking of facilities, academic and IT equipment. This system and information will aid in the planning and execution of maintenance, deferred maintenance and minor capital improvement processes with the Facilities and Grounds departments.

Attached to this report is a presentation, including project status updates and pictures of each major project.

Staff Recommendation

No action necessary, for discussion purposes only.

Attachments

Capital Projects Update – 2018 Presentation

FINANCE & FACILITIES COMMITTEE | 11.15.2018



Capital Projects Update - 2018

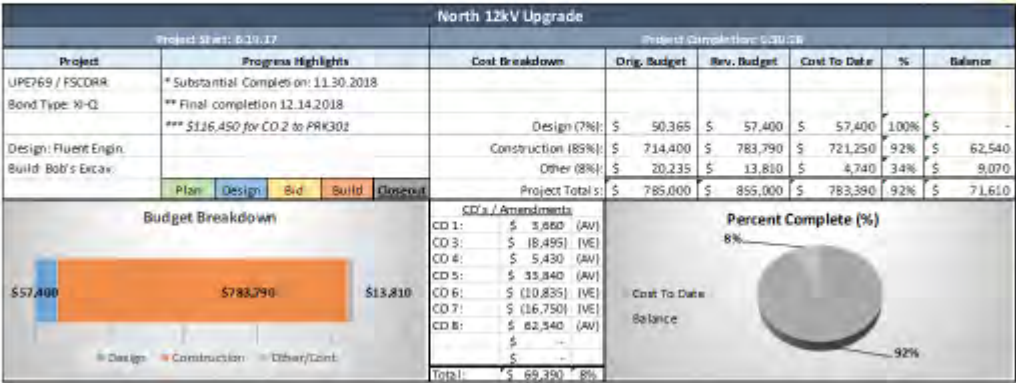
Thom Darrah | Director of Facilities | Oregon Tech

Presentation Outline

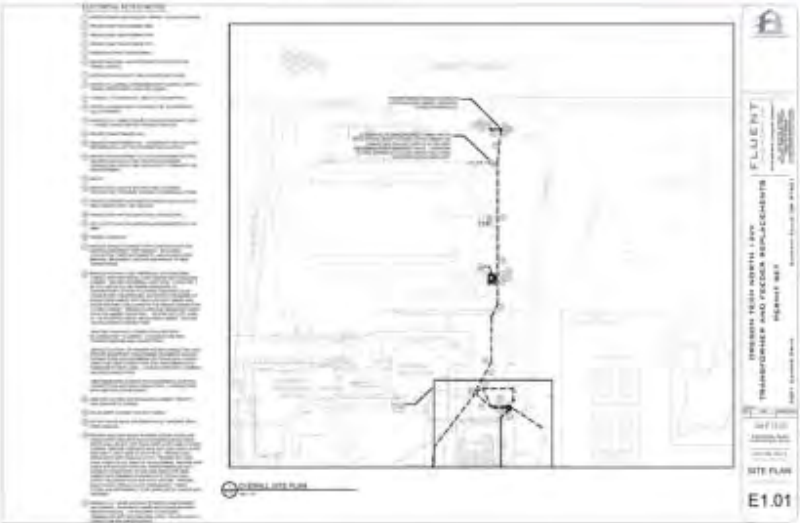


- 2018 Capital Projects
 - North 12kV Upgrade
 - Cornett Renovation – Phase 1 / Phase 2
 - Emergency Storm – Phase 2a & 2b
 - Athletics Exterior Renovation
 - New CEET Building
 - Softball Complex Renovation
- Upcoming Projects
 - Storm – Phase 3a
 - Storm – Phase 3b
 - Student Rec Center
 - LRC/PE Transformer Replacement
- Capital Repair & Renewal
 - Completed Projects
 - Upcoming Projects

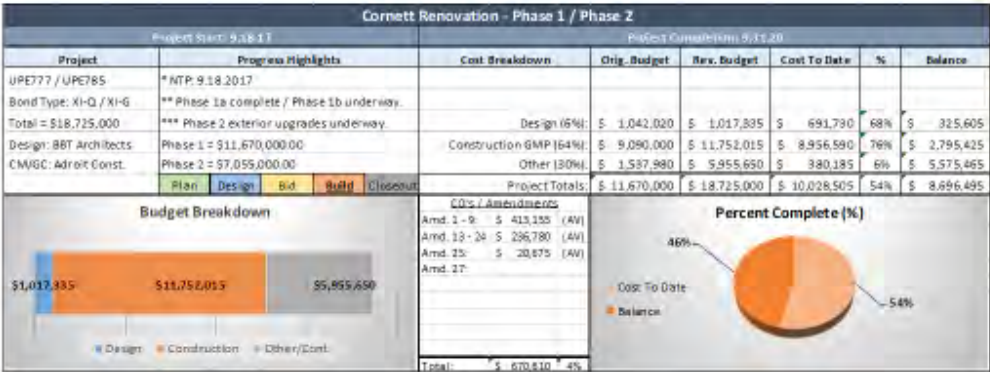
North 12kV Upgrade



North 12kV Upgrade



Cornett Renovation – Phase 1 / Phase 2



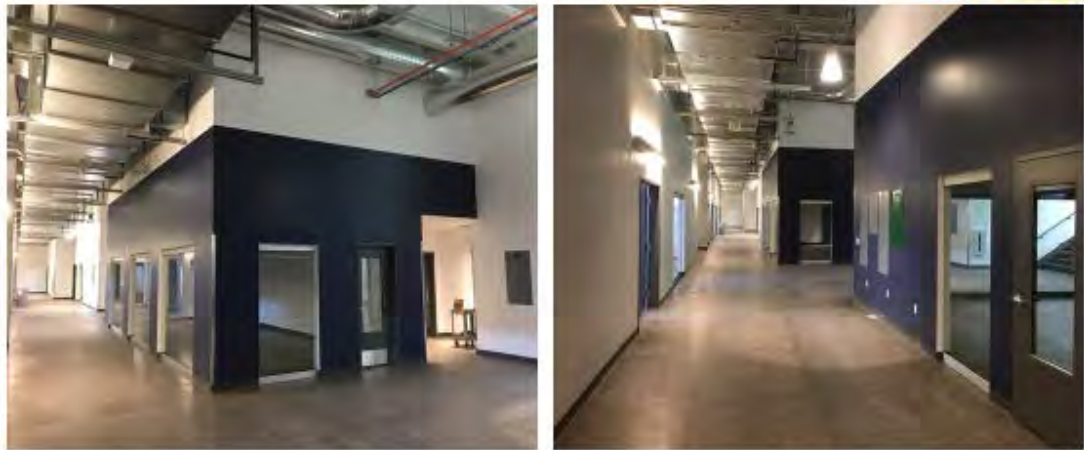
Cornett Renovation – Phase 1



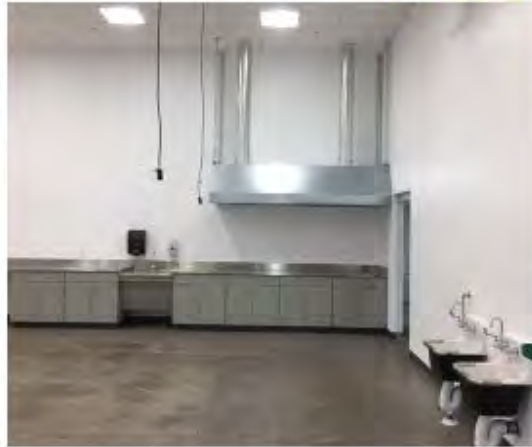
Cornett Renovation – Phase 2



Cornett Renovation – Phase 1a



Cornett Renovation – Phase 1a



Cornett Renovation – Phase 1b



Cornett Renovation – Phase 1b



Cornett Renovation – Phase 2

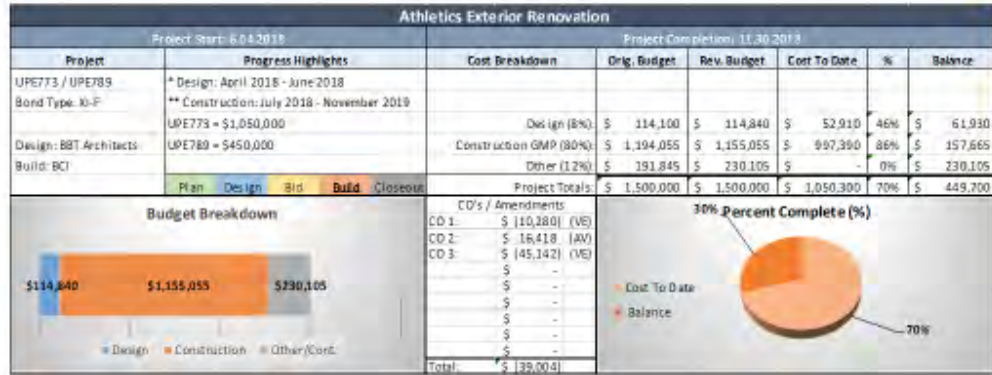




Oregon TECH

3.3 Capital Projects

Athletics Exterior Renovation



Athletics Exterior Renovation



Athletics Exterior Renovation



Athletics Exterior Renovation



Athletics Exterior Renovation



Athletics Exterior Renovation



New CEET Building



New CEET Building



New CEET Building



Softball Complex Renovation



Softball Complex Renovation



Softball Complex Renovation



Softball Complex Renovation



Emergency Storm – Phase 2b



Emerg. Storm - Phase 2b								
Project Starts: 9/20/18		Project Complete: 10/1/19						
Project	Progress Highlights	Cost Breakdown		Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE769 / FSSTOR	* Design: Completed July 2018							
Band Type: KQ-Q	** Construction: August 2018 - October 2018							
Design: Marquess		Design (5%)	\$ 34,350	\$ 38,440	\$ 31,005	81%	\$ 7,435	
Build: Bob's Excavating		Construction (87%)	\$ 508,210	\$ 546,345	\$ 394,925	72%	\$ 151,420	
		Other (8%)	\$ 132,240	\$ 90,215	\$ 2,805	3%	\$ 87,410	
		Project Totals	\$ 675,000	\$ 675,000	\$ 428,735	64%	\$ 246,265	
Budget Breakdown		CD's / Amendments		Percent Complete (%)				
		CD 7: \$ 3,323 (U/C)						
		CD 8: \$ 7,803 (A/C)		Cost To Date				
		CD 9: \$ -		Balance				
		CD 10: \$ 3,293 (U/C)						
		CD 11: \$ 23,715 (U/C)						
		\$ -						
		\$ -						
		\$ -						
		\$ -						
		Total: \$ 38,134						

Upcoming Projects



- **Storm – Phase 3a**
 - Design: Completed – Marquess Engineering
 - Construction: June – October 2019
 - Est. Budget \$680,000.00
- **Storm – Phase 3b**
 - Design: Underway – Marquess Engineering
 - Construction: Summer 2019
 - Budget: \$820,000.00
- **New Replacement Parking Lot**
 - Design: Completed – Adkins Engineering
 - Construction: Fall 2018
 - Budget: \$515,770.00
- **LRC-PE Transformer Replacement**
 - Design: Underway – Fluent Engineering
 - Construction: June - October 2019
 - Budget: \$725,000.00
- **Student Rec Center**
 - Design: Underway – BBT Architects
 - Construction: Spring 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	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	IRC/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	Wall 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	IRC Ventilator Heaters	\$ 7,350	\$ -	\$ 2,319,790	Underway	TBD
10	Boilin Static Pressure	\$ 6,000	\$ -	\$ 2,313,790	Completed	9-Apr-18
11	Academic Student Rec Center (A)	\$ 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		



Contact Information

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ACTION

Agenda Item 4.1

Recommendation for Approval of the Fiscal Year 2019 Risk Assessment and Internal Audit Action Plan

Summary

Internal Audit, has updated its annual Risk Assessment and Internal Audit Plan for Fiscal Year 2019. This Internal Audit Plan builds off of the first Internal Audit Risk Assessment developed during 2016, which included a university-wide department risk questionnaires and follow up interviews. The 2019 assessment included insights derived from prior year audit outcomes and input from key members of senior management and the Board of Trustees audit liaison.

In order to maximize the use of Internal Audit resources the current risk assessment and identified audit engagements, including Tier I major engagements and Tier 2 minor engagements, will be utilized for a three-year period from FY 2019 until FY 2022. Each year the audit plan will be brought to the Audit Committee for approval after discussion and prioritization with management and the Board Liaison.

During the term of the current risk assessment regular check-ins and minor updates will be done as is appropriate given normal changes in personnel and the internal/external environment.

The current year audit plan utilizes the Risk Assessment and discussion with management and the board liaison. This includes:

- Monitor Fraud, Waste, and Abuse Ethics Hotline
- Prior Audit Follow-Up
- OMIC
- Athletics

These audit engagements as well as risk factors will be discussed by Internal Audit during their report.

Staff Recommendation

Internal Audit recommends that the Audit Committee of the Board of Trustees move to approve the Fiscal Year 2019 Risk Assessment and Internal Audit Action Plan.

Attachments

Internal Audit 2018-19 Action Plan



Risk Assessment
& Internal Audit Plan - 2018/2019

**OREGON TECH
RISK ASSESSMENT AND INTERNAL AUDIT PLAN – 2018/2019**

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

OREGON TECH
Risk Assessment and Internal Audit Plan – 2018/2019

Executive Summary

This document provides the results of the annual risk assessment for Oregon Tech (the Institution) and fiscal year 2018/2019 internal audit plan. The development of the internal audit plan was based on the results of an Institution-wide risk assessment process. The objective of the risk assessment was to identify the departments, offices, areas, units, or processes that pose the greatest risk to the Institution and then to align internal audit resources, where appropriate, to best help the Institution achieve its objectives. The internal audit plan contains key information on the planned audit activity for fiscal year 2018/2019 and was based on the results of the annual risk assessment process. All internal audit services are provided by Kernutt Stokes LLP (IA).

IA's objectives for fiscal year 2018/2019:

- Interview key members of the Institution's management,
- Identify major themes for the Oregon Tech Board of Trustees (the Board) and Institution management to consider,
- Provide an analysis of the top 10 audit units and the associated risks attributable to those units,
- From the identified potential risks associated with top 10 audit units, identify the Top 20 risks by determining the impact, likelihood, and velocity of the risks to the Institution,
- Review the top 20 risks identified with management and, considering timing and budgetary restraints, select a variety of audits that could be performed in the 2018/2019 fiscal year,
- Provide the Institution with value added recommendations to: improve controls, policies, processes; mitigate identified risks; and increase efficiency of its operations,
- Monitor the Institution's Fraud, Waste, and Abuse Ethics Hotline,

OREGON TECH

Risk Assessment and Internal Audit Plan – 2018/2019

Risk Assessment Methodology

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

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

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

IA uses a three-year risk assessment model with annual updates to prioritize audit coverage and ensure timely reviews of high exposure areas. The initial risk profile of the entire institution was completed in fiscal year 2016/2017. For fiscal year 2018/2019, IA conducted new interviews with 12 key members of the Institution's management including the President, Vice-Presidents, and select others. Information from these interviews was used to update the risk profile for changes occurring during the year and new concerns or risks that may have arisen. IA also used their own experience working with the Institution during the year to elevate or reduce risks as considered appropriate. For high risk audit units, a list of identified risks was developed and evaluated across various risk categories summarized below.

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

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

OREGON TECH**Risk Assessment and Internal Audit Plan – 2018/2019**

Interview Response Themes

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

- **Cultural & administrative growth**

Several of those interviewed commented on the fact that there is a lack of depth in the University's organizational chart. For example, there are still positions in middle management that are vacant. Common thoughts expressed included a general frustration regarding staff not being willing to take ownership of work or make decisions, and a lack of Institution-wide understanding of the bigger picture. It was also felt that the Institution is stuck in a risk averse mentality which, though a benefit in terms of reducing financial risk in the short-term, poses strategic risk in the long-term. It was also noted that growth is still a significant issue for the University. Additionally, many noted that they felt there was a lack of sufficient training and structured systems for both faculty and staff that is impeding growth commensurate to the Institution's size.

- **Policies and procedures**

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

- **Information Technology**

All interviewees expressed thoughts or concern regarding the Institution's IT environment. These concerns centered around various IT related issues such as cybersecurity issue response planning and insurance, investment and upgrading of IT systems, the quality and timeliness of data being used to make decisions, improvements to the overall data governance structure, electronic and information technology (EITA) compliance, General Data Protection Regulation (GDPR) compliance, and protection and retention of sensitive information.

OREGON TECH

Risk Assessment and Internal Audit Plan – 2018/2019

- **Deferred maintenance of buildings and grounds**

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

- **Campus safety**

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

- **Sexual Harassment**

In the wake of the recent movement related to harassment, IA believes this is an area that should be in the forefront of the University's human resources and campus safety planning and discussions. Human resources outdated policies and procedures may not address this issue and campus safety concerns may not be preventing future events.

OREGON TECH**Risk Assessment and Internal Audit Plan – 2018/2019****Analysis of Institution Audit Units and Associated Risks**

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

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

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

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

OREGON TECH**Risk Assessment and Internal Audit Plan – 2018/2019**

Audit Unit	Summary of Potential Risks
Business Affairs and Procurement	<ul style="list-style-type: none"> Contract management Outdated, inadequate, or inefficient policies and procedures Payroll and time keeping Integrity of financial projections Cash management, receipts, and disbursements Manual processes Unauthorized or illegitimate distributions Investment oversight Expense reimbursements, P-cards, corporate credit cards
Campus Security	<ul style="list-style-type: none"> Physical security of buildings and building access On campus sexual assault or harassment Out of service phones Campus violence or threatening persons Insufficient training for staff, faculty, and students Lack of video surveillance and cameras, insufficient lighting and signage on campus Visitor management and soft-point access control Clery Act compliance Social privacy concerns (threats from drones, smartphone recordings, etc.)
Emergency Management	<ul style="list-style-type: none"> Insufficient training and communication for staff, faculty, and students Natural disaster response plan Campus violence or threat Lack of attention or customization for remote campuses Lack of effective department customization Inexperienced or insufficient management and staff Reactive vs proactive planning measures Insufficient internal and external communications Facilities create poor visibility and communication issues during an event Mutual aid agreements

OREGON TECH**Risk Assessment and Internal Audit Plan – 2018/2019**

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

OREGON TECH**Risk Assessment and Internal Audit Plan – 2018/2019**

Audit Unit	Summary of Potential Risks
Office of the Provost and Academic Affairs	<ul style="list-style-type: none"> • Workload management • Leadership turnover and open positions • Insufficient support staff • Inequality of work distribution and linkage to compensation • Course planning and mapping • Faculty conflict of interest • Promotion and tenure planning • Faculty workload, benefits, and paid time off management • Incorporation of state funding model with retention and completion objectives • Academic quality
Online Education	<ul style="list-style-type: none"> • Employment contract agreements • Outdated or inadequate policies and procedures • Tracking and reporting of online performance • Accountability, oversight, and support • Revenue and expenditure streams IT – confidentiality, availability, and integrity of online data • ADA requirements • Insufficient training and education for staff and faculty • Course planning and mapping
Procurement, Contracts, & Risk Management	<ul style="list-style-type: none"> • Vendor selection, evaluation, and review • Contract review (for both legal and business purpose) • Outdated, inadequate, or inefficient policies and procedures • Selection, administration, and review of contracts • Use of change orders • Potential for unbalanced bidding • Bid collusion • Fragmenting (split purchases) • Inadequate purchase thresholds • Cost mischarging

OREGON TECH
Risk Assessment and Internal Audit Plan – 2018/2019

Identification of Top 20 Institutional Risks

The significant Institution risks, identified previously, were evaluated based on the impact, likelihood, and velocity that each risk would have based on standard internal audit practices. The top 20 Institution risks were then plotted on a heat map (see page 12). Below is the criteria used to make those evaluations:

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

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

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

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

OREGON TECH

Risk Assessment and Internal Audit Plan – 2018/2019

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

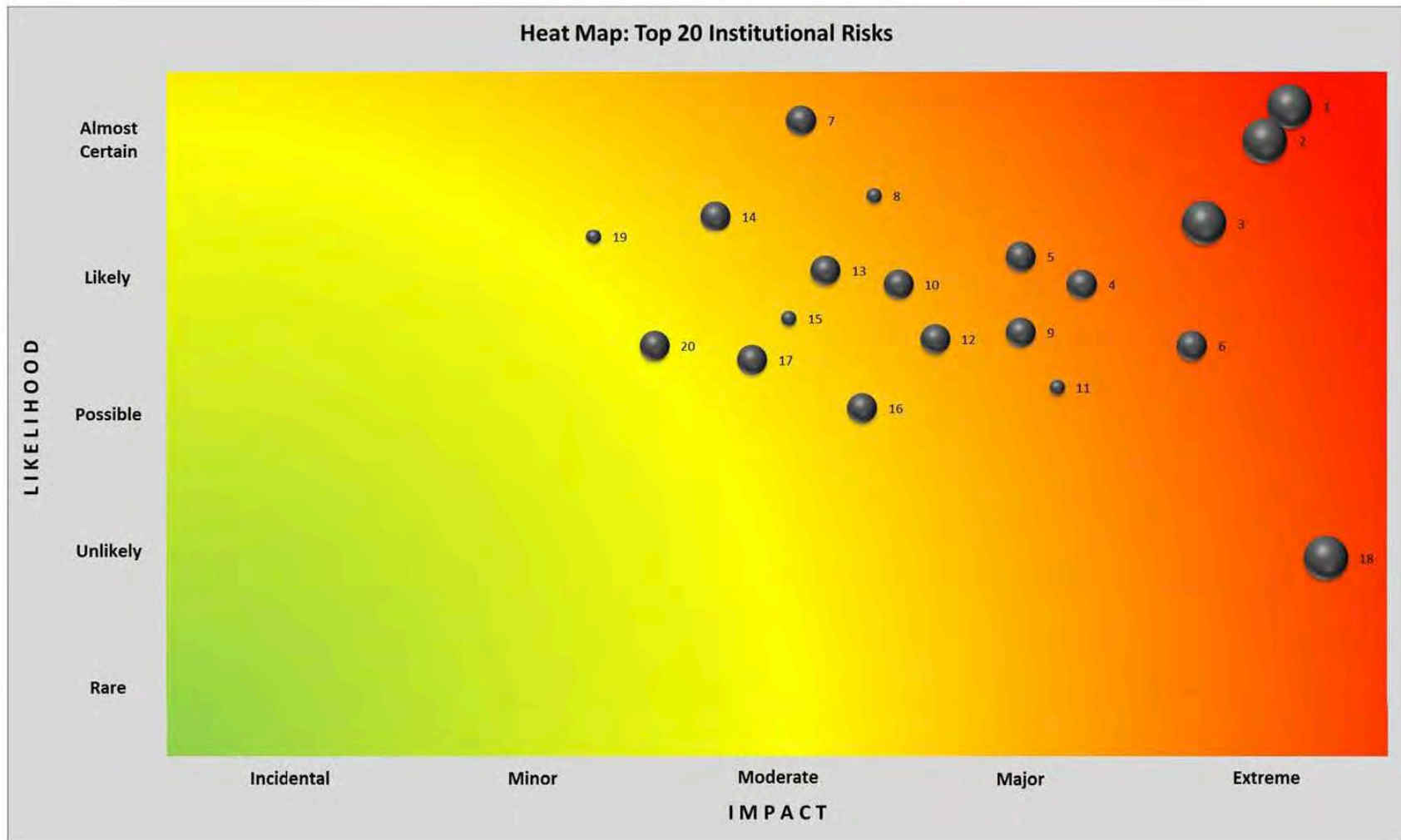
Descriptor	Strategic	Operational	Compliance	Financial	Reputational	Safety
Extreme	Loss of confidence by all stakeholder groups. Potential closing of Institution.	Enterprise wide. Inability to continue normal operations across entire Institution. Multiple board members or senior leaders leave.	Board and/or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

OREGON TECH**Risk Assessment and Internal Audit Plan – 2018/2019**

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

Risk Rank	Audit Unit(s)	Description of Risk	Risk Area(s)
1	Information Technology	Cybersecurity	Strategic, Operational, Compliance, Financial, Reputational
2	Information Technology	Business email compromise: policies and response plan	Strategic, Operational, Compliance, Financial, Reputational
3	Information Technology	Protection of confidential information and personally identifiable information, compliance with EITA and GDPR standards	Strategic, Compliance, Financial, Reputational
4	Oregon Manufacturing Innovation Center (OMIC)	Use of state bond funds, economic development agency spending, approval authority and thresholds	Strategic, Compliance, Financial, Reputational
5	Procurement, Contracts, & Risk Management	Vendor selection, evaluation, and review	Compliance, Financial, Reputational
6	Human Resources and Affirmative Action, Campus Security	Sexual assault and harassment - prevention, transparency, training	Strategic, Operational, Compliance, Financial, Reputational
7	Office of the Provost and Academic Affairs	Workload management	Strategic, Operational, Financial
8	Facilities Management	Capital project management – new major projects	Operational, Financial
9	Facilities Management	Deferred maintenance of buildings and grounds	Strategic, Operational, Reputational, Safety
10	Athletics, Business Affairs, Procurement, Contracts, & Risk Management	Contract procurement, administration, and review	Compliance, Financial, Reputational
11	Business Affairs, Campus Security, Emergency Management, Human Resources and Affirmative Action	Insufficient training for staff, faculty, and students	Operational, Compliance, Financial, Safety
12	Athletics, Title IX	NAIA and Title IX compliance	Operational, Compliance, Reputational
13	Sponsored Projects and Grant Administration	Payroll and effort certification, allowable costs, cost transfers, program income, and subrecipient monitoring	Operational, Compliance, Financial
14	Online Education	Management of online program - employment agreements, tracking and reporting, accountability.	Operational, Compliance, Financial
15	Business Affairs, Human Resources and Affirmative Action, Information Technology, Procurement, Contracts, & Risk Management	Outdated, inadequate, or inefficient policies and manual or non-routine procedures	Operational, Financial
16	Campus Security	Out of service phones, insufficient lighting and signage on campus	Reputational, Safety, Financial
17	Athletics, Auxiliaries, Business Affairs	Internal controls over cash, revenues, and expenditures	Financial
18	Campus Security, Emergency Management	Campus violence or threat - response planning and training	Operational, Reputational, Safety
19	Academic Agreements	Registration process, departmental duties	Compliance, Financial, Operational
20	Human Resources and Affirmative Action	Time keeping and payroll	Compliance, Reputational

OREGON TECH
Risk Assessment and Internal Audit Plan – 2018/2019



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Risk Assessment and Internal Audit Plan – 2018/2019

Internal Audit Plan

The internal audit plan covers the period beginning July 1, 2018 through June 30, 2019. This plan includes internal audits selected based on the results of the risk assessment performed by IA, input from various stakeholders and managers throughout the Institution, and input and approval from the Board. The internal audit plan is designed to direct IA resources in an effective and efficient manner.

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

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

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

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

OREGON TECH
Risk Assessment and Internal Audit Plan – 2018/2019

Audit Plan for Fiscal Year 2018/2019:

Audit Unit	Audit Focus**	Budget*	Timeframe	Covered Risks
Annual Risk Assessment	Update Institution-wide risk assessment for 2018/2019 as required by internal audit professional standards to aid in selection of annual audit work.	180	May 2018 – October 2018	N/A
Monitor Fraud, Waste, and Abuse Ethics Hotline	Monitor reports made to the Fraud, Waste, and Abuse Ethics Hotline, as well as items reported directly to IA during the annual risk assessment process or throughout the year. Coordinate with Human Resources, Institution management, and the Board for appropriate follow-up.	20	July 2018 – June 2019	N/A
Prior Audit Follow-up	Look back at audits performed in prior years to review progress and/or continued areas for improvement.	50	Annually	N/A
OMIC	<u>Review policies and procedures for:</u> use of state bond funds, economic development agency spending, approval authority and thresholds.	330	Winter/Spring 2018/2019	4,15
Athletics	<u>Fiscal review:</u> controls over cash and revenues, proper execution of contracts and agreements, cost reimbursement review, budget management.	120	Fall/Winter 2018/2019	17
Total Budget		700		

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

** In selecting specific audit projects for inclusion in the audit plan, emphasis was placed on both providing coverage to the Institution's top risks and riskiest audit units, as well as to requests from Institution management and the Board. Some audits may carryover for completion into 2019/2020 depending on the optimal time for review. This is part of a normal audit process where audits begun in the last few months of the year are completed and issued early in the following year.

OREGON TECH**Risk Assessment and Internal Audit Plan – 2018/2019***Future Audit Projects*

The following table depicts identified audit projects to be performed subsequent to the 2018/2019 year and going forward. To help identify potential projects, internal audits have been broken into two categories, Tier 1 and Tier 2. Tier 1 audits are larger projects based on areas identified as having high risk in the annual risk assessment, or areas specifically requested for audit by the Board or Institution management. Tier 2 audits are smaller projects that can be either one-off or of a recurring nature. IA recommends a mixture of Tier 1 and Tier 2 audits each year to provide optimum levels of coverage and focus on Institution risks.

Audit Unit	Audit Focus	Budget*	Timeframe**	Covered Risks
Annual Activities:				
Risk Assessment	Update the Institution-wide risk assessment as required by internal audit professional standards to aid in selection of annual audit work.	100-200	Annually	N/A
Prior Audit Follow-up	Look back at audits performed in prior years to review progress and/or continued areas for improvement.	20-50	Annually	N/A
Monitor Fraud, Waste, and Abuse Ethics Hotline	Monitor reports made to the Fraud, Waste, and Abuse Ethics Hotline, as well as items reported directly to IA during the annual risk assessment process or throughout the year. Coordinate with Institution management and the Board for appropriate follow-up.	20	Annually	N/A
Tier 1 Audits:				
Information Technology	<u>Cybersecurity</u> : policies and procedures; insurance coverage for incidents; incident response plan; super user access and change procedures.	150-250	TBD	1,15
Business Affairs, Procurement, Contracts, & Risk Management, Athletics	<u>Contract procurement, administration, and review</u> : policies and procedures around contracts with third-parties including: vendor selection, vendor evaluation, change orders, bidding, purchase thresholds, legitimate business purpose, and compliance with government regulations.	150-250	TBD	5,10,15
Emergency Management	<u>Emergency response plan</u> : internal, administrative, compliance, and operational controls over the campus-wide emergency operations plan and related management activities, including training and drills.	150-250	TBD	11,18

OREGON TECH
Risk Assessment and Internal Audit Plan – 2018/2019

Audit Unit	Audit Focus	Budget*	Timeframe**	Covered Risks
Tier 1 Audits (continued):				
Facilities Management	<u>Capital project management:</u> policies and procedures for determining project management team, solicitation and selection of subcontractors; management of project costs.	150-250	TBD	5,8,9,10,15
Information Technology	<u>Information systems implementation:</u> policies and procedures related to new information system purchase or development including testing of outputs, appropriate training, support, and authorizations of data access.	150-250	TBD	3,15
Sponsored Projects and Grant Administration	<u>Compliance and fiscal controls:</u> review policies and procedures for payroll and effort certification, allowable costs, cost transfers, program income, sub-recipient monitoring, etc.	150-250	TBD	13,15
Tier 2 Audits:				
Auxiliaries	<u>Controls over cash, revenues, expenditures, and sensitive information:</u> proper execution of contracts and agreements; cost reimbursement review; budget management, cash collection, protection of sensitive information.	90-150	Annual – rotating focus	17
Information Technology	<u>Business email compromise:</u> policies and procedures in place; incident response plan; training; survey staff and faculty regarding understanding and response to an incident.	90-150	TBD	2,11,15
Athletics	<u>Various administrative reviews:</u> policies and procedures; contract administration; cash collection; student athlete eligibility; travel safety; insurance coverage; medical evaluation policies; financial aid distribution and communication.	90-150	TBD	10,15,17
Athletics	<u>NAIA compliance:</u> policies and procedures; student athlete eligibility; academic compliance; off-campus recruiting; award and distribution of financial aid; sports camps, practices, travel regulations.	90-150	TBD	12,15
Title IX	<u>Title IX compliance:</u> policies and procedures; processing of complaints; communication and documentation; victim and whistleblower confidentiality	90-150	TBD	12,15

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OREGON TECH**Risk Assessment and Internal Audit Plan – 2018/2019**

Audit Unit	Audit Focus	Budget*	Timeframe**	Covered Risks
Tier 2 Audits (continued):				
Human Resources and Affirmative Action; Business Affairs	<u>Payroll</u> : salary classifications and benefits; pay compliance with salary classifications assigned to staff; benefits provided to eligible employees; review active and inactive employee listing.	90-150	TBD	20
Human Resources and Affirmative Action	<u>Timekeeping</u> : compliance with policies and procedures related to timekeeping of student employees; reconcile disbursements to active employee listing; review pay rates for compliance with policy.	90-150	TBD	15,20
Business Affairs	<u>Fixed asset and inventory tracking</u> : campus or select department fixed asset tracking procedures; purchase and disposal policies and procedures; select department inventory tracking practices; fixed asset or inventory utilization.	90-150	TBD	15,8
Business Affairs	<u>Accounts receivable</u> : policies and procedures around collections; compare to best practices and peer institutions review for uncollectable or delinquent accounts, write-offs, etc., for outside parties, students, etc.	90-150	TBD	11,15,17
Auxiliaries: Food Procurement	<u>Fiscal review</u> : proper execution of contracts and agreements; cost reimbursement review; budget management; cash collection controls.	90-150	TBD	17
Human Resources and Affirmative Action	<u>Pay equity</u> : review of pay equity study related to faculty and review of internal administrative pay equity study.	90-150	TBD	15,20
Human Resources and Affirmative Action	<u>Performance reviews</u> : process for faculty and administrative performance reviews; alignment with pay increases and promotions.	90-150	TBD	15
Online Courses	<u>Online Course Management</u> : process for employee agreements, tracking and reporting results, accountability.	90-150	TBD	14,15,20

OREGON TECH**Risk Assessment and Internal Audit Plan – 2018/2019**

Audit Unit	Audit Focus	Budget*	Timeframe**	Covered Risks
Tier 2 Audits (continued):				
Academic Agreements	<u>Academic Agreement Management:</u> process for registering and placement of students, coordination of agreements.	90-150	TBD	15,19
Human Resources and Affirmative Action, Campus Security	<u>Sexual Assault and Harassment on Campus:</u> policies and procedures related to reporting and investigation of incidents; mechanisms for reporting of incidents currently in place; training for staff, faculty and students	90-150	TBD	6,11,15, 16

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

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

OREGON TECH**Risk Assessment and Internal Audit Plan – 2018/2019****Appendix A – Ranking of all Audit Units**

Audit Unit	2018/2019	2017/2018	2016/2017
Information Technology	1	1	5
Office of the Provost & Academic Affairs	2	9	26
Human Resources and Affirmative Action	3	6	3
Facilities Services	4	7	10
Business Affairs	5	2	6
Procurement, Contracts, & Risk Management	6	10	34
Athletics	7	5	1
Campus Security	8	8	12
Emergency Management	9	4	8
Online Education	10	27	24
Oregon Manufacturing Innovation Center (OMIC)	11	N/A	N/A
Academic Agreements	12	19	16
Title IX	13	3	4
Office of the Vice President for Finance & Administration	14	11	23
Campus Life & Multicultural Inclusion	15	14	13
Housing and Residence Life	16	15	18
Registrar's Office	17	24	19
Admissions	18	13	14
Institutional Research	19	18	15
College of Engineering Technology & Management	20	25	11
College of Health, Arts, and Sciences	21	21	9
Integrated Student Health Center/Student Health Services	22	12	17
Student Affairs	23	26	21
Sponsored Projects and Grant Administration	24	37	36
Wilsonville Campus	25	20	2
Office of the President	26	16	7
Student Services - Wilsonville	27	17	20
Budget and Resource Planning	28	23	30
Academic Excellence	29	29	25
Marketing & Communication	30	22	28
College Union	31	33	31
Student Success Group	32	34	33
STEM Program	33	28	22
Seattle at Boeing	34	30	27
Strategic Partnerships	35	31	29
Archives & Records Management	36	38	38
Retention	37	32	32
Financial Aid	38	36	35
Alumni Relations/Oregon Tech Foundation	39	35	39
Board of Trustees	40	39	37
Library Services	41	41	41
Financial Oversight Advisory Committee (FOAC)	42	40	40
Faculty Senate	43	42	42
Oregon Renewable Energy Center (OREC)	44	43	43

ACTION

Agenda Item 4.2

Internal Audit Report: Faculty Workload Management

Summary

Internal Audit has completed the Faculty Workload Management audit within Academic Affairs, spanning both colleges. The audit is dated October 5th, 2018 and is attached to this docket item. Fieldwork was completed at the end of the 2018 Academic Year, using that year's data.

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

The Faculty Workload Management audit identified ten (10) findings, six (6) observations and six (6) process improvement recommendations spanning across several audit objectives. These include Workload tracking, Overload Pay, Release Time, Course Offerings and Accrued Leave.

Management has elected to not provide a management response at this time. The Office of the Provost, which has principal management responsibility for the Academic Affairs unit, is developing a global management response recognizing that the issues identified span a wide range of processes and actors within the university, including Department Chairs, Deans, the Office of the Registrar and the Office of the Provost. This response will be developed in conjunction and discussion with the Academic Quality and Student Success Committee as the Committee of the Board with purview over the academic administration of the university.

Additional detail can be found in the attached internal audit report.

Staff Recommendation

Internal Audit recommends that the Audit Committee of the Board of Trustees accept the attached Faculty Workload Management Internal Audit.

Management recommends that the Audit Committee of the Board of Trustees refer the audit to the Academic Quality and Student Success Committee for further discussion and evaluation of a management response at its next regularly scheduled meeting.

Attachments

Draft Faculty Workload Management Internal Audit Report



Faculty Workload Management
Internal Audit Report
October 5, 2018



To: Board of Trustees and Management of Oregon Tech

From: Kernutt Stokes, Contract Internal Auditors (IA)

Date: October 5, 2018

Subject: Faculty Workload Management Internal Audit

EXECUTIVE SUMMARY

We have completed our internal audit of Faculty Workload Management at Oregon Tech. The objective of this audit was to ascertain the effectiveness and appropriateness of existing policies and guidelines related to the fiscal, operational, and administrative controls of faculty workload, overload pay, release time, course offerings, and accrued leave as part of the 2017/2018 Internal Audit Plan. In general our audit found that there is insufficient planning, review, approval, reconciliation, and analysis of course and faculty workloads within the University under current practices, policies, and guidelines.

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

- **Finding** – More serious in nature, a finding is an instance of a breakdown or partial breakdown, leading to a potential failure of the University's objectives. A finding requires immediate corrective action.
- **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.
- **Process Improvement Recommendation (PIR)** – An instance of a potential improvement opportunity. A recommendation does not require action, but is encouraged for improvement.

Focus Area	Findings	Observations	PIRs
Workload (page 4)	2	2	1
Overload Pay (page 7)	5	1	2
Release Time (page 10)	1	1	1
Course Offerings (page 12)	1	1	2
Accrued Leave (page 14)	1	1	-
Total	10	6	6

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

Faculty salaries, OPE (other payroll expenses), overload, and adjunct pay is the largest expense of the University annually, and represents approximately 30% of the total University budget. Control and planning over these expenses is considered critical to the operations and planning goals of the overall organization.

The Provost and Vice President for Academic Affairs supports the faculty and curriculum of Oregon Tech. Academic programs from the College of Health, Arts, and Sciences and College of Engineering, Technology, and Management are supervised by the provost in collaboration with the deans of each college and the Faculty Senate.

The provost is the Chief Academic Officer of the University. At the time of this audit, the College Deans, Dean of Online Learning, Directors of Academic Agreements, Academic Excellence, Institutional Research, Libraries, Oregon Renewable Energy Center, Sponsored Projects and Grants Administration, University Registrar, and the General Instruction unit report to the provost.

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

- Workload – The normal faculty teaching load at Oregon Tech is 12 workload hours per term. While loads may vary from term to term, 36 workload hours per academic year is typical. Faculty members are expected to include time for course preparation, five office hours per week, and academic advising as part of their normal loads. Faculty are also expected to serve on committees and provide community service as part of their regular workload.
- Overload Pay – When a faculty member works above the normal expected workload, overload will be paid. This is only available for faculty members who are on nine-month appointments and must be pre-arranged with the department chair, dean, and provost. Twelve-month faculty are not eligible for overload.
- Release Time – A faculty member with an especially heavy service load may be eligible for a reduced teaching load through release time. This is usually granted to department chairs or faculty members with special assignments but must be negotiated with the dean and provost.
- Course Offerings – Courses with enrollment of less than 10 are classified as low-enrollment, and will be reviewed by the department chair to determine if the course will run. Low-enrollment courses that are allowed to run will be offered at a reduced rate of pay based on the number of students enrolled. Any faculty member teaching a course with less than three students will be offered no pay for that course.

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- Accrued Leave – Sick leave is accrued on a monthly basis for all faculty members at a rate of 8 hours per month. Faculty members with 12-month contracts accrue vacation leave at a rate of 15 hours per month. Faculty members contracted for less than 12 months do not accrue vacation leave.

OBJECTIVE

The objectives of this audit were to:

- Ensure faculty are working the correct workload as defined in the 2016/17 Faculty Handbook and Faculty Workload Guidelines. Ensure all policies and guidelines are being consistently and correctly applied.
- Ensure faculty are being correctly compensated when working over the expected workload and that policies and guidelines regarding overload pay are being consistently and correctly applied.
- Review whether release time is being granted with proper approval and that faculty are being properly compensated.
- Determine whether class size information is being used strategically in course planning. Review whether waitlist and low-enrollment courses are being properly evaluated in accordance with University policies and guidelines.
- Ensure accrued leave is being properly granted and used.

SCOPE AND METHODOLOGY

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

To achieve the audit objectives, we reviewed the 2016/17 Faculty Handbook along with the updated 2017/18 Faculty Handbook. The purpose of this handbook is to provide a summarization of policies and procedures for new and returning faculty members. Additionally we reviewed the Faculty Compensation Policy and the Faculty Workload Guidelines. All three of these documents were used during our audit of Faculty Workload Management. We also conducted interviews with management and staff, and performed a review of 2016/2017 academic year course offerings, department workloads, accrued leave, and release time.

The scope of this audit was limited to only tenured, tenured-track, and professional-track faculty. The scope of this audit included non-graduate courses offered on the Klamath Falls and Wilsonville

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campuses through the following four departments: Computer Systems Engineering Technology (CSET), Management (MGT), Medical Imaging Technology (MIT), and Natural Sciences (NSC).

AUDIT RESULTS

Workload

- **Objective:** Ensure faculty are working the correct workload as defined in the 2016/17 Faculty Handbook, and Faculty Workload Guidelines. Ensure all policies and guidelines are being consistently and correctly applied.
- **Audit work performed:** Reviewed policy documentation including the 2016/17 Faculty Handbooks, Faculty Compensation Policy, and the Faculty Workload Guidelines. Compared the Department Workload Reports to the Course Listing from Banner. Performed interviews with management and staff.

Findings	Observations	PIRs
2	2	1

- 1) **Finding:** We noted six instances in two departments where faculty members were working less than the typical 36 hour workload with no apparent adjustment to their compensation or work status. There was no documentation available in regards to requests or approvals for these low workloads. Per our inquiry with management, for one department the faculty assumed additional departmental responsibilities to make up for the lost workload. It was not explained what those additional responsibilities were, or if they were outside the normal expectations of a faculty member. For the other department, management stated online courses were taught to fulfill the workload requirements. The 2016/17 Faculty Handbook states online courses are not included in determining a faculty member's workload.

Recommendation: We recommend the University create a firm policy that clearly states workload hour expectations in conjunction with clearly defining a Full-Time Equivalent (FTE) (See recommendation in Workload #3). Any faculty working a workload less than the stated amount per the policy should be documented and approved by the department chair.

- 2) **Finding:** We noted that there were instructors listed for courses in the Course Listing from Banner that were not listed in the corresponding Department Workload Report. Per our discussions with Institutional Research, Banner has faculty listed based on the course they are teaching, not by the department they belong to. This has created data inconsistency

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within the University. The reliance on departmental workload reports and not Banner, or another centralized workload management recording/reporting tool, prevents the University from consistently and accurately assessing department and faculty workload, assigning revenues or costs, and increases the potential for inaccuracies in workload reporting.

Recommendation: We recommend that workload be captured and verified in Banner based on the course being taught, not by what department the faculty belongs to. This will allow for accurate reporting, assessment, budgeting, and planning based on the departments' actual workloads. Additionally, overload should be allocated to the course's department, resulting in department and program costs that could be accurately captured in relation to program revenue.

- 3) **Observation:** During our comparison of the Course Listing from Banner to Department Workload Reports we noted multiple data inconsistency issues including:
- One instance where the Course Listing from Banner listed a faculty member as the instructor, but that course was not included in that faculty member's workload.
 - One instance where a course listed under a faculty member's workload was assigned to a different faculty member in the Course Listing from Banner.
 - Two instances where the CRNs listed in a faculty member's workload did not agree to the Course Listing from Banner.
 - Five instances where faculty members were co-teaching courses and the total combined workload hours on the Department Workload Report did not match the number of course credits in the Course Listing from Banner. Additionally, in two cases we were unable to confirm whether the workload was being correctly split as some of the faculty were adjunct, and management was unable to provide us with their workload information.

Recommendation: We recommend the University review the various databases used in course and workload planning for inconsistencies in underlying data. We also recommend that the University develop policies and guidelines that can be consistently applied to faculty workload planning to ensure data in Banner agrees with all other databases.

- 4) **Observation:** We found no clear definition of a FTE in the 2016/17 Faculty Handbook or Faculty Workload Guidelines. There are non-teaching activities that are required as part of a faculty's FTE that go beyond the 36 hour workload such as: research, publication, advising, and service to the University, professional organizations, and government agencies related to the faculty member's professional field; however, there is no clear value or expectation



assigned to these requirements. During our interviews, there were varying interpretations of whether these additional activities were included in expected workload or whether they were beyond expected workload and should necessitate additional compensation.

Recommendation: We recommend the University create a formal definition of an FTE with clear policies and guidelines regarding the expected requirements that can be consistently applied, reviewed, and enforced. Any definition and policy formulated should take into account the wide variety of activities faculty may participate in and should be applicable to an assortment of potential situations.

- 5) **PIR:** There is no comprehensive record of non-teaching activities that faculty are involved in maintained by the University. From interviews we performed, these activities are communicated to department deans as part of faculty objective plans and performance evaluations. IA notes that the integration of these activities in performance evaluations is in accordance with a recommendation made by the Oregon University System (OUS) during a 2011 audit to improve management of faculty workload. However, these activities are never compiled or communicated to others outside of the department, such as Human Resources or the Office of the Provost. This can potentially create inequity between faculty expectations and evaluations across departments. Additionally, because the University is not aware of activities that faculty may be participating in as representatives of the University, they are exposed to unknown potential liability.

Recommendation: We recommend the non-teaching activities be compiled and communicated to the Office of the Provost and Human Resources, at least annually. If considered necessary, management should require faculty to notify outside organizations they work or volunteer with (i.e. such as serving on a board of directors) that the University is not liable for advice or decisions they make while participating in that capacity.

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Overload Pay

Total Population			Sample Size	
Department	# of Overload Hours	\$ of Overload Pay	# of Overload Hours Selected for Testing	\$ of Overload Pay Tested
CSET	142	\$88,750	130.00	\$84,025.00
MGT	18	\$11,250	15.75	\$6,225.00
MIT	138	\$86,250	127.50	\$79,687.50
NSC	68	\$43,100	35.00	\$22,175.00
Total	366	\$229,350	308.25	\$192,112.50

- **Objective:** Ensure faculty are being correctly compensated when working over the expected workload and that policies and guidelines regarding overload pay are being consistently and correctly applied.
- **Audit work performed:** Reviewed policy documentation including the 2016/17 Faculty Handbook, Faculty Compensation Policy, and the Faculty Workload Guidelines. Compared the Faculty Overload Reports to the Payroll Register Reports for the pay period ended June 30, 2017. Confirmed individual faculty workloads provided in the Department Workload Reports. Performed interviews with management and staff.

Findings	Observations	PIRs
5	1	2

- 1) **Finding:** The 2016/17 Faculty Handbook states that all overload should be pre-arranged with the department chair, dean, and provost. There is no request or approval documentation available to document whether these pre-arrangements for overload hours have ever occurred.

Recommendation: We recommend workload schedules in excess of 12 workload hours be pre-arranged per University policy prior to the term and formally documented through a request and approval process. The requests and approvals for planned overload should be evaluated along with budgeted overload for the department each term (See additional comments at Overload #2).

- 2) **Finding:** We noted that overload is not budgeted by department. Expected overload for the entire University is budgeted at the beginning of the year by the Office of the Provost. At the end of the year overload payments are paid out by department based on work

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performed. Throughout the year there is no tracking or reconciliation of how overload is performing.

Recommendation: We recommend overload be budgeted by department at the beginning of the year and analyzed each term to determine how it is tracking compared to expectations. If overload payments within a department are expected to exceed budget, those results should be reported to the provost prior to finalization of workloads for that term. This information can also be used in planning both workload and overload budgeting in future years.

- 3) **Finding:** The 2016/17 Faculty Handbook and the Faculty Workload Guidelines state overload is only paid out if a faculty reaches 39 hours of overload pay, after which the faculty member is paid out for every hour over 36. We found two faculty members with less than 39 hours in their workload who received overload pay. Per our discussions with management, this policy was changed via verbal agreement with the prior provost, but no official document exists to support this. It was stated during our interview with the current provost that this policy has now been updated and appropriately documented.

Recommendation: We recommend all future changes in policy do not occur through only verbal agreements. Overload payments should be made in accordance with the written policy until the time that the policy is officially updated in writing.

- 4) **Finding:** We noted one instance where a 12-month faculty member received overload pay.

Recommendation: We recommend overload pay be distributed in accordance with policies and guidelines in place. Additionally we recommend the University consider an automated software driven pay system for faculty based on load classification.

- 5) **Finding:** The Faculty Workload Guidelines state overload is calculated at the end of spring term and is paid on June 30th. We noted that the faculty at Portland-Metro received quarterly payments at the end of each term. We also noted there are different rates of overload pay for each of the different campuses. In one instance this resulted in a faculty member being overpaid. This overpayment was identified and repaid by the faculty prior to our audit.

Recommendation: We recommend overload payments be made in accordance with policies and guidelines. Any difference between campus treatments, if necessary, should be defined in those policies and guidelines and consistently applied.

- 6) **Observation:** During our audit, we found differences between the 2016/17 Faculty Handbook and the Faculty Workload Guidelines. All overload payments were paid out at rates in accordance with the Faculty Workload Guidelines. These rates are higher than the rates stated in the 2016/17 Faculty Handbook. Per our discussion with management, increases to overload rates were negotiated mid-year.

Recommendation: We recommend internal documents, whether they are policies or guidelines, be in agreement with each other. In addition, all policy documents or guidelines should be dated with the date of last revision to control version discrepancies. Further, we recommend overload payments be established at the beginning of the year, for the entire year. Increases negotiated during the year should be applied to the following year to allow for accurate budgeting.

- 7) **PIR:** The Faculty Workload Guidelines state that 12 workload hours are the equivalent of 18 contact hours, and later states that 1 lecture contact hour is equivalent to 1 workload hour. Per our interviews there were varying interpretations and degrees of understanding of this guideline.

Recommendation: We recommend the University use only workload hours, or more clearly differentiate between workload and contact hours to eliminate potential variability in interpretation and application.

- 8) **PIR:** We observed no mention in any policy or guideline documentation of how overload pay is calculated for faculty members with less than 12-month contracts or less than 1.0 FTE. Per our audit, payments are being made on a pro-rata basis.

Recommendation: We recommend policy and guideline documents be updated to account for all work statuses being used by the University.



Release Time

Department	Total Population		Sample Size	
	# of Faculty Awarded Release Time	# of Hours Released	# of Faculty Selected for Testing	# of Release Time Hours Selected for Testing
CSET	6	63	4	51
MGT	3	42	2	33
MIT	2	21	2	21
NSC	6	21	3	36
Total	17	147	11	141

- **Objective:** Review whether release time is being granted with proper approval and that faculty are being properly compensated.
- **Audit work performed:** Reviewed policy documentation including the 2016/17 Faculty Handbook, Faculty Compensation Policy, and the Faculty Workload Guidelines. Compared faculty release times to Department Workload Reports. Calculated actual workload performed after release time was granted. Performed interviews with management and staff.

Findings	Observations	PIRs
1	1	1

- 1) **Finding:** In our audit of release time, we noted that release time and stipend amounts are not consistently allocated to the same positions within different departments. We also noted for one of the departments tested, the stipend amounts and release time awarded were in excess of the policy's calculation formula. In another department, the stipend amounts and release time appeared to be calculated according to the policy, but the actual amounts allocated did not agree with the calculation. Inconsistent application of release time for similar roles within colleges and programs creates potential liability for the University regarding pay equity and could cause the University to be out of compliance with the Oregon Equal Pay Act.

Recommendation: We recommend the University create a standard policy for release time to be used by all departments for roles within those departments. Any changes to those allocations should be vetted and approved by Human Resources to ensure compliance with applicable laws and regulations. We recommend that all departments comply with University policies and guidelines when awarding stipends and release time. We recommend that management review whether committees, department chairs, program directors, etc. are part of the normal expected non-teaching activities for the work hours of an FTE, and whether release time or stipends should be awarded for these positions.

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- 2) **Observation:** Per the 2016/17 Faculty Handbook, release time must be negotiated with the dean and provost. While we were provided with stipend and release time allocations for the periods we audited, there was no written approval of these arrangements.

Recommendation: We recommend the stipend and release time allocation documents be approved and signed by both the dean and provost in advance of the academic year to ensure this policy can be accurately enforced.

- 3) **PIR:** Per our review of the 2016/17 Faculty Handbook and the Academic Release Time & Stipend Model, it is unclear when release time vs. stipend amounts should be awarded. We observed during our audit that there is a difference in the monetary value of release time and a stipend. In all of the cases we reviewed, faculty receiving release time were also receiving overload pay, and in a few cases the workload of the faculty was greater than a typical 36 hour teaching load even before release time was considered. Effectively all of the release time in these cases resulted in additional overload hours. Based on our interviews performed, there is not consistent application of these practices across departments.

Recommendation: We recommend the University clearly define when release time should be awarded vs. stipend amounts. If the purpose of release time is to truly reduce the teaching load of a faculty then the workload of faculty members receiving release time should be monitored to ensure they do not exceed the number of desired teaching hours during a term (or year). If the purpose of release time is to provide additional compensation, this should be considered in conjunction with stipend amounts, and should be consistently applied across all departments and programs. We recommend that management review the need to have both release time and stipends unless the use of each is more clearly defined, and the application across departments is more purposeful and consistent.

- 4) **Additional Comment:** We noted no requests for release time for educational initiatives, external service, etc. within the period scope of our audit.



Course Offerings

- **Objective:** Determine whether class size information is being used strategically in course planning. Review whether waitlist and low-enrollment courses are being properly evaluated in accordance with University policies and guidelines.
- **Audit work performed:** Reviewed policy documentation including the 2016/17 Faculty Handbook, Faculty Compensation Policy, and the Faculty Workload Guidelines. Compared the Course Listing from Banner to the Department Workload Reports and to the Cancelled Course Listing. Performed interviews with management and staff.

Findings	Observations	PIRs
1	1	2

- 1) **Finding:** Per the Faculty Workload Guidelines, courses with enrollments of less than 10 students will be reviewed by the department chair during the first two weeks of the term to determine if the course will run. Courses with less than 10 students can be approved, cancelled, substituted, or paid at reduced rates. Based on our interviews, this two week review is not occurring. There is no documented evidence of any review and no written approvals. We tested 30 courses with enrollment of less than 10, of which none were cancelled, and none were paid at reduced rates. Based on our interviews, most of these courses were offered once per year on campus and were required for graduation, but were also offered in online format. Additionally, in at least one instance from the sample we reviewed, a faculty member received overload pay for teaching multiple low-enrollment courses as workload was not adjusted for the low enrollment.

Recommendation: We recommend the review of low-enrollment courses be documented along with reasons for the approval, substitution, or reduction in rate and to the greatest extent possible be done in advance of the term beginning to minimize disruption to students. Courses that do not have this approval should be cancelled in accordance with the Faculty Workload Guidelines and faculty should be assigned courses with higher enrollment. In addition, we recommend a report of low-enrolled courses and reasons for non-cancellation be compiled and analyzed by each department chair, in consultation with the deans and the provost. Programs with consistently low enrollment could then be evaluated for the continued benefit to the University within its strategic plan. This recommendation encompasses similar recommendations made by the OUS in the 2011 faculty workload management report.

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- 2) **Observation:** During our audit we noted three instances at each campus where faculty members appeared to be teaching courses with lower capacity than other faculty teaching the same courses on the same campus, with the same room capacity. There appeared to be no clear or purposeful reasons for these differences in capacity.

Recommendation: We recommend course capacity remain consistent and guidelines be established to determine this capacity. Capacity should be controlled or approved by the proper level of management, such as the department chairs with approval of the dean and in accordance with guidelines established by the provost, instead of the teaching faculty member with no higher levels of approval.

- 3) **PIR:** Based on our review and interviews performed with management, waitlist data has only recently been compiled at the University. However, it is not currently being used in planning of course offerings. This recommendation is similar to a recommendation made by the OUS in the 2011 faculty workload management report.

Recommendation: We recommend the University use waitlist data to plan course offerings to accommodate the student demand in an annual course plan established by department chairs with approval of the dean and provost.

- 4) **PIR:** Based on interviews performed, course offerings are only available to students one term in advance. This makes it difficult for students to plan their graduation track. We also noted during testing many of the low-enrolled courses that were not cancelled, were due to the course being offered infrequently and required for graduation.

Recommendation: We recommend course offerings be made available to students at least one year in advance. More significant strategic planning regarding course offerings and communication of that to students for a longer timeframe will allow for better graduation planning and counseling of students as well as meeting the financial and strategic needs of the University.



Accrued Leave

Department	Total Population		Sample Size	
	# of Faculty Accruing Leave	Beginning Balance of Accrued Leave Hours	# of Faculty Selected for Testing	Beginning Balance of Accrued Leave Hours Tested
CSET	11	7,731	7	4,560
MGT	16	10,163	7	5,068
MIT	14	7,406	6	1,182
NSC	18	8,492	9	4,100
Total	59	33,792	29	14,910

- **Objective:** Ensure accrued leave is being properly granted and used.
- **Audit work performed:** Reviewed policy documentation including the 2016/17 Faculty Handbook, Faculty Compensation Policy, and the Faculty Workload Guidelines. Reviewed requests, approvals, and denials for planned leave and accruals of leave for the year. Performed interviews with management and staff.

Findings	Observations	PIRs
1	1	-

- 1) **Finding:** During our audit, we noted one less than 12-month faculty member with an accrued vacation balance of 260 hours. Per interviews performed, this faculty was previously on a 12-month contract prior to the beginning of the year. University policy states that when a faculty member switches from a 12-month to a less than 12-month contract, the accrued vacation should be paid out up to 180 hours with the rest being forfeited. This had not been done for this faculty member. Management has informed us that, as of the date of this finding being communicated to them, the error has been corrected.

Recommendation: We recommend management review all accrued vacation balances for remaining faculty on less than 12-month contracts and pay out any prior vacation accruals in accordance with University policy.

- 2) **Observation:** During our audit, we noted many of the faculty members appeared to have significant balances of unused sick leave and vacation. In the four departments, there was a total number of 59 faculty. At the beginning of the year, they had a total accrued sick leave balance of 33,792. During the year, they accrued an additional 4,092 hours and used 174 hours. Out of the 59 faculty, only 8 reported use of sick leave. There were 4 faculty with

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accrued vacation totaling 520 hours. During the year, an additional 370 hours were accrued, of those 370 hours, only 10 hours were used by one faculty. We selected 29 faculty and reviewed all requests for time off and request approvals and denials. For those in our sample that used leave, we noted that all appropriate requests and approvals were in place. However, for the majority that did not use any leave, we observed no documentation to support the unused balances. Based on our interviews performed, it seemed unlikely that no leave was taken, particularly for those individuals that accrued vacation.

Recommendation: We recommend faculty who accrue leave fill out the generated leave report each pay period as do all other employees who accrue leave. This report should be reviewed and approved by the deans and routed to the Office of the Provost and Human Resources. We also noted that the accrued leave policies in place follow previous policies in place under the OUS. We recommend that management review the policies along with the specific OARs and revise the policies to be more appropriate for an organization of the University's current size and structure, if considered necessary. We also noted that, while a cap policy is in place for accrued vacation, there is currently no cap on total accrued sick leave. The size of the accrued sick leave balance represents a significant accrued leave liability on the University's financial statements. We recommend that management review this policy and determine whether a cap should be instituted on sick leave accruals in a way that would both protect the organization while still offering a significant benefit to the faculty.

ACKNOWLEDGEMENT

We appreciate the courtesy and cooperation we received from management and staff, specifically from the Office of the Provost, Academic Affairs Office, both the College of Engineering, Technology, and Management, and the College of Health, Arts, and Sciences, Institutional Research, Payroll Department, Human Resources, and Information Technology Services (ITS) throughout this audit.

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ACTION

Agenda Item 4.3

Internal Audit Report: Integrated Student Health Center

Summary

Internal Audit completed the regularly scheduled Auxiliary Enterprise audit during FY 2018 within the Integrated Student Health Center. The audit is dated August 1, 2018 and is attached to this docket item. Fieldwork was completed during winter term 2018.

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

The Student Health Center audit identified one (1) finding, zero (0) observations, and two (2) process improvement recommendations within the audit objectives.

Management responses and detailed analysis are included within the internal audit report.

Staff Recommendation

Internal Audit recommends that the Audit Committee of the Board of Trustees accept the attached Integrated Student Health Center Internal Audit.

Attachments

Draft Integrated Student Health Center Internal Audit Report



Integrated Student Health Center
Internal Audit Report
August 1, 2018



To: Board of Trustees and Management of Oregon Tech
From: Kernutt Stokes, Contract Internal Auditors (IA)
Date: August 1, 2018
Subject: Integrated Student Health Center (ISHC) Internal Audit

EXECUTIVE SUMMARY

We have completed our internal audit of the ISHC 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 the ISHC as part of the 2017/2018 Internal Audit Plan.

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

- **Finding** – More serious in nature, a finding is an instance of a breakdown or partial breakdown, leading to a potential failure of Oregon Tech's objectives. A finding requires immediate corrective action.
- **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.
- **Process Improvement Recommendation (PIR)** – An instance of a potential improvement opportunity. A recommendation does not require action, but is encouraged for improvement.

Focus Area	Page	Findings	Observations	PIRs
Student Services & Accounts	4	1	-	2
Revenues & Expenses	7	-	-	3
Patient Satisfaction Surveys	9	-	-	1
License & Education Requirements	10	-	2	-
HIPAA	11	2	1	-
Total		3	3	6

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 mission of the ISHC is to support students by providing tools which encourage them to be knowledgeable about, and actively invested in, the benefits of self-care and choosing well to maintain their physical and emotional wellness.

Administration is in place to provide oversight and management of ISHC staff, engage in strategic planning and assessment of efforts to maintain quality control, advocate and represent a health and wellness perspective within the larger university setting, and ensure that department efforts align with the goals, perspectives, and values of the Division of Student Affairs and Oregon Tech as a whole. Other overarching goals include providing helpful customer service, compliance with national, state, and local health regulations, maintaining a high level of effectiveness with regards to patient satisfaction and care, positively impacting student mental health, and encouraging students to sustain healthy behaviors in their lifestyles.

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

- **Student Services & Accounts** – Students are required to be enrolled for a minimum of six credits during the term to be eligible for services provided by the ISHC. Students with fewer than six credits can elect to pay the ISHC fee if they would like to receive services during the term. The ISHC uses an Electronic Medical Records (EMR) system called Point & Click which allows staff to confirm eligibility before providing services. This is also where all patient charts and consent forms are stored for the ISHC.
- **Revenues & Expenses** – The ISHC is an auxiliary unit within Oregon Tech, meaning that the primary funding source for the department is student fees. In addition, the ISHC generates income based upon in-clinic procedures, “no show” fees, immunizations, and blood draw fees. The budgeting policy is to estimate costs and income to cover annual operating expenses and planned reserves at a projected break-even point. Given that the bulk of expenditures in the ISHC budget are medically-based, the Director discusses these expenditures with the Coordinator and medical staff to forecast any expected changes for the coming year.
- **Patient Satisfaction Surveys** – Students are encouraged to provide feedback after every appointment. The questions address their satisfaction across a variety of topics (respect, clarity, discussion of fees, referrals, etc.). The Director monitors responses on a monthly basis and provides feedback to providers as needed. At the close of each term, summary data is reviewed with the medical team to discuss any adjustments which might need to be implemented based upon student suggestion or complaint. Additionally, the Director pulls positive comments from the surveys and posts them in the clinic each term.

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- License & Education Requirements – The ISHC has approval from the Vice President of Student Affairs to assist staff in maintaining their professional credentials (license, intern status, etc.) by incurring those costs. Additionally, the ISHC encourages staff to remain abreast of advances in their respective fields by attending conferences, trainings, and engaging in continuing education which is funded through the ISHC budget. Further, the ISHC supports staff by maintaining affiliation with several mental health and medical professional associations.
- Health Insurance Portability and Accountability Act of 1996 (HIPAA) – The U.S. Department of Health and Human Services issued the Privacy Rule to implement the requirements of HIPAA. Its major goal is to assure that individuals' health information is properly protected while allowing the flow of health information needed to provide and promote high quality health care and to protect the public's health and wellbeing. Given the clinical setting, the generation and maintenance of medical records, and the nature of the relationship between the staff and the students they serve, the ISHC is bound by the confidentiality laws established under HIPAA.

OBJECTIVES

The objectives of this audit were to:

- Review that students receiving services during the 2017/2018 winter term were eligible and that appropriate fees were charged to the student's accounts.
- Analyze whether revenues are being properly recorded by the ISHC.
- Analyze that the ISHC's expenses are properly recorded, approved, and are for activities in compliance with the mission of the ISHC and Oregon Tech.
- Review that management consistently monitored and assessed patient satisfaction with services, facilities, provider performance, and the quality of care.
- Determine that the facility and the ISHC employees were qualified, compliant with licensing regulations and policies, and training requirements.
- Confirm computerized and manual student records were safeguarded as required by state and federal regulations and University policies and procedures.
- Determine that access to Protected Health Information (PHI) is being provided to workforce members in a way consistent with policies and procedures.

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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.

To achieve the audit objectives, we reviewed the 2017/2018 ISHC Policies & Procedures Manual. This document, created by the ISHC, contains a very thorough and well-constructed compilation of all policies and procedures in place for the facility, which can be easily accessed and used by all department staff. It contains detailed instruction for administration, reception, medical, counselling, and health promotion. This document was used for all policy and procedure review throughout the audit. We conducted interviews with the ISHC staff, including the Director, Coordinator, and reception staff, and the Business Affairs Office (BAO). We observed the processes of patient registration, charting, billing, and completed a full walk-through of the facility. We were provided access to patient and employee files on site to verify required forms and documentation were present.

The scope of this audit included the operations and financial transactions of the ISHC for the winter term of the 2017/2018 academic year.

AUDIT RESULTS

Student Services & Accounts

Findings	Observations	PIRs
1	-	2

- **Objective:** Review that students receiving services during the 2017/2018 winter term were eligible and that appropriate fees were charged to the student's accounts.
- **Audit work performed:** Reviewed the ISHC 2017/2018 Policies & Procedures Manual. Observed a student registering at the front office. Tested a selection of medical records to verify the following: required forms were present, services provided were within established guidelines, medical records were complete, and the account was properly billed and paid for.
 - 1) **Finding:** We noted two instances where patients did not have a Consent to Treatment form on file. After our audit, notes were added to the two patient files to alert the front desk to have the form filled out at their next appointment.

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- a. **Recommendation:** We recommend that the front desk personnel open the consent form in the EMR system and verify that it was previously completed as a part of the check in process for each patient. If the form is not found in the file, it should be completed at that time. In addition, we recommend the ISHC review all patient files to ensure required forms are present and properly signed according to current policies and procedures.
 - b. **Management response:** We have sought assistance from our electronic medical records system technology support (Point and Click Solutions), because in both of those cases, the system indicated that the students were compliant in terms of their Consent to Treat forms, when they actually were not (because they originally had paper charts and were migrated into the electronic system). It is not feasible to review all patient files as there are over 3,000 charts currently and more are generated weekly with new admissions. It is more practical to determine what is malfunctioning in the system, to ensure accuracy of completion for those students who are currently admitted as well as those who will be joining the university in the future. In the interim, until a solution is identified, the reception staff will confirm the completion of the Consent to Treat form at the point of check-in, as suggested above.
 - c. **Responsible party:** Brandy Hunter, ISHC Coordinator; Robin Ellis, ISHC Administrative staff
 - d. **Target implementation date:** Pending response from Point and Click, ASAP; immediately until solution is identified.
- 2) **PIR:** We noted the current policy in place allows student health fees to be refunded if credits fall below six during a term, due to withdrawal, drop, cancellation, etc. In some cases this occurred even after the student had received services from the ISHC. This treatment is not in line with other University fees which are nonrefundable, or charged pro-rata, after the drop date.
- a. **Recommendation:** We recommend that the ISHC Policies & Procedures Manual be updated so that the student health fees are charged and refunded in the same manner as other University fees based on drop date.
 - b. **Management response:** The current tuition and fees drop refunding method/table, (SFARFND) in Banner used by the institution, credits all tuition and fees that were initially charged for the dropped class/es and then recharges a *tuition drop recalculation* and a *fees drop recalculation* charge for the amount for which the student is still responsible. As of this writing, these fees are not credited to the ISHC account, but instead are credited to the incidental fees and then spread throughout the university as incidental fee revenue. The BAO is currently working on changing the tuition and fees drop refunding method/table in Banner to an easier to understand and track method, which it is my understanding most schools use (SFARSTS). Here are the basics of both methods and the effects on students' accounts when dropping classes:

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SFARFND-During the 100% refund period, only a credit for each detail code posts to the account (for tuition and all refundable fees) for the amount the student gets credited back. After we are past the 100% refund period each term though, this refunding method always credits the tuition and fees detail codes in full for whatever is dropped and then recharges a tuition drop recalculation (TRFD) and a fees drop recalculation (FRFR) detail code for the amount the student is still responsible for.

SFARSTS-During the 100% refund period, only a credit for each detail code posts to the account (for tuition and all refundable fees). After we are past the 100% refund period, the same is true, a credit for the percentage of refund the student qualifies for posts to the account (for tuition and all refundable fees). During the 0% refund period, nothing posts on the account when a student drops a class.

Should the BAO move to the new processing method (SFARSTS), ISHC would appropriately retain more of the student health fees as only a percentage (prorated based upon drop date) would be credited back to the student. Once the BAO makes this change, the Director will update the ISHC Policy and Procedure manual.

- c. **Responsible party:** Karissa Guthrie will continue testing the new processing model. Vice President for Finance and Administration, Brian Fox, has approved using the SFARSTS process. Once Ms. Guthrie has completed the testing, she will notify the Director.
 - d. **Target implementation date:** September 24, 2018 (this is the expected date to launch the new process. It might change depending on progress with the system).
- 3) **PIR:** The ISHC is unable to bill patients who have insurance through Oregon Health Plan (OHP), but are required by state law to provide certain services. The ISHC 2017/2018 Policies & Procedures Manual does not address when or how to provide mandated services to students who have OHP.
- a. **Recommendation:** We recommend the ISHC include a procedure for how to handle patients with OHP insurance in the ISHC Policies & Procedures Manual.
 - b. **Management response:** New policy was created on 7/2/18 based on above recommendation.
 - c. **Responsible party:** Gaylyn Maurer, ISHC Director
 - d. **Target implementation date:** Complete

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Revenues & Expenses

Findings	Observations	PIRs
-	-	3

- **Objective:** Analyze whether revenues are being properly recorded by the ISHC.
- **Audit work performed:** Reviewed the ISHC 2017/2018 Policies & Procedures Manual. Tested a selection of revenue accounts to confirm adherence to policy and timeliness of deposit.
 - 1) **PIR:** During our review of ISHC revenue accounts, we noted multiple students, enrolled in only online courses, being charged the Student Health Fee. Based on discussions with management in the ISHC and BAO, students are charged the fee based on the location of their degree program, not the location of the courses they take. For example, a student taking all online courses enrolled in a Klamath Falls degree program is charged the fee. A student taking all online courses enrolled in an online degree program is not be charged the fee.
 - a. **Recommendation:** We recommend the University evaluate whether students should be charged the Student Health Fee based on the location of their degree program or based on courses they are registered for. Further, we recommend the University evaluate the consistency of the fees compared to how other University fees are assessed.
 - b. **Management response:** There had already been some discussion on this (unrelated to and before the ISHC audit) during a meeting on May 21, 2018 between Strategic Enrollment Management, the Registrar's Office and the BAO. It was decided that the BAO, Strategic Enrollment Management, Registrar's, Online, and Student Affairs staff will be meeting later this summer to review Oregon Tech's fee policies in general in regards to which students are charged which fees.
 - c. **Responsible party:** Karissa Guthrie will schedule this meeting, and Erin Foley (the Vice President for Student Affairs) will update the ISHC Director as to the results.
 - d. **Target implementation date:** September 24, 2018 (first day of fall term) as the meeting has yet to be scheduled for the summer.
 - 2) **PIR:** There is currently no reconciliation being performed for the Student Health Fee to eligible or ineligible students. The basic fee is being charged to students with greater than six credits, but there are a variety of exceptions to this rule including students with online degree programs, high school transition courses, Wilsonville students, students who drop courses throughout the term, etc. During the audit, IA attempted to review the appropriateness of charges to student accounts, however, because of the many exceptions, we were unable to complete this and were unable to determine if appropriate fees were charged or not charged.
 - a. **Recommendation:** We recommend the BAO, the Office of the Registrar, and Institutional Research work together to create a comprehensive description about who

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is charged the Student Health Fee and a report which can be used to review and reconcile the Student Health Fees each term.

- b. **Management response:** The BAO has created a list of which students are and which students are not charged the Student Health Fee. The Director will ask the IT department to create a report that can be run each term based on these parameters of which students should and which students should not be charged the student health fee. The Director will also get a list each term (or get access to run the report) from the BAO of which students were charged the Student Health Fee. They will do a reconciliation each term to make sure that the correct students were charged the Student Health Fee.
 - c. **Responsible party:** Gaylyn Maurer, ISHC Director will request the report from BAO each term and initiate the request to IT to generate the report to run in FAST.
 - d. **Target implementation date:** August 31, 2018
- **Objective:** Analyze that the ISHC's expenses are properly recorded, approved, and are for activities in compliance with the mission of the ISHC and Oregon Tech.
- **Audit work performed:** Reviewed the ISHC 2017/2018 Policies & Procedures Manual. Tested a selection of expense accounts to confirm adherence to policies and procedures and adequacy of documentation and approval.
- 1) **PIR:** The ISHC is charged a "General Admin Overhead Fee" by the BAO. There is currently no contract in place describing what the fee covers. Based on interviews IA performed, this has led to confusion over responsibility for certain services and has caused difficulty in budgeting.
 - a. **Recommendation:** We recommend that annually the ISHC and BAO update and sign a contract which specifies what services the fee covers.
 - b. **Management response:** Management respectfully disagrees with the recommendation that a signed contract exist between the Integrated Student Health Center and the Business Affairs Office. These types of fees are not contractual in nature. The "General Admin Overhead Fee" is allocated to all auxiliary departments, specifically Food Service, Bookstore, Housing, Distance Education, Student Health Services, College Union and Parking. This is an internal allocation of cost to pay for "administrative services". Fees may vary based on the actual usage of services that the auxiliary receives. A recent study was completed on all assessments by the former Interim Director of the Business Affairs Office to test the accuracy of all assessments. Once approved, the new assessments will be shared with all departments involved. Since assessments are never billed to the departments nor corresponding cash payments received by the Business Affairs Office, a contract is not required.
 - c. **Responsible party:** Richard Cornwell, BAO Director / Controller
 - d. **Target implementation date:** July 31, 2019

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Patient Satisfaction Surveys

Findings	Observations	PIRs
-	-	1

- **Objective:** Review that management consistently monitored and assessed patient satisfaction with services, facilities, provider performance, and the quality of care.
- **Audit work performed:** Reviewed the ISHC 2017/2018 Policies & Procedures Manual. Reviewed and evaluated the controls over patient suggestions and complaints. Reviewed all complaints during the period under audit, confirmed appropriate handling and resolution of the complaints, and the use of survey information in management evaluations.
 - 1) **PIR:** In some surveys the student is provided with the opportunity to request a follow up call from the ISHC. We noted one instance of a follow up request during our audit. We also noted there was no procedure for documenting whether the request had been followed up with in the ISHC 2017/2018 Policies & Procedures Manual.
 - a. **Recommendation:** We recommend that the ISHC document all patient follow ups, either through a note in the patient's chart, or a separate log system. The ISHC Policies & Procedures Manual should be updated to reflect this new procedure.
 - b. **Management response:** The Policies and Procedures Manual was updated to reflect that the Director will document patient follow-up in the patient's chart.
 - c. **Responsible party:** Gaylyn Maurer, ISHC Director
 - d. **Target implementation date:** Complete

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License & Education Requirements

Findings	Observations	PIRs
-	2	-

- **Objective:** Determine that the facility and the ISHC employees were qualified, compliant with licensing regulations and policies, and training requirements.
- **Audit work performed:** Reviewed the ISHC 2017/2018 Policies & Procedures Manual. Verified employees working at the ISHC that are required to maintain a license have a current copy of the license and are up to date on all continuing education requirements. Observed certificates on file and on the walls throughout the ISHC facility.
 - 1) **Observation:** We noted one instance where an ISHC health provider did not have a HIPAA compliance form completed for the 2017/2018 academic year. We also noted the ISHC 2017/2018 Policies & Procedures Manual does not address HIPAA training procedures for employees hired during the academic year. In practice, these employees are receiving training at the time of hire.
 - a. **Recommendation:** We recommend that the ISHC establish a deadline for the HIPAA compliance forms to be completed, that this be stated in the ISHC Policies & Procedures Manual, and that all forms are tracked by the Director to ensure they are completed by the deadline. We also recommend the ISHC Policies & Procedures Manual be updated to include procedures for training employees who are hired during the academic year.
 - b. **Management response:** The Director has updated the Policies and Procedures Manual to reflect a specific deadline for form completion each year (the first day of fall term), as well as to reflect that this occurs upon hire for new employees.
 - c. **Responsible party:** Gaylyn Maurer, ISHC Director
 - d. **Target implementation date:** Complete
 - 2) **Observation:** We noted one instance where a posted certification on the facility wall for lab equipment through the State of Oregon was expired. This certification had been previously renewed by the Coordinator. The updated certificate was posted as a result of our audit.
 - a. **Recommendation:** We recommend all certifications be up to date and posted as required by state and federal laws and ISHC policies.
 - b. **Management response:** All certifications have been checked and are up-to-date. As indicated, this one error was addressed and corrected while the audit team was on-site.
 - c. **Responsible party:** Brandy Hunter, ISHC Coordinator
 - d. **Target implementation date:** Complete

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HIPAA

Findings	Observations	PIRs
2	1	-

- **Objective:** Confirm computerized and manual student records were safeguarded as required by state and federal regulations and University policies and procedures.
- **Audit work performed:** Reviewed the ISHC 2017/2018 Policies & Procedures Manual. Tested a selection of Information Release Request (IRR) forms to verify the following: access was provided consistent with ISHC 2017/2018 Policies & Procedures Manual, the form was in the correct format, and access was fulfilled in a timely manner.
 - 1) **Finding:** We noted one instance where an IRR form had a fax date stamp thirty-three days following the date of receipt. HIPAA requires an IRR to be responded to within thirty calendar days.
 - a. **Recommendation:** We recommend procedures be included in the ISHC Policies & Procedures Manual to respond to IRR forms within the HIPAA thirty-day requirement.
 - b. **Management response:** The Director revised the Policies and Procedures Manual to address the thirty-day time frame.
 - c. **Responsible party:** Gaylyn Maurer, ISHC Director
 - d. **Target implementation date:** Complete
 - 2) **Finding:** We noted one instance where an IRR form did not have a date stamp for when it was received by the ISHC. The ISHC was unable to determine if the form had been responded to.
 - a. **Recommendation:** We recommend a log be created of all received IRR forms including the dates the request was received and fulfilled. This log would allow the ISHC to keep track of when forms are received and if they are responded to in a timely manner. This procedure should be included in the ISHC Policies & Procedures Manual.
 - b. **Management response:** A log has been created (and is in use, the "Request for Information Log") which documents: the date a request for information is received and by what means (FAX, in-person, via e-mail), the date the information is sent out and by what means (see attached). The Policy and Procedures Manual has been updated accordingly.
 - c. **Responsible party:** Robin Ellis, ISHC Administrative staff and Gaylyn Maurer, ISHC Director
 - d. **Target implementation date:** Complete
 - 3) **Observation:** We noted two instances where there was no documentation on file to indicate whether an IRR had been responded to and received by the requester. During the audit the Director was able to confirm the forms had been received by the requester.



- a. **Recommendation:** We recommend that procedures be included in the ISHC Policies & Procedures Manual to retain documentation of IRR forms along with confirmations that the information was sent and received by the requester.
- b. **Management response:** Utilizing the "Request for Information Log", administrative staff will be able to track response to ROI's, and by what means the request was met. The FAX system, X-Medius, provides confirmation of any outgoing FAX which is sent.
- c. **Responsible party:** Robin Ellis, ISHC Administrative staff and Gaylyn Maurer, ISHC Director
- d. **Target implementation date:** Complete
- **Objective:** Determine that access to PHI is being provided to workforce members in a way consistent with policies and procedures.
- **Audit work performed:** Reviewed the ISHC 2017/2018 Policies & Procedures Manual. Reviewed the levels of access for ISHC health providers and administrative staff. Observed both a "Sensitive" (Partitioned) patient file, which are only accessible to counsellors, and a "Sequestered" patient file, which can only be viewed by the Director and the Coordinator, to confirm appropriate segregation was in place.
- 1) **Comment:** No issues were found during our audit.

ADDITIONAL COMMENTS

The ISHC is operating out of a facility that has significant space restrictions considering the number of staff at the location. During the audit, IA observed that the Director shares an office with another counsellor, regularly two to three medical staff use the same space for charting, and the Coordinator's office is located in the break room. As a result of interviews performed during the audit it was noted that crisis situations cause further complications as counsellors are displaced from their offices to create room for patients needing immediate attention. As many offices are already shared or occupied, this can cause a domino effect that impacts the entire facility. As the University's student population continues to grow, the leadership of Oregon Tech will need to monitor the space restrictions at the ISHC to ensure the facility has adequate space to operate, service students, and comply with HIPAA laws.

ACKNOWLEDGEMENT

We appreciate the courtesy and cooperation we received from the staff, specifically in the ISHC, BAO, Institutional Research, and the Information Technology Services departments throughout this audit. We also thank the ISHC for the speed and efficiency with which they provided us with requested information throughout the course of the audit.

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ACTION

Agenda Item 4.4

Recommendation to the Full Board to Approve a Resolution on Bond Issuance for the Recreation Center (XI-F(1) Bond)

Background

During the 2017 Legislative Session Oregon Tech requested, through the Higher Education Coordinating Commission (HECC) \$5.0 million dollars in net proceeds of Article XI-F bonds for athletics and recreation upgrades, most particularly for the upgrading and renovation of the Student Recreation Center (SRC). This was based off of significant campus demand for upgraded recreation resources, and recognition that the current facilities were a hindrance to recruiting and retaining students. A 2016 conceptual design by DiMella Shafer Architects established project feasibility, scope and an estimated project cost. Samples of the DiMella Shafer renderings are attached.

The 2017 Legislature approved \$5.15M in Article XI-F bonds, including capitalized cost of issuance, under SB 5505 and are slated to be sold in May, 2019.

Article XI-F bonds are “conduit” bonds utilizing the state’s credit rating and bond capacity but fully financed, including cost of issuance, by the university on whose behalf they are issued. Oregon Tech will enter into a grant agreement with the State of Oregon to access the proceeds of the bonds, and will repay the debt service on the bonds until fully amortized.

The university has retained an architect, BBT Architects, for the purposes of designing the renovation of the student recreation center and has already begun external improvements with the overall cost split between deferred maintenance and the XI-F bond along a proportional split matching the E&G and Auxiliary uses of the building. It is expected that the SRC project will be started as early as Spring Term 2019 and completed during the 2019-20 Academic Year.

Current pro-formas for the project estimate a fund split between the university and students through a new student fee, to be established during the regular fee setting process this spring and brought to the Board of Trustees at the regularly scheduled March 21, 2019 meeting. This financing arrangement was contemplated when originally presented to the Board in November 2016.

There is a potential that after the student recreation center interior renovation and exterior improvements are complete that excess bond proceeds will exist. The current goal is to fund both projects with approximately \$4.0 million dollars. Excess bond proceeds will be either used to invest in other allowed projects under the bond scope or to defease a portion of the bond and reduce the annual debt payments. A potential project identified by the Athletics Department as in critical need of repair is replacing the currently dilapidated track. The track’s foundation is failing and requires excavation, new concrete foundation and track surface be applied. The facility is no longer usable for competition and will shortly not be usable for the approximately 50 Track and Field and 20 Cross Country athletes. However, significant campus discussion and involvement from multiple constituencies must be sought before any additional projects are undertaken.

A student advisory group has been established for the project which includes the Klamath Falls ASOIT President, a male and female student-athlete as well as an unaffiliated student along with the Athletics Director, Vice President for Student Affairs, Vice President of Finance and Administration and the Director of Facilities and Capital Planning as administrative members. The project benefits from several years of active discussion on campus and broad support through a previous student survey. Additional surveys and focus groups will be held as continued student engagement is actively sought.

In order for the state to issue Article XI-F bonds for the benefit of a university that university must find that the bonds are “fully self-financing and self-liquidating” by establishing that there is sufficient institutional revenue to support debt service on the bond.

Using headcount enrollment projections provided by Strategic Enrollment Management and assuming very modest increases in faculty and staff “Tech Fit” membership, the Budget and Planning Office has prepared a pro-forma which includes modest student fee costs at approximately \$45 per term, and modest investment by the university, using constitutionally allowed sources of revenue (non-State General Fund appropriations). With these assumptions there is sufficient current and future revenue to support the ongoing operation of an enhanced student recreation center and bond payments associated with the Article XI-F bonds. Debt Service on these bonds is expected to be between \$330,000 and \$350,000 per year. The pro-forma is attached in Amendment II.

Staff Recommendation

Staff recommends the Finance and Facilities Committee recommend the Full Board approve Resolution 18-1 that sufficient revenue exists to support repayment of Article XI-F(1) Bonds for the renovation of fitness facilities.

Attachments

- Proposed Resolution
- [DiMella Shaffer Conceptual Renderings](#)
- [Student Recreation Center Article XI-F Bond Pro-Forma Financials](#)

RESOLUTION NO. 18-1

BOARD OF TRUSTEES OF OREGON INSTITUTE OF TECHNOLOGY

**A RESOLUTION THAT SUFFICIENT REVENUE EXISTS TO SUPPORT
FULLY SELF-FINANCING AND SELF-LIQUIDATING ARTICLE XI-F(1) BONDS,
TOTTALLING FIVE MILLION DOLLARS IN NET PROCEEDS
THROUGH ARTICLE XI-F(1) BONDS TO BE ISSUED BY
THE STATE OF OREGON FOR THE BENEFIT OF OREGON TECH
FOR THE RENOVATION OF FITNESS FACILITIES**

WHEREAS, the Oregon Legislative Assembly has authorized the issuance of State of Oregon (“State”) general obligation bonds for the benefit of Oregon Institute of Technology (the “University”) under Article XI-F(1) of the Oregon Constitution through Senate Bill 5505 (2017) or “Bond Bill;” and

WHEREAS, the 2015-2017 Bond Bill authorized \$5,115,000 dollars including estimated issuance costs of \$115,000 dollars, for updating, expanding, and restoring fitness facilities on campus, including the Student Recreation Center; and

WHEREAS, this University Board of Trustees desires that the University receive the fully authorized funds, exclusive of issuance costs, for purposes as allowed by the authorizing, and that issuance of the necessary Article XI-F(1) bonds proceed as authorized by the 2017-19 Bond Bill for the benefit of the University, and as may be provided by law and as otherwise required by law for the 2017-19 biennium without requiring further action of this Board; and

WHEREAS, Article XI-F(1) of the Oregon Constitution requires the University shall not incur the indebtedness of Article XI-F(1) bonds unless it conservatively estimates that it shall have sufficient revenues to pay the indebtedness and operate the projects financed with the proceeds of such bonds; and

WHEREAS, for these purposes, this Board desires that the State of Oregon take any steps necessary for the timely issuance of such bonds on or about May 2019, this motion having been made and seconded;

Now, therefore, the Board of Trustees resolves as follows:

Section 1

There are moneys available to the University to pay the indebtedness of the proposed Article XI-F(1) bonds using separately and subsequently approved student fees and constitutionally allowed University sources for the specific use and purpose of providing sufficient revenues to pay the indebtedness of the Student Recreation Center project.

Section 2

Article XI-F(1) Projects. Bonds are authorized to be sold under the Act for the benefit of the University and consistent with the authorization of the 2017-2019 Bond Bill. The University hereby

approves and requests that the State of Oregon take such steps as necessary to ensure the issuance and sale of such bonds on or about May 2019, in an aggregate principal amount sufficient to provide \$5,000,000 dollars in net bond proceeds, and to pay costs of issuance, for updating, expanding, and restoring fitness facilities on campus, including the Student Recreation Center. In so doing, this Board acknowledges that it will be necessary to approve a new student fee and provide specific University funding from constitutionally allowed sources.

Section 3

Terms, Sale and Issuance. The XI-F(1) bonds authorized by this resolution (the “Bonds”), shall be issued in such series and principal amounts as the State Treasurer, after consultation with the applicable related and/or project agency/agencies, shall determine are required to pay or reimburse costs of the projects referenced in this resolution. The Bonds shall mature, bear interest and otherwise be structured, sold and issued as the State Treasurer determines after such consultation.

Section 4

Maintenance of Tax-Exempt Status. The Vice President of Finance and Administration of the University or his or her designee (the “Authorized University Representative”) is hereby authorized to covenant, on behalf of the University, to comply with the provisions of the Internal Revenue Code of 1986, as amended, that are required for interest on tax-exempt bonds to be excluded from gross income for federal income taxation purposes, for Bonds issued on a tax-exempt basis and to execute and deliver such agreements, documents or certificates required for such Bonds to be issued on a tax-exempt basis.

Section 5

Ratification and Approval of Actions. The Board hereby ratifies and approves all prior actions taken on behalf of the University related to the Bonds. The Board hereby authorizes, empowers, and directs the Authorized University Representative to take further actions as may be necessary or desirable related to the Bonds, including, without limitation, (i) covenanting to perform on behalf of the University, and performing, any actions necessary to comply with requests from the State Treasurer authorized under ORS chapter 286A to administer the Bonds, (ii) the execution and delivery of any agreements, documents or certificates, including any loan, grant or trust agreements with the State Treasurer and any other party, if necessary, as may be necessary or desirable to carry out such actions or arrangements, and (iii) to take such other actions as are necessary or desirable for the purposes and intent of this resolution

Section 6

This Resolution shall take effect immediately upon approval by the Board.

Moved by _____

Seconded by _____

Trustee	Yes	No
Jeremy Brown		
Jessica Gomez		
Lisa Graham		
Kathleen Hill		
Vince Jones		
Rose McClure		
Jill Mason		
Kelley Minty Morris		
Liam Perry		
Grace Rusth		
Steve Sliwa		
Paul Stewart		
Fred Ziari		
VACANT POSITION	n/a	n/a

Approved and dated this _____ day of _____, 2018.

 Lisa Graham
 Board Chair

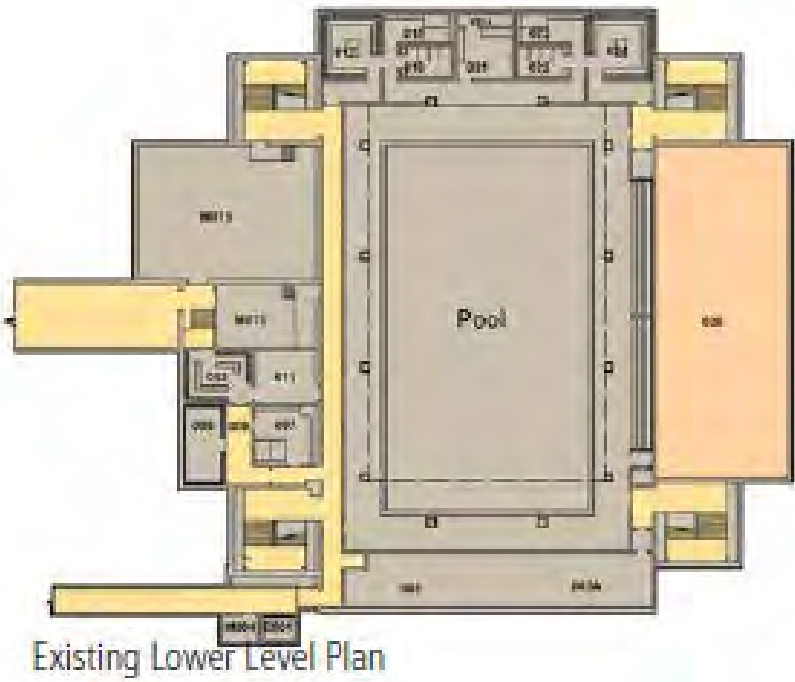
ATTEST:

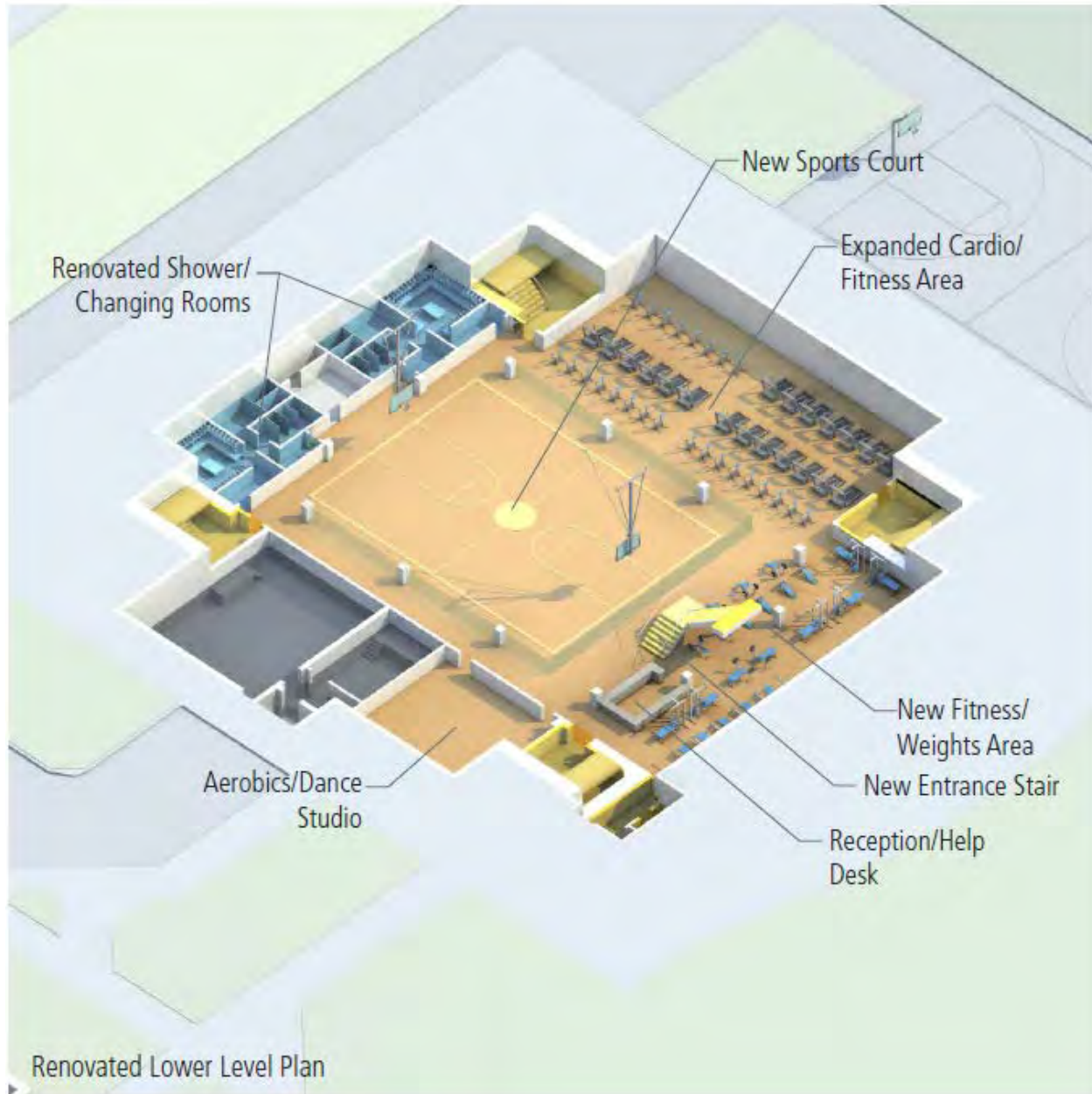
 Sandra Fox
 Board Secretary

I, _____, Secretary of the Board, do hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the Oregon Institute of Technology Board of Trustees at the meeting held on the _____ day of _____, 2018, and thereafter approved and signed by the Chair and attested by the Secretary of the Board.

 Secretary of the Board

DiMella Shaffer Conceptual Renderings





Note : These are early conceptual designs. Final design will likely differ from these renderings.

Student Recreation Center Article XI-F Bond Pro-Forma Financials

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Revenues										
Fee Revenues	\$280,932	\$298,041	\$316,191	\$335,447	\$355,876	\$377,549	\$400,542	\$424,934	\$450,813	\$478,268
Tech Fit Membership	\$1,600	\$2,000	\$2,500	\$3,000	\$3,030	\$3,060	\$3,091	\$3,122	\$3,153	\$3,185
Campus Support	\$275,000	\$260,000	\$245,000	\$230,000	\$215,000	\$200,000	\$175,000	\$150,000	\$125,000	\$100,000
Total All Revenues	\$557,532	\$560,041	\$563,691	\$568,447	\$573,906	\$580,609	\$578,632	\$578,056	\$578,966	\$581,452
Expenses										
Start-Up Costs	\$0									
Salaries**										
Faculty	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Staff	\$25,000	\$25,500	\$26,010	\$26,530	\$27,061	\$27,602	\$28,154	\$28,717	\$29,291	\$29,877
Total Salaries	\$25,000	\$25,500	\$26,010	\$26,530	\$27,061	\$27,602	\$28,154	\$28,717	\$29,291	\$29,877
Student Help	\$93,000	\$93,000	\$93,000	\$93,000	\$93,000	\$93,000	\$93,000	\$93,000	\$93,000	\$93,000
OPE/Fringes	\$22,384	\$22,969	\$23,580	\$24,219	\$24,887	\$25,585	\$26,315	\$27,078	\$27,875	\$28,709
Rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Utilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Service	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
Total Fixed Costs	\$490,384	\$491,469	\$492,590	\$493,750	\$494,948	\$496,187	\$497,469	\$498,795	\$500,167	\$501,586
Office Supplies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equipment	\$50,000	\$51,000	\$52,020	\$53,060	\$54,122	\$55,204	\$56,308	\$57,434	\$58,583	\$59,755
Facility Maintenance	\$15,000	\$15,300	\$15,606	\$15,918	\$16,236	\$16,561	\$16,892	\$17,230	\$17,575	\$17,926
Contingency Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Variable Costs	\$65,000	\$66,300	\$67,626	\$68,979	\$70,358	\$71,765	\$73,201	\$74,665	\$76,158	\$77,681
Total All Expenses	\$555,384	\$557,769	\$560,216	\$562,728	\$565,306	\$567,953	\$570,669	\$573,459	\$576,324	\$579,267
Total Net	\$2,148	\$2,272	\$3,475	\$5,719	\$8,600	\$12,657	\$7,963	\$4,597	\$2,642	\$2,185

Note: Campus Support will be from constitutionally allowed sources for Article XI-F Bonds

DISCUSSION

Agenda Item 5.1

Long-Term Budget Forces

Background

Oregon Tech is entering into the budget development process looking forward to the 2019-20 Fiscal and Academic Years. However, before the end of the current 2018-19 Fiscal Year and the beginning of the next will be several important milestones which include significant levels of uncertainty for the institution. These include increased regulatory uncertainty related to tuition setting authority and review by the state, a budget setting legislative session with more revenue uncertainty than in past years, a strategic planning effort under new institutional leadership, the establishment of a collective bargaining agreement with the university's faculty, negotiations with the established staff union and implementation of enhanced student recruiting and admissions efforts.

Each of these issues will exert force on the university's short-term and long-term operating environment. The attached presentation is focused on providing background information to and stimulating conversation from the Finance and Facility Committee. This information will guide a long-term budget planning effort accompanying strategic planning as requested by the F&F Committee.

As a part of the Committee's annual work plan it will evaluate a tuition proposal in March 2019 and budget adoption in May 2019 for next fiscal year. In January 2019 the Committee will be asked to adopt budget principles and priorities which will guide the institution's budget and tuition setting development and recommendation and support the decision making setting process of the Board of Trustees.

Recommendation

None. Item is informational only.

Attachments

Long Term Budget Forces Presentation

FINANCE & FACILITIES COMMITTEE | 11.15.2018



Long-Term Financial Planning

Brian Fox | Vice President of Finance and Administration | Oregon Tech

Report Purpose



- Establish overview of risk factors (positive and negative) for revenue and cost drivers
- Establish background information for strategic plan
- Provide guidance for long-term fiscal planning efforts in for the Budget and Planning Office

YTD Comparison		
	FY17 Year End	FY18 Year End
Acct	Actuals	Actuals
State Allocations	26,388	27,657
Tuition & Fees	32,053	33,639
Remissions	(3,578)	(3,843)
Other	2,182	1,828
Total Revenue	57,044	59,280
Unclassified	22,403	23,631
Classified	5,206	5,422
Student	623	769
GTA	22	25
OPE	13,069	14,665
Total Labor	41,323	44,512
Service & Supplies	9,693	10,726
Internal Sales	(1,225)	(1,154)
Debt Service	1,436	1,034
Capital	376	657
Utilities	1,329	1,274
Transfers Out	1,204	1,334
Total Direct Expense	12,812	13,871
Total All Expense	54,135	58,384
Net From Operations	2,909	897



Major Components of the E&G Budget

- Revenue
 - Tuition (50%)
 - State Appropriations (47%)
- Expenses
 - Personnel (51%)
 - OPE (25%)
 - Retirement
 - Healthcare
 - S&S and Equipment Replacement (18%)
 - Utilities (2%)



Revenue

- Tuition (50%)
 - Enrollment
 - HECC/State Oversight
- State Appropriations (47%)
 - SSCM
 - Outcomes
 - OUS – HECC Differences
 - State Revenue
 - Prior Experience



Tuition

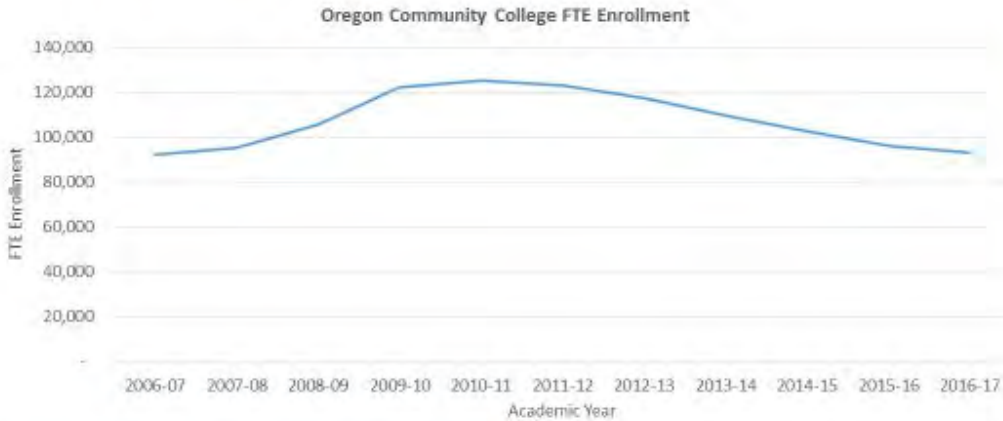
- Tuition (50%)
 - Enrollment
 - HECC/State Oversight



Question: What changes in enrollment can Oregon Tech expect to see?

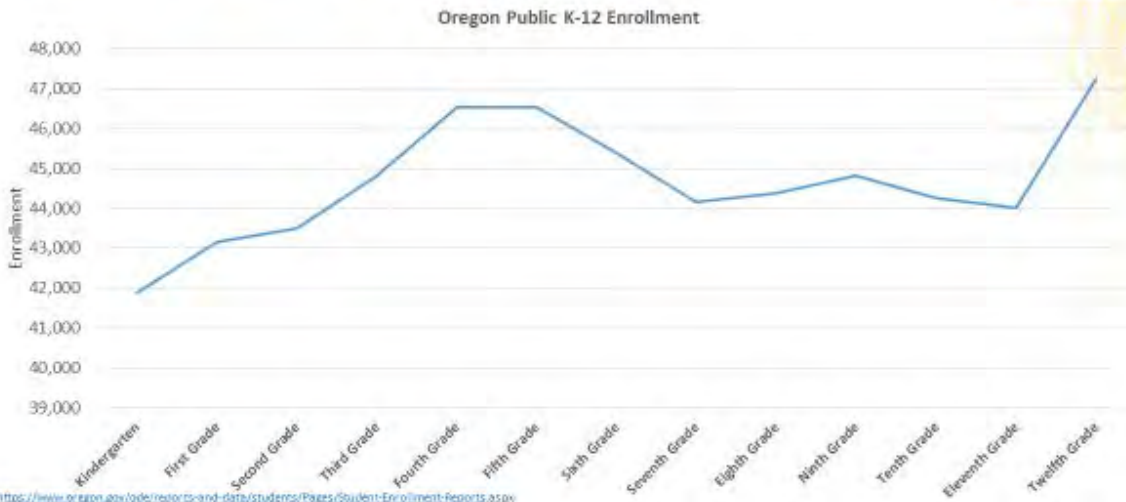
Question: How prepared is Oregon Tech of adjusting its cost structure if enrollment changes (up or down) significantly?

Tuition: Community College Enrollment Cresting



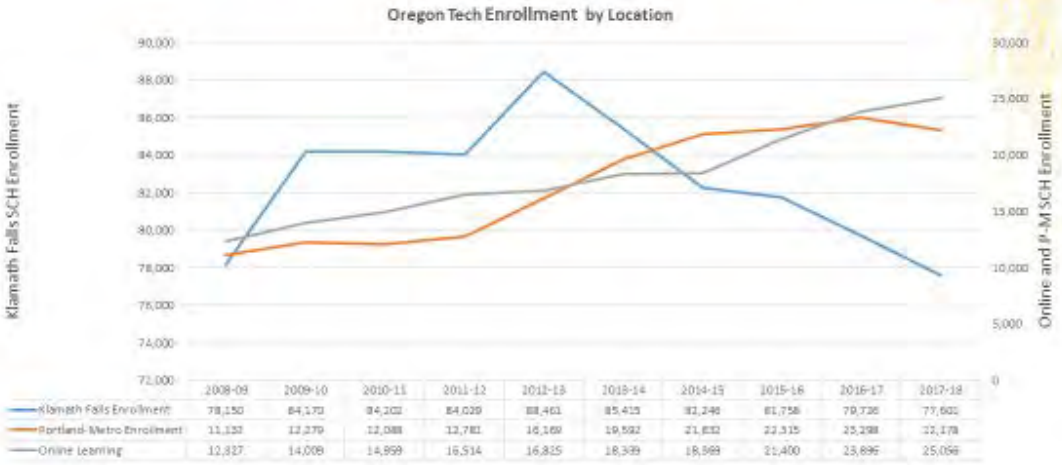
<https://www.oregon.gov/ohed/commcol/documents/Students/CC-Enrollment-Historical.pdf>

Tuition: Oregon K-12 Enrollment Flattening



<https://www.oregon.gov/ohed/reports-and-data/students/Pages/Student-Enrollment-Reports.aspx>

Tuition: Enrollment by Modality



Tuition: Increasing Steadily



Tuition Pressures



- HECC is actively discussing an increasingly onerous review process
- Legislative and Governor's Office focus on tuition levels
- Student market to bear tuition and fee increases

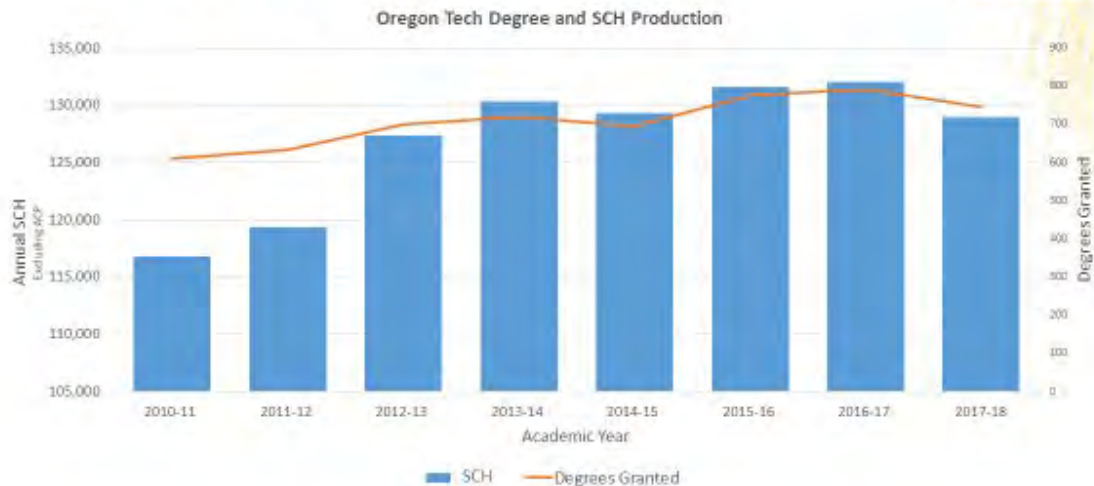
State Appropriations



- State Appropriations (47%)
 - SSCM
 - Outcomes
 - OUS – HECC Differences
 - State Revenue
 - Prior Experience

Question: Can Oregon Tech sustain its current state funding level and if not how will it respond?

State Appropriations: Enrollment and Completion



OREGON TECH SSCM FUNDING PER DEGREE, 2017-18



Oregon Tech SSCM SUMMARY (2018):

- 3.1% of total degrees produced
- 7.2% of total SSCM funding

Oregon Tech SSCM SUMMARY (2016):

- 2.8% of total degrees produced
- 7.3% of total SSCM funding



<https://oregontech.edu/sites/default/files/2018-09-27-4-4-sagenda.pdf>

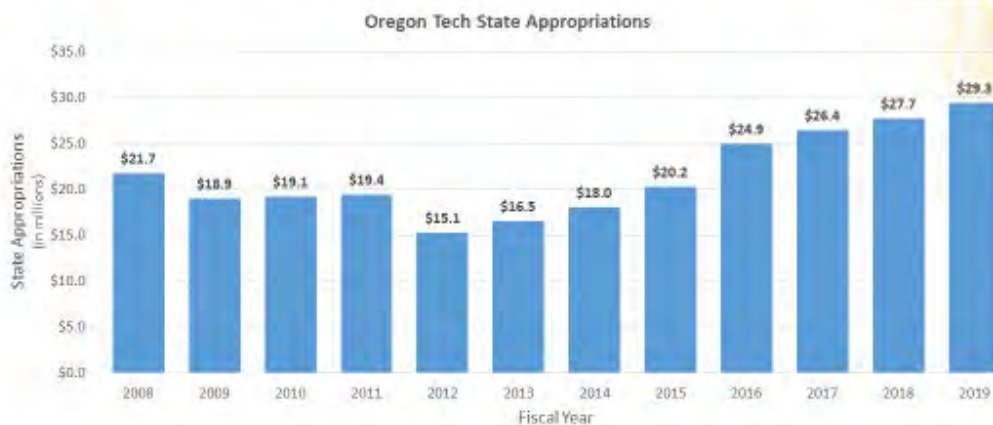


Oregon TECH

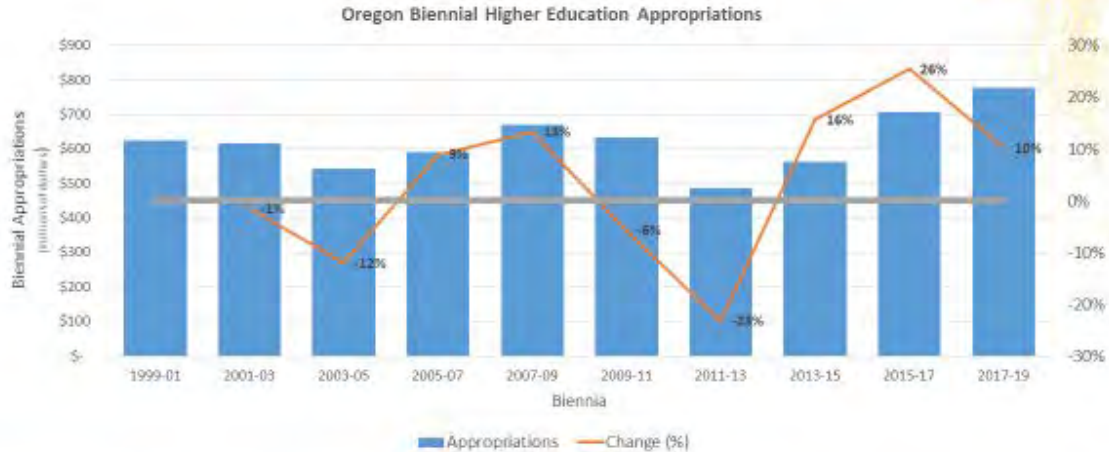
"...3) The Mission Differentiation Funding allocation for Fiscal Year 15 is as follows. This Mission Differentiation Funding allocation shall serve as the basis for subsequent Mission Differentiation Allocations of the PUSF. Following Fiscal Year 2015, ***the Mission Differentiation Funding Allocation will change by the lesser of Inflation or the overall change in the PUSF*** except where indicated below: [Table not included. See ED. NOTE.]

"...11)(b) If, during Fiscal Year 2016 through Fiscal Year 2020 the year-over-year change in the PUSF is less than the Stop Loss threshold for that fiscal year the designated Stop Loss ***is reset to the year-over-year change in the PUSF, such that the change in funding level for all public universities is pro rata.***"

<http://www.fishbase.org/state-of-the-world/2006/2006-state-of-the-world.php>



State Appropriations: Unstable Path



<https://www.oregon.gov/hateduc/research/Documents/Funding/Public-cost-funding-biennials-not-inflation-adjusted.docx.pdf>

State Appropriations: Short-Term Pathways

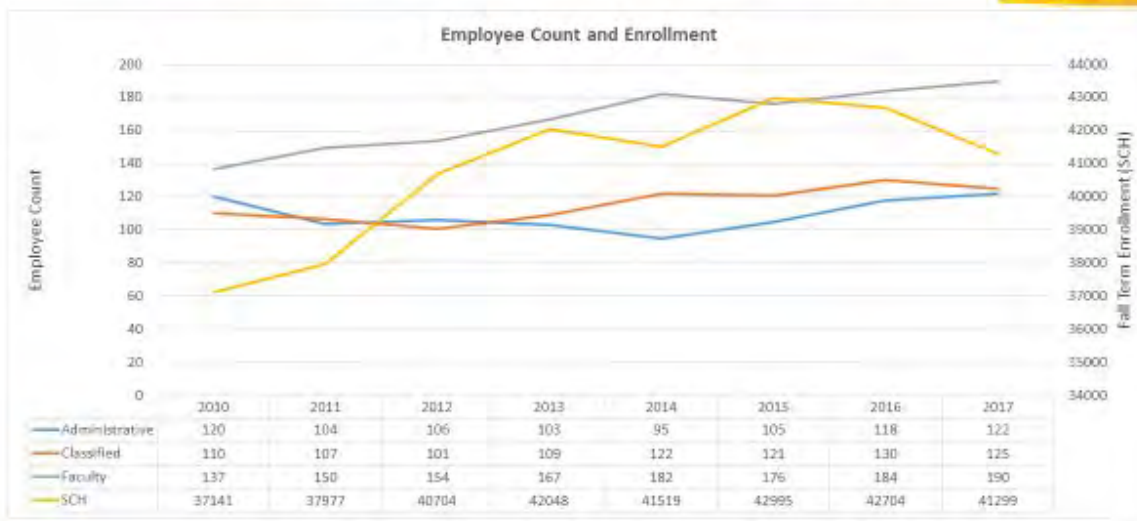


Expenses

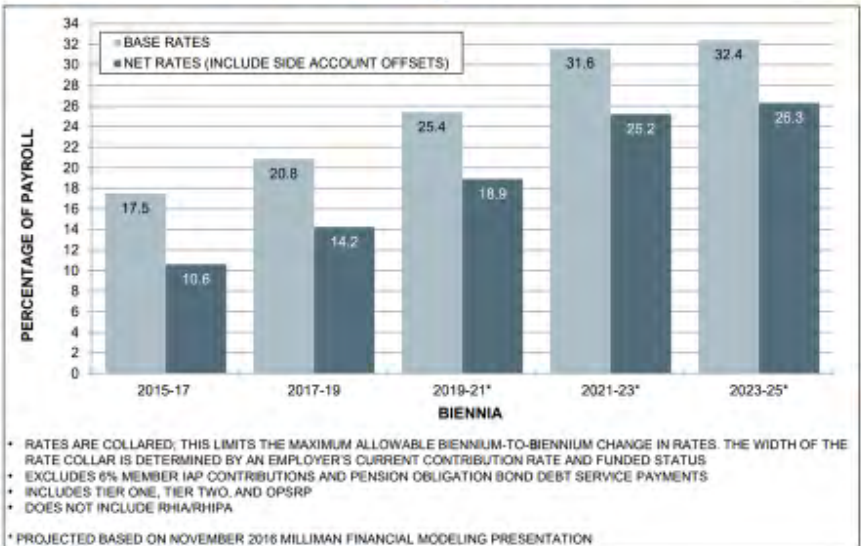
- Personnel (51%)
 - OPE (25%)
 - Retirement
 - Healthcare
- S&S and Equipment Replacement (18%)
- Utilities (2%)



Personnel: Changes in Employee Mix

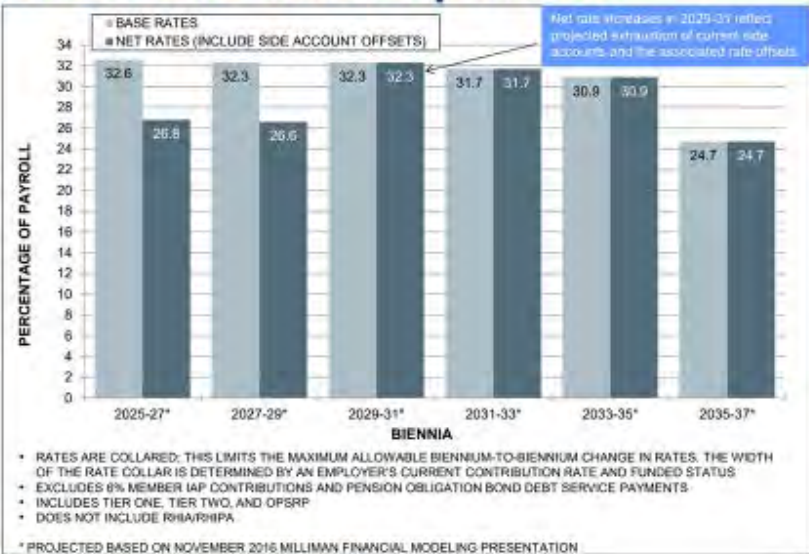


OPE: PERS Rate Expansion



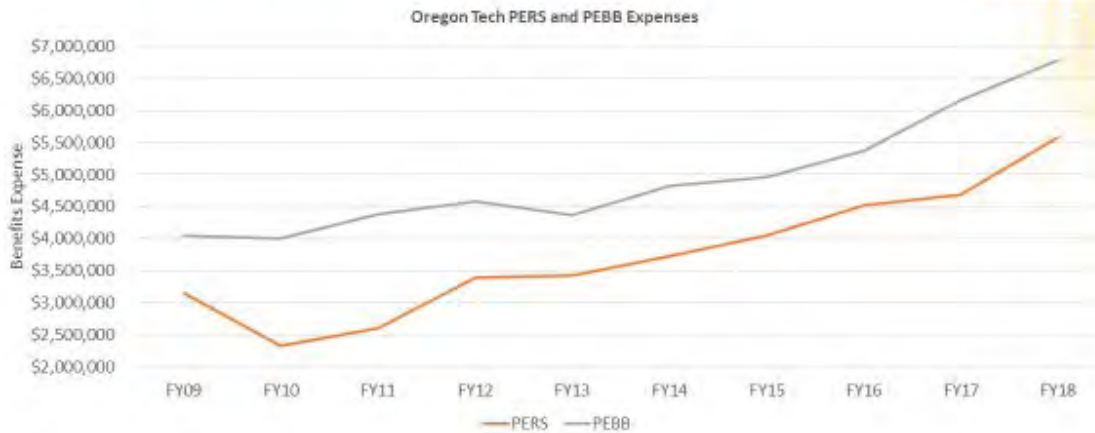
<https://oia.leg.state.or.us/jic/201751/Download/Committee/MeetingDocument/102807>

OPE: PERS Rate Expansion



<https://oia.leg.state.or.us/jic/201751/Download/Committee/MeetingDocument/102807>

OPE: PERS & PEBB Growth



Equipment: Replacement Planning



Inventory and Cost				
	Klamath Falls	Portland-Metro	Cost per Unit (Low)	Cost per Unit (High)
PC Laptop	118	45	\$ 1,073	\$ 1,732
PD Desktop	889	399	\$ 768	\$ 1,459
Mac Laptop	7	8	\$ 1,285	\$ 2,158
Max Desktop	15	3	\$ 1,012	\$ 2,586

		Replacement Range		Total Annual Budget Requirement (4 yr laptop, 5 yr desktop, network and servers)	
		Low	High	Low	High
PC Laptop	\$	174,899	\$ 282,316	\$ 43,737	\$ 70,576
PD Desktop	\$	989,184	\$ 1,879,192	\$ 197,837	\$ 375,838
Mac Laptop	\$	19,275	\$ 32,370	\$ 4,819	\$ 8,093
Max Desktop	\$	18,216	\$ 46,548	\$ 3,643	\$ 9,310
Total	\$	1,201,574	\$ 2,240,426	\$ 250,036	\$ 463,817

Equipment: Current Resourcing



	FY17	FY18	FY19
ITS001 - ITS Capital			\$60,750
ITS040 - Investments			\$344,800
Provost Equipment	\$558,229	\$577,139	\$519,929

Planning: Institutional Next Steps



- Conclude facilities condition analysis and replacement plan
 - Director of Facilities
- Zero Based Budgeting for Departmental S&S
 - Budget and Planning, VPs and AVPs
- Begin academic equipment catalogue and replacement plan
 - Deans and Budget and Planning Office
- Departmental cost benchmarking
 - Budget and Planning Office
- Departmental resource analysis and course/workload planning
 - Provost, Deans, IR and Budget and Planning Office



Questions