
**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>Approval of Minutes of the November 15, 2018 Meeting</u>	1
3. Reports (8:05am)	
3.1 Fiscal Operations Advisory Council (10 min) <i>FOAC Chair Richard Bailey</i>	
4. Action Items (8:15am)	
4.1 <u>Approval of FY 2019 Committee Work Plan</u> (20 min) <i>VPFA Brian Fox</i>	5
4.2 <u>Adoption of FY 2020 Budget Development Goals</u> (8:35am) (30 min) <i>VPFA Brian Fox</i>	9
4.3 <u>Recommendation to the Board to Adopt a Mid-Year Adjusted Budget</u> (9:05am) (30 min) <i>VPFA Brian Fox</i>	13
4.4 <u>Recommendation to the Board to Adopt a Special Tuition Rate (Boeing)</u> (9:35am) (10 min) <i>Director/Chair Steve Addison</i>	17
4.5 <u>Acceptance of the Annual Financial and Single Item Audit Report</u> (9:45am) (30 min) <i>Jean Bushong, CliftenLarsenAllen</i>	20
5. Discussion Items (10:15am)	
5.1 State Budget Update and Timeline (15 min) <i>AVP Brittany Miles</i>	
6. Other Business/New Business (10:30am) <i>Chair Vince Jones</i>	
7. Adjournment (10:45am)	



**Meeting of the
Oregon Tech Board of Trustees
Finance and Facilities Committee
Virtual Meeting
Mt. Thielsen Room, Klamath Falls Campus
November 15, 2018
8:00am – 10:30am**

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

Trustees Present:

Vince Jones, Chair	Grace Rusth	Paul Stewart
Nagi Naganathan, President	Steve Sliwa, Board Vice Chair	

University Staff and Faculty Present:

Diana Angeli, Executive Assistant to the President
Aja Bettencourt-McCarthy, Instruction Librarian
Thom Darrah, Facilities Director
Brian Fox, VP of Finance and Administration
Dave Groff, Legal Counsel
Jim Jones, CIO/AVP of ITS
Stephanie Pope, Budget and Resource Planning Director
Richard Bailey, FOAC Chair/Associate Professor Mathematics

Others Present:

Trever Campbell, Kernutt Stokes (via skype)
Haley Lyons, Kernutt Stokes (via skype)

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

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

Chair Jones explained that as he assumes the role of Committee Chair he will continue to serve as the Facilities liaison with the VPFA and Facilities Director and **Vice Chair Sliwa** will retain the role of Audit and Finance liaison.

4. Consent Agenda

2.2 Approve Minutes of the May 17, 2018 Meeting

Vice Chair Sliwa moved to approve the minutes of the May 17, 2018 meeting. **Trustee Rusth** seconded the motion. With all trustees present voting aye, the motion passed unanimously.

3. Reports

3.1 Fiscal Operations Advisory Council

FOAC Chair Richard Bailey reviewed the charge of the council and gave an overview of the last council meeting. The council reviewed the FY 2018 soft-close budget. He noted increases in state support and tuition revenue and unfilled positions resulted in a positive net balance. The council recommended for the 2019-20 budget development allocations focused on recruiting and retaining students, investments in quality infrastructure, building external connections and partnerships, positioning faculty and staff for success including compensation models that are competitive, and investments in long-term strategy of university including technology in classrooms. The council also discussed establishing a technology replacement program and developing a contingency plan to address declining state support. He gave an overview of the upcoming council meeting: review of capital projects, OMIC, FY '19 budget, and tuition enrollment forecast, and discussion on a recommendation for tuition increase.

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

VPFA Fox stated the report includes the soft-close budget that includes unaudited year-end 2018 figures. He stated the auditors will present year-end figures at the January 2019 meeting. He reviewed the dashboards and reports in the agenda packet. He explained that the internal audit fraud, waste, and abuse hotlines are now forwarded to our general counsel rather than human resources.

3.3 Capital Projects Update

Director Darrah showed a PowerPoint presentation highlighting the status of ongoing capital projects, upcoming projects, and completed projects. Discussion regarding funding.

Trustee Stewart joined the meeting at 8:53am. Vice Chair Sliwa exited the meeting at 9am and rejoined at 9:22am.

4. Action Items

4.1 Approve the Fiscal Year 2019 Risk Assessment and Internal Audit Action Plan

VPFA Fox introduced Haley Lyons and Trever Campbell from Kernutt Stokes. **Ms. Lyons** explained the internal audit charter; gave a status update on the fraud, waste and abuse ethics hotline; and identified the four internal audits: expense/reimbursement, A/P, integrated student health center, and faculty workload management. **Mr. Campbell** explained university management is working on a response to the workload audit and expects a full response in January. He outlined the findings of the audit stating the university needs to refine policies, consistently apply policies, and capture additional data. **Vice Chair Sliwa** identified four benefits from measuring faculty workload: ensuring positive contribution to academic quality, responsiveness to the market/students with course offerings and scheduling, fairness for faculty, and economic efficiency.

Mr. Campbell explained the annual risk assessment involved interviewing twelve members of university management, identified new potential risks, and created an updated risk assessment to be used as a three-year plan. He explained the two main audits proposed for completion this year are OMIC and a fiscal review of athletics. They will also look back on progress made on prior audits. **Vice Chair Sliwa** suggested the auditors look at more

than two areas each year by reducing the hours spent on each and to plan out three years of four audits per year with updates and adjustments made annually.

Vice Chair Sliwa moved to approve the fiscal year 2019 Risk Assessment and Internal Audit Action Plan. Trustee Stewart seconded the motion. A roll call vote was made and the motion passed unanimously.

4.2 Acceptance of the Internal Audit Report: Faculty Workload Management

Trustee Stewart moved to accept the internal audit report for the faculty workload management and to forward it to Academic Quality and Student Success committee for review and discussion at the January 2019 meeting. Trustee Rusth seconded the motion. A roll call vote was made and the motion passed unanimously.

4.3 Acceptance of the Internal Audit Report: Integrated Student Health Center

Trustee Stewart moved to accept the internal audit report for the Integrated Student Health Center. Trustee Sliwa seconded the motion. A roll call vote was made and the motion passed unanimously.

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

VPFA Fox stated in 2017 we asked for approval of \$5M in XI-F bonds. He explained the bond process where the university uses the state's credit rating, the state issues the bond, and the university repays the bond. This bond is proposed to support the fitness facilities. The Board previously approved spending funds against the proceeds and now the university is required to provide an issuance resolution stating the university can repay the bonds. **Vice Chair Sliwa** recommended the life of the asset be longer than the payback period.

Trustee Stewart moved to recommend to the full board approval of Resolution 18-1, a resolution that sufficient revenue exists to support fully self-financing and self-liquidating article XI-F(1) bonds, totaling 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. Trustee Rusth seconded the motion. A roll call vote was made and the motion passed unanimously.

8. Discussion Items

5.1 Long-term Budget Forces

VPFA Fox gave a PowerPoint presentation and identified the main forces and risk factors to the university including a heavy reliance on state funds and tuition and enrollment, and a high percentage of the budget comprised of labor and PERS and PEBB costs. He

explained trends and predictions of enrollment, state funding, and employment. He noted the need for significant replenishment in equipment and capital assets.

9. Other Business/New Business – none

10. Adjournment

Meeting adjourned at 10:34am

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'S. Fox', written over a faint circular stamp.

Sandra Fox
Board Secretary

ACTION ITEM

Agenda Item No. 4.1

Approval of Fiscal Year 2019 Committee Work Plan

Summary

The following docket item provides a FY 2019 work plan for the Finance and Facilities Committee as well as a draft FY 2020 work plan that will be proposed for approval at the Committee's regularly scheduled May 2019 meeting. The proposed FY 2019 work plan includes two adjustments: pushing back until March an analysis of spending ratios to other similar institutions, and delays consideration of Academic Year 2019-2020 tuition until May in response to uncertainties related to the upcoming legislative session.

Background

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

At the Committee's May 2018 meeting a work plan for FY 2019 was adopted. At the request of the Chair, staff is bringing back to the Committee the current year work plan, and a draft FY 2020 work plan. The format includes "Major Topics" and "Minor Topics" which are designed to supported each other and build towards actions of the Board.

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

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

Fiscal Year 2019 Changes

Significant developments have occurred relating to the tuition development process since the Committee last reviewed and adopted a work plan last spring. This includes a Governor's Recommended Budget (GRB) that was significantly more adverse in its "base" format than expected and provided an additional "investment" budget if the legislature were to pass a revenue package, while providing several unforeseen constraints. Significant uncertainty exists in terms of amount and distribution of State General and Lottery Fund resources under the GRB and the current state of play in legislative budget strategy. Further, the Higher Education Coordinating Commission has released enhanced tuition review guidelines that will need to be incorporated in the tuition setting process.

Given the level of uncertainty in state support, and the timelines necessary to better gauge 2019-2021 biennial allocations and increased review standards by the HECC Oregon Tech leadership believe it is advisable to delay a tuition recommendation (F&F Committee) and adoption (Board of Trustees) from the March 2019 meeting until the May 2019 meeting. This was discussed with and supported by the Tuition Recommendation Committee.

Over the fall and early winter, the Budget and Planning Office staff focused on supporting the President and Vice Presidents in developing a mid-year revised budget and supporting the tuition development process. This has pushed back progress on an analysis of internal expense ratios, which will be complete for review and discussion at the F&F Committee's March 2019 meeting.

Staff Recommendation

Staff recommends the Committee adopt the Fiscal Year 2019 Finance & Facilities Committee Work Plan as described in the docket.

Attachments

- Fiscal Year 2019 F&F Committee Work Plan
- Draft Fiscal Year 2020 F&F Committee Work Plan

Fiscal Year 2019 Finance and Facilities Committee Work Plan

November 15, 2018	
Major Topics:	
<ul style="list-style-type: none"> - Capital Projects Report - Long-Term Financial Planning - Annual Internal Audit Risk Report and FY 2019 Work Plan [Action] 	
Minor Topics:	
<ul style="list-style-type: none"> - FY 2018 Q4 Quarterly Dashboard (Unaudited FYE) - FY 2019 Q1 Quarterly Dashboard - Cash Balances & Cash Flow Forecast Update - OMIC Annual Update - Fall Enrollment Update 	
January 24, 2019	
Major Topics:	
<ul style="list-style-type: none"> - Financial Statement and Single Audit Presentation [Action] - Budget Development Principles [Action] - FY 2019 and FY 2020 Committee Work Plan [Action] - FY 2018 Financial Statement and Single Audit [Action] 	
Minor Topics:	
<ul style="list-style-type: none"> - State Budget Forecast 	
March 21, 2019	
Major Topics:	
<ul style="list-style-type: none"> - Tuition Development Process Update - Expense Ratio Analysis - CEET Project Update - Receive Internal Audit Report(s) [Action] 	
Minor Topics:	
<ul style="list-style-type: none"> - FY 2019 Q2 Quarterly Dashboard - Legislative Update 	
May 30, 2019	
Major Topics:	
<ul style="list-style-type: none"> - Tuition Recommendation [Action] - Budget Recommendation [Action] - Internal Audit Risk Assessment and Annual FY 2020 Work Plan [Action] 	
Minor Topics:	
<ul style="list-style-type: none"> - Legislative Update - FY 2019 Q3 Quarterly Dashboard - Capital Projects Summer Plan - FY 2020 Committee Work Plan [Action] 	

DRAFT Fiscal Year 2020 Finance and Facilities Committee Work Plan

Fall 2019	
Major Topics:	
<ul style="list-style-type: none"> - Capital Projects Report - Financial Dashboard Update – Financial Ratios - Strategic Enrollment Management – Fall Enrollment Update 	
Minor Topics:	
<ul style="list-style-type: none"> - FY 2019 Q4 Quarterly Dashboard (Unaudited FYE) - FY 2020 Q1 Quarterly Dashboard - Full Legislative Session Review - OMIC Annual Update 	
Winter 2020	
Major Topics:	
<ul style="list-style-type: none"> - Financial Statement and Single Audit Presentation [Action] - Budget Development Principles [Action] - Receive Internal Audit Report(s) [Action] 	
Minor Topics:	
<ul style="list-style-type: none"> - FY 2020 Q2 Quarterly Dashboard - State Budget Forecast - Legislative Update 	
Early Spring 2020	
Major Topics:	
<ul style="list-style-type: none"> - Tuition Development Process Update - Capital Master Planning Update - Receive Internal Audit Report(s) [Action] 	
Minor Topics:	
<ul style="list-style-type: none"> - Legislative Update/Short-Session Recap 	
Late Spring 2020	
Major Topics:	
<ul style="list-style-type: none"> - Tuition Recommendation [Action] - Budget Recommendation [Action] - Internal Audit Risk Assessment and Annual FY 2020 Work Plan [Action] 	
Minor Topics:	
<ul style="list-style-type: none"> - Legislative Update - FY 2020 Q3 Quarterly Dashboard - Capital Projects Summer Plan - FY 2021 Committee Work Plan [Action] 	

ACTION

Agenda Item No. 4.2

Adoption of Fiscal Year 2019-20 Budget Development Goals

Summary

Oregon Tech has begun the annual budget development process. This marks the second year in which responsibility for developing budget recommendations are distributed down to department directors and chairs, with overarching budget targets for divisional leaders, Vice President's and Deans. The Budget and Planning Office is managing the budget development process in close coordination with the Senior Leadership Team and at the direction of the President.

To provide guidance for leaders across departments in developing and prioritizing budget requests, including both ongoing and new investments, the university is proposing establish budget goals. These goals will be used by the Senior Leadership Team and the President when establishing a budget recommendation to the Board of Trustees at its May 30, 2019 meeting. The following goals have been established for discussion and approval by the Finance and Facilities Committee for the 2019-20 Fiscal Year Education and General Budget:

- 1) Prioritize recruiting, retaining and graduating students
- 2) Invest in faculty, staff, and infrastructure to support student success
- 3) Align programs and initiatives with industry demand
- 4) Manage operating efficiency in all aspects of the university
- 5) Manage short-term uncertainty – focus on long-term sustainability

These goals take into consideration the Board's one-time investment philosophy, the approved Short-Term Action Plan goals and input from FOAC, the university committee charged with supporting the budget development process.

Background

During the 2018-19 fiscal year Oregon Tech is repositioning and reallocating funds from vacancies, S&S and utility savings towards investments which are designed to drive enrollment, support faculty and academic programs and enhance the physical infrastructure of the university. As the university heads into 2019-20 budget planning cycle there are significant uncertainties on the horizon.

The state of Oregon's budget picture remains unclear and shares many of the same underlying cost drivers as Oregon Tech. Specifically, expenses related to employee benefits are expected to increase significantly. These impact state spending priorities, in particular K-12 education, social services and corrections which are personnel heavy. Developments between policy makers in the legislative and executive branch in terms of funding strategy, policy priority as well as the likelihood of a revenue

package being referred to the voters creates significant levels of uncertainty in university funding levels for the upcoming biennia.

Oregon Tech's early investments as well as key personnel shifts in Strategic Enrollment Management have yielded promising signs in terms of applications and interest in the university by students. Further investments are proposed in the adjusted budget, using reallocated funds. These are expected to bear fruit over time. However, the same issues on the expense side of the ledger for the state will impact Oregon Tech, with employee benefits expected to increase significantly next biennia. The impact of collective bargaining negotiations for classified staff and faculty are too early to predict or understand, and much will be determined by the level of state funding.

In an institution wide effort to push management and development of department budgets down to department chairs in Academic Affairs and to directors in the administrative units the Budget and Planning Office is entering the second year of a new distributed budget model. This system relies on department leaders to develop their budgets using pre-set templates and budget goals, and negotiate with their divisional executives.

The budget templates asked each unit to develop a 5% reduction, flat, and 3% investment scenario on all funds. These scenarios include departments managing forecast salary and OPE increases. These are aggressive targets given the university's tradition of base-plus budgeting and little active departmental management. In academic units the university shifted overload and online pay into the departments and colleges and out of central reserves to better link budgets with decision making.

In both academic and administrative units individual departments will develop budgets using templates prepared by the Budget and Planning Office, however their deans, or divisional executives will be responsible for submitting division wide budget scenarios at each of the -5%, flat and +3% levels. This allows division executives to manage trade-offs and prioritize between departments within their unit to reallocate funds to higher and better uses.

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

FY 2019-20 Budget Development Timeline

	2018				2019					
	November	December	January	February	March	April	May	June	July	
GRB										
Co-Chair's Budget Revenue Package										
Tuition Recommendation*										
Tuition Approval (BOT)*										
Budget Template Development										
Division Leads										
Investment Requests										
Campus Consultation										
Senior Leadership Review										
Final Budget Development										
Budget Recommendation										
Budget Approval (BOT)										

Budget Development Goals

In establishing budget development goals for FY 2020 the university incorporated both a forward-looking understanding of what risks and opportunities are likely to be present over the coming three to four months during the development process and over the coming year and years. The President's approved short-term action goals and the Board's policy on utilizing one-time funding as well as proactive input from the faculty led Fiscal Operations Advisory Council (FOAC) were incorporated into a distilled and focus set of goals.

Oregon Tech 2020 Budget Development Goals

- 1) Prioritize recruiting, retaining and graduating students
- 2) Invest in faculty, staff, and infrastructure to support student success
- 3) Align programs and initiatives with industry demand
- 4) Manage operating efficiency in all aspects of the university
- 5) Manage short-term uncertainty – focus on long-term sustainability

Staff Recommendation

Staff recommends the committee approve the FY 2020 Budget Development Principles as proposed in the docket.

Attachments

- FOAC Budget Development Principles Recommendation
- Short Term Action Plan Goals
- Board's One-Time Budget Strategy

FOAC Budget Development Principles Recommendation

- Invest in quality infrastructure for education of our students
- Position the university to be attractive and supportive of students
- Focus on growth in recruiting and retaining students
- Build external connections and partnerships to support growth
- Position faculty and staff for success including compensation, systems and supports
- Consider and invest in the long-term position and strategy of the university
- Support for class, course and resource planning management

Short Term Action Plan Goals

The President established a set of 11 action oriented goals, which were subsequently endorsed by the Board of Trustees. Executive sponsors and diverse implementation teams for the development and execution of actions around each goal have been established and are actively identifying and implementing investments and changes to past practice to advance the university. The goals are as follows:

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

Board's One-Time Budget Strategy

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

1. Generate increased revenue through creation of new or expanding existing applied-degree programs and/or university revenue producing functions that are affordable while being responsive to industry and student demand.
2. Generate recurring cost savings for both financial and human capital.
3. Contribute to the strategic mission of Oregon Tech.
4. Address unmet needs that do not necessarily result in increased revenue and/or generate recurring cost savings, especially where the nature of unrestricted funds can be used.¹

¹ Oregon Tech Board of Trustees. "Strategic View of Budget and One-Time Funding Budget Philosophy." https://oregontechsfcdn.azureedge.net/oregontech/docs/default-source/board-of-trustees-documents/2016-meetings/february/one-time-funding-budget-philosophy-approved-22feb2016.pdf?sfvrsn=c8389060_2

ACTION

Agenda Item No. 4.3

Recommendation to the Board to Adopt a FY 2019 Mid-Year Adjusted Budget

Background

During the 2018 Fiscal Year budget adoption process at the May 2018 Board meeting, the Chair of the Finance and Facilities Committee asked that a mid-year adjusted budget be brought forward given the significant level of investment from reserves that were approved. This Action Item outlines subsequent fluctuations in budget to actual and associated year-end forecast changes due to the normal course of business, and changes in management strategy, and investment decisions as additional information has come available and plans have matured. The proposed amended budget continues to support and align with the President's Short Term Action Plan Goals, as approved by the Board.

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

In setting out an adjusted budget the university seeks to ensure operating results in the Education and General Fund are at or better than those originally approved by the Board, reflect budget corrections and unforeseen circumstances, mid-year salary adjustments and merit pool, investments in academic operations, faculty and people, capital improvements, strategic investments largely in enrollment growth and support the contingency fund controlled by the President which was less in the approved budget than is necessary.

Budget to Date

Oregon Tech has reached the end of the calendar year, Q2 forecasting increased revenue, with decreases in state support due to a lower degree completions and SCH production in Academic Year 2017-18 and an offsetting increase in forecast net-tuition revenue. In regard to expenses, salary savings and associated OPE, conservatively forecast are coming in ahead of budget as are utilities, service and supplies, capital and various other non-personnel expenses. However, through the implementation of a new distributed budget development process last year, several indices were not

included in the board adopted budget, but are necessary for normal operations and have been included in the mid-year adjusted budget and are included under the category “Budget Corrections.”

Overall, the management of expenses during the first two quarters, and expected savings in the third and fourth quarters has allowed for the reallocation of resources into areas that will reinforce growth drivers over time.

Staff Recommendation

Staff recommends the Committee support the proposed Fiscal Year 2019 mid-year budget adjustment, as outlined in the docket, and recommend adoption by the full Board of Trustees.

Attachments

- Adjusted Budget
- FY2018 Adjustment Details
- Strategic Investments

Adjusted Budget
FY 2018 Mid-Year Adjusted Budget Breakdown

Acct	FY19 Board Adopted Budget	Forecast	Adjustments	FY19 Adjusted Budget
State Allocations	\$29,301,174	\$28,945,097	\$0	\$28,945,097
Tuition & Fees	\$35,557,629	\$36,464,814	\$1,487,700	\$37,952,514
Remissions	(\$4,110,518)	(\$4,558,000)	\$0	(\$4,558,000)
Other	\$1,556,975	\$1,557,000	\$0	\$1,557,000
Total Revenue	\$62,305,260	\$62,408,911	\$1,487,700	\$63,896,611
Labor & OPE	\$48,229,090	\$47,596,219	\$1,703,862	\$49,300,081
Planned Salary Savings	(\$1,000,000)	(\$1,000,000)		(\$1,000,000)
Other Expenses	\$15,030,778	\$14,371,606	\$1,102,827	\$15,474,433
Total All Expenses	\$62,259,868	\$60,967,825	\$2,806,689	\$63,774,514
Net (Revenue - Expenses)	\$45,392	\$1,441,086	(\$1,318,989)	\$122,097

Investments				
Contingency Fund	\$250,000	\$250,000	\$123,370	\$123,370
Strategic Fund & Salary Pool	\$814,480	\$814,480	\$2,090,043	\$2,090,043
New Positions	\$1,166,880			
Total Strategic Fund	\$2,231,360	\$1,064,480	\$2,213,413	\$2,213,413
Total Net FY19 Budget	(\$2,185,968)	\$376,606	(\$3,532,402)	(\$2,091,317)

Note: Budgeted amounts within the Forecast column of the "Investment" section have been reallocated to their appropriate expense categories within the budgeted portion of the table and moved out of Contingency, or Strategic Fund accounts. Only those amounts within the Adjustments column in the Investment section are carried into these accounts for the FY19 Adjusted Budget column.

FY 2018 Adjustment Details

Budget Adjustments	
Base Budget	
Faculty Investment	\$492,122
Other Academic Investment	\$389,431
Investment in Staff	\$64,309
Capital Improvement	\$111,668
Organizational Improvement	\$96,000
Bargaining	\$125,000
Operations	\$197,325
Prior Year (Equipment)	\$31,564
Budget Correction	\$1,299,270
Base Budget Total	\$2,806,689
Investment and Contingency	
Contingency	\$123,370
Strategic Investment	\$2,090,043
Investment and Contingency Total	\$2,213,413
Total	\$5,020,103

Strategic Investments	
Strategic Investment Detail	
Investment Area	
2% Pay Increase (mid-year)	\$268,015
0.5% Merit Pay Award	\$67,004
Strategic Enrollment Management	\$820,585
ABA Clinic & Programming	\$249,121
General Counsel (Labor Relations)	\$69,794
2018 Softball Field Upgrade Match	\$202,187
Marketing and Development	\$59,850
Reserve	\$300,000
Other	\$53,487
Total	\$2,090,043

ACTION ITEM

Agenda Item No. 4.4

Recommendation to the Board to Adopt a Special Tuition Rate (Boeing)

Summary

The following docket item proposes an increase to undergraduate and graduate tuition rates for Boeing students at the Seattle campus by 5.5% for the upcoming academic year.

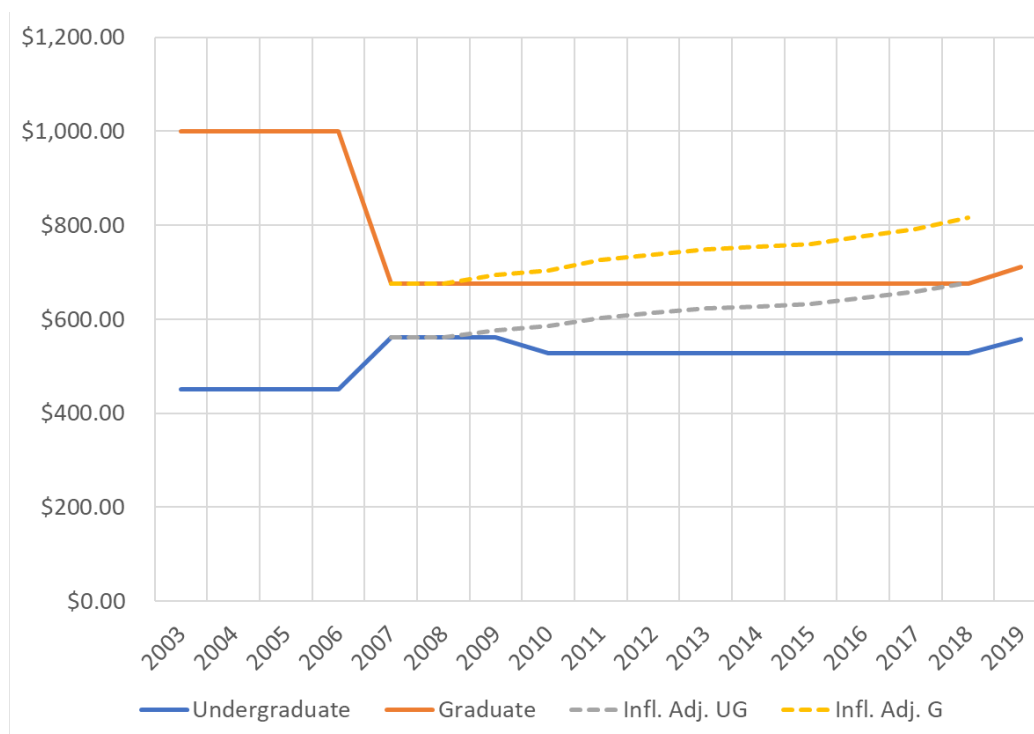
Background

Oregon Tech's Seattle campus is in a unique situation, teaching Washington-based students taking courses through an Oregon-based university at a campus in Washington state. Furthermore, Oregon Tech's Boeing campus teaches a flexible schedule including evening and weekend classes with small student cohorts to accommodate the Boeing shift system and the 70-mile spread of Boeing sites in the Puget Sound.

To do this and to meet the requirements of the Boeing/SPEEA LTP program which supplies all of the students' funding other than federal taxes, Oregon Tech provide Boeing with a nominal "list price" based upon rates charged by comparable universities in the Puget Sound area and then apply a 20% (undergraduate) and 10% (graduate) discount to that price. Note that the current Oregon Tech-Boeing contract does not contain any prices but rather establishes the discount rates. Thus, Oregon Tech is able to adjust its tuition pricing without re-entering contract negotiation.

The following table and chart show the undergraduate and graduate tuition rates charged at the Seattle campus from 2003 to 2018 and the proposed rates for 2019. The numbers are the per-credit prices charged to students after applying the 20% (undergraduate) and 10% (graduate) discounts.

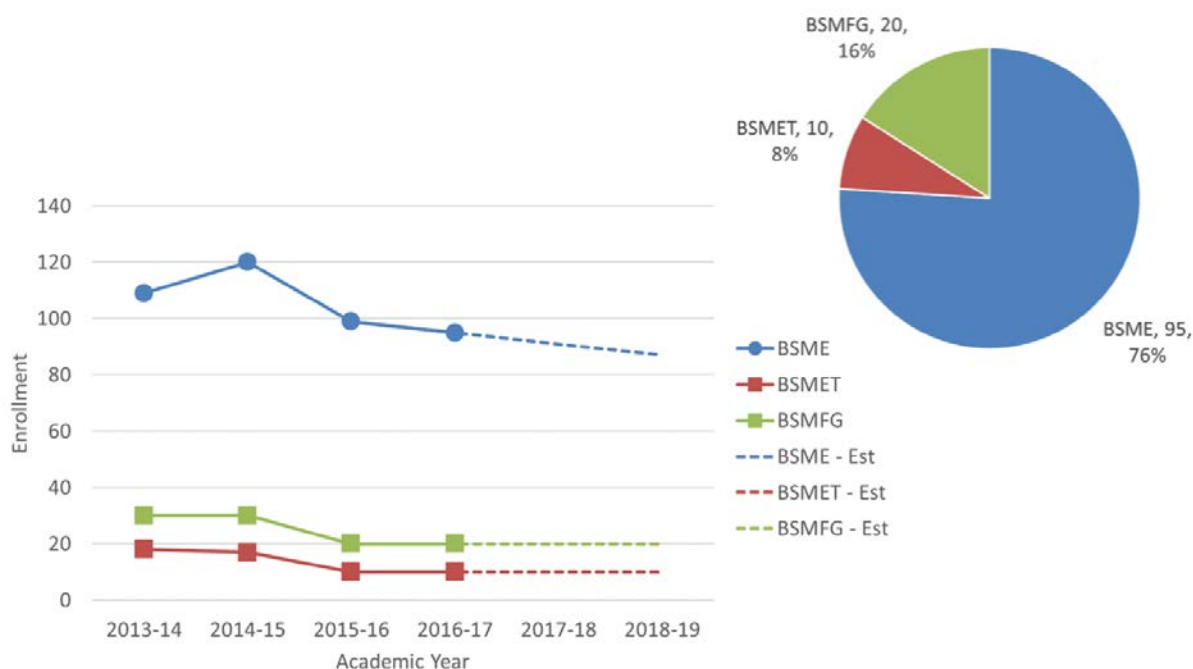
Year	Undergraduate	Graduate	Infl. Adj. UG	Infl. Adj. G	Inflation (%)
2003	\$450.00	\$1,000.00			
2004	\$450.00	\$1,000.00			
2005	\$450.00	\$1,000.00			
2006	\$450.00	\$1,000.00			
2007	\$561.00	\$675.00	\$561.00	\$675.00	
2008	\$561.00	\$675.00	\$561.56	\$675.68	0.1%
2009	\$561.00	\$675.00	\$576.72	\$693.92	2.7%
2010	\$528.00	\$675.00	\$585.37	\$704.33	1.5%
2011	\$528.00	\$675.00	\$602.94	\$725.46	3.0%
2012	\$528.00	\$675.00	\$613.19	\$737.79	1.7%
2013	\$528.00	\$675.00	\$622.38	\$748.86	1.5%
2014	\$528.00	\$675.00	\$627.36	\$754.85	0.8%
2015	\$528.00	\$675.00	\$631.75	\$760.13	0.7%
2016	\$528.00	\$675.00	\$645.02	\$776.09	2.1%
2017	\$528.00	\$675.00	\$658.57	\$792.39	2.1%
2018	\$528.00	\$675.00	\$677.66	\$815.37	2.9%
2019	\$557.04	\$712.13			



There have been no price adjustments for graduate tuition since 2007, in which Oregon Tech dramatically reduced the graduate tuition rate to be competitive with local (Seattle area) universities, and a modest decrease in undergraduate prices in 2010.

The net result is that tuition revenue per student has fallen in real terms. This is highlighted by the dashed lines in the chart above which are the inflation-adjusted numbers (using BLS data) based on a starting point of 2007. The overall impact has been masked to an extent by the increased student headcount at the campus from 2012 onwards when the BSME degree was introduced.

However, the numbers in the BSME program are settling to a lower sustainable level after the initial enrollment “bulge” and the impact of the static tuition rate is beginning to be felt – especially as the Oregon Tech Seattle program are struggling to remain competitive in the local market for adjunct faculty.



Proposal

Starting in Summer Term 2019 a modest increase of 5.5% in tuition for both the undergraduate and graduate tuition rates for Boeing students at the Seattle campus is proposed. The per-credit tuition rates would be as follows:

	2017/18		2018/19	
	List	Discounted	List	Discounted
Undergraduate	\$660.00	\$528.00	\$696.30	\$557.04
Graduate	\$750.00	\$675.00	\$791.25	\$712.13

Staff Recommendation

Staff recommends the Committee recommend to the Board adoption of the Proposed Special Tuition Rate increase for the Seattle (Boeing) program, beginning in Summer Term 2019 as described in the docket.

DISCUSSION

Agenda Item No. 4.5

Acceptance of the Annual Financial and Single Audit Report

Background

The Oregon Tech 2018 Annual Financial Report was prepared by Oregon Tech in conjunction with the University Shared Services Enterprise (USSE). The audit opinion issued by CliftonLarsonAllen LLP (CLA) is an unmodified opinion. This audit opinion is attached below.

CLA has prepared a Governance Communication Letter to communicate certain matters related to the conduct of the audit to those who have responsibility for oversight of the financial reporting process. The Governance Communication Letter is attached below.

CLA has issued an unmodified opinion on Oregon Tech's 2018 Annual Financial Report.

The 2018 Annual Financial Report and Single Audit Report can be found at the following link <https://www.oit.edu/faculty-staff/finance-administration/annual-financial-report> and printed copies will be provided to all members of the Board of Trustees.

Staff Recommendation

Staff recommends the Finance and Facilities Committee, acting as the Audit Committee, accept the Oregon Tech 2018 Annual Financial Report and 2018 Single Audit Report as published.

Attachments

- [Oregon Tech 2018 Annual Financial Report Governance Communication Letter](#)
- [Oregon Tech 2018 Annual Financial Report Management Letter](#)
- [Oregon Tech 2018 Single Audit Report](#)

Oregon Tech 2018 Annual Financial Report Governance Communication Letter

Oregon Tech
Members of the Audit Committee

We have audited the financial statements of the business-type activities and the discretely presented component unit of Oregon Tech (the University) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 20, 2018. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements.

The University adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. The adoption and implementation of this statement resulted in a restatement of beginning net position, as of July 1, 2017. Fiscal year 2017 was not restated for this change in accounting principle due to the fact that information was not available to the University to restate net position as of July 1, 2016.

The University elected to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, during the year ended June 30, 2018. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will no longer be capitalized and included in the historical cost of a capital asset for the University beginning in fiscal year 2018.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Members of the Audit Committee
Oregon Tech
Page 2

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for doubtful accounts is based on based on historical collection rates
- Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from five to 50 years.
- Compensated absences and related personnel expenses are recognized based on estimated balances due to employees for vacation leave. The limitations on such payments are defined by the rules associated with the personnel systems at the University.
- Summer session tuition unearned revenue is the estimate of the number of days of summer courses that were incurred subsequent to fiscal year-end, but for which tuition was charged and collected prior to fiscal year-end.
- Oregon Public Employees Retirement System (PERS) net pension liability is recognized based on estimated actuarial data determined by PERS. The University is allocated a percentage of this liability determined by PERS and the Oregon Department of Administrative Services and this allocated percentage is then reviewed by the Secretary of State Audits Division.
- Other post-employment benefits liabilities, assets, and related deferrals are recognized based on estimated actuarial data determined by an actuary. The University is allocated a percentage of these amounts determined by the State of Oregon's Department of Administrative services and this allocated percentage is then reviewed by the Secretary of State Audits Division.
- Congress did not renew the Perkins Loan Program after September 30, 2017. As a result, no loan disbursements to students were permitted after June 30, 2018. The lack of renewal also means that the federal portion of the revolving loan program must be repaid to the Department of Education (ED) as by students repay loans to the school. As such, the Perkins Program Loan Liability is based upon the percentage of the federal capital contribution (reported annually on the FISAP) applied to the Perkins Loans Fund asset balance. This is the University's best estimate of the amount of funds that will be repaid to the ED as loans are collected from student.

We evaluated the key factors and assumptions used to develop the estimates described above in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Members of the Audit Committee
Oregon Tech
Page 3

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes the uncorrected misstatement of the financial statements. Management has determined that its effects is immaterial to the financial statements taken as a whole.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated December 20, 2018.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other audit findings or issues

We have provided a separate letter to you dated December 20, 2018, communicating internal control related matters identified during the audit.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Quality of component auditor's work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Members of the Audit Committee
Oregon Tech
Page 4

Limitations on the group audit

There were no restrictions on our access to information of components or other limitations on the group audit.

Other information in documents containing audited financial statements

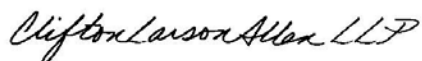
With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the Schedule of Expenditures of Federal Awards (the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 20, 2018.

The Message from the President accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This communication is intended solely for the information and use of the Audit Committee and management of the University and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 20, 2018

Oregon Tech
Passed Audit Adjustment
For the Year Ended June 30, 2018

Description	Debit	Credit
Passed Journal Entry JE # 1		
To properly reflect membership revenue recognized in fiscal year 2017 that should have been recognized in 2018.		
Beginning Balance Net Position	\$ 735,000	\$ -
Membership Revenue	-	735,000
Total	\$ 735,000	\$ 735,000
 <u>Cumulative Impact:</u>		
Assets/Deferred Outflows (Overstated) Understated	\$ -	
Liabilities/Deferred Inflows Overstated (Understated)	-	
Beginning Net Position - Prior to Restatement - Overstated (Understated)	735,000	
Beginning Net Position Restatement - Overstated (Understated)	-	
	<u>735,000</u>	
Support and Revenue Overstated (Understated)	(735,000)	
Expenses (Overstated) Understated	-	
Changes in Net Position Overstated (Understated)	<u>\$ (735,000)</u>	

Oregon Tech 2018 Annual Financial Report Management Letter



CliftonLarsonAllen LLP
CLAAconnect.com

Audit Committee and Management
Oregon Tech
Klamath Falls, Oregon

In planning and performing our audit of the financial statements of the business-type activities and the discretely presented component unit of Oregon Tech (the University), a component unit of the State of Oregon, as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. While the nature and magnitude of the other deficiencies in internal control was not considered important enough to merit the attention of the Audit Committee, it was considered of sufficient importance to merit management's attention and are included herein to provide a single, comprehensive communication for both those charged with governance and management.

Our comments and suggestions regarding those matters are summarized below.

Other deficiencies in internal control and other matters

Uniform Grant Guidance Procurement Policy

Upon the effective date of the Code of Federal Regulations Part 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), institutions receiving federal awards are required to implement a procurement policy in compliance with regulations set forth in CFR 200.317. Non-Federal entities such as the University were required to be in compliance with all aspects of the Uniform Guidance effective December 26, 2014 with the exception of procurement policies, which were allowed a grace period of three fiscal years under the previous guidance. Starting July 1, 2018 (Fiscal Year 2019), the University was required to have a procurement policy in place which complies with the Uniform Guidance. During the course of the Fiscal Year 2018 audit, upon inquiry, we were informed by the University that the University had not yet implemented a procurement policy in conformity with the requirement of the Uniform Guidance well into Fiscal Year 2019. Such noncompliance will result in significant, perhaps material, deficiencies and noncompliance to be reported in future audits. This could lead to program audits and/or loss of funding based on awarding agency discretion.

Recommendation

We recommend that the University implement a procurement policy which is in compliance with the Uniform Guidance immediately.



Audit Committee and Management
Oregon Tech
Page 2

Fraud, Waste, and Abuse Hotline

During the financial statement audit, we performed interviews of University employees regarding the process to report fraud and abuse. During those conversations, we noted that while there was a fraud and abuse line, there were opportunities to improve communications to University employees regarding their responsibility to report fraud and abuse and how to do so.

Recommendation

We recommend that the University effectively provide consistent communication with University employees regarding their responsibilities of reporting fraud and abuse. This could include advertising the fraud and abuse phone number throughout campus, annual trainings regarding responsibilities surrounding fraud and abuse, and annual certifications by employees stating they understand their responsibilities of reporting fraud and abuse and how to do so (fraud abuse hotline).

Manual Check Process

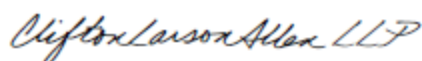
During the course of the audit we noted that the University did not have a clear process or policy outlining how manual checks are processed. Manual checks are inherently risky and clear detailed procedures should be in place to ensure proper controls throughout the process from initiation through payment.

Recommendation

We recommend that the University adopt a clear and concise manual check process with the necessary level of internal controls and segregation of duties.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various University personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This communication is intended solely for the information and use of management, the Audit Committee, and others within the University, and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Denver, Colorado
December 20, 2018

Oregon Tech 2018 Single Audit Report

**OREGON TECH
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

**OREGON TECH
SINGLE AUDIT REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2018**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	8



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Oregon Tech
Klamath Falls, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Oregon Tech (the University), a component unit of the State of Oregon, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 20, 2018. Our report includes a reference to other auditors who audited the financial statements of the Oregon Tech Foundation, a discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



(1)

Members of the Board
Oregon Tech

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described as items 2018-001, 2018-002, and 2018-003 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

Compliance and Other Matters

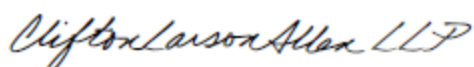
As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The University's Response to Findings

The University's responses to the findings identified in our audit are described in the accompanying corrective action plan. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



CliftonLarsonAllen LLP

Denver, Colorado
December 20, 2018



CliftonLarsonAllen LLP
CLAAconnect.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board
Oregon Tech
Klamath Falls, Oregon

Report on Compliance for Each Major Federal Program

We have audited Oregon Tech's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2018. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance on the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, Oregon Tech complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.



(3)

Members of the Board
Oregon Tech

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2018-004 and 2018-005. Our opinion on the major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2018-004 and 2018-005 which we consider to be significant deficiencies.

The University's responses to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

(4)

Members of the Board
Oregon Tech

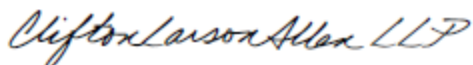
The University's Response to Findings

The University's responses to the findings identified in our audit are described in the accompanying corrective action plan. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the discretely presented component unit of the University, a component unit of the State of Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 20, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Denver, Colorado
December 20, 2018

OREGON TECH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Cluster	Federal Grantor	Program Title	CFDA Number	Pass-Through Entity	Expenditures
Research and Development					
	Department of the Interior	Fish, Wildlife and Plant Conservation Resource Management	15.231		\$ 7,216
	Department of the Interior	Environmental Quality and Protection	15.236		10,704
	Department of the Interior	Fish and Wildlife Coordination Act	15.517		30,180
	Department of the Interior	Fish and Wildlife Management Assistance	15.608		9,615
	Department of the Interior	Youth Engagement, Education, and Employment	15.676		2,583
	Department of the Interior	National and Regional Climate Adaptation Science Centers	15.820		1,189
	Department of the Interior Total				61,487
	Department of Transportation	University Transportation Centers Program	20.701	Portland State University	158,189
	National Aeronautics and Space Administration	Education	43.008	Oregon State University	14,616
	National Aeronautics and Space Administration	Education	43.008		454
	National Aeronautics and Space Administration Total				15,070
	Total Research and Development Cluster				234,746
Student Financial Assistance					
	Department of Education	Supplemental Educational Opportunity Grants	84.007		129,510
	Department of Education	Work-Study Program	84.033		150,041
	Department of Education	Perkins Loan	84.038		2,353,487
	Department of Education	Pell Grant Program	84.063		5,473,957
	Department of Education	Direct Student Loans	84.268		17,096,618
	Total Department of Education and Student Financial Assistance Cluster				25,203,613
TRIO					
	Department of Education	Student Support Services	84.042		256,673
	Total Department of Education and TRIO Cluster				256,673
Other Programs					
	National Aeronautics and Space Administration	Science	43.001	Oregon State University	111,786
	National Aeronautics and Space Administration	Education	43.008	Oregon State University	41,822
	Total National Aeronautics and Space Administration and Other Programs				153,608
Total Expenditures of Federal Funds					\$ 25,848,640

See notes to the Schedule of Expenditures of Federal Awards.

(6)

OREGON TECH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Oregon Tech under programs of the federal government of the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Oregon Tech, it is not intended to and does not present the financial position, changes in net position, or cash flows of Oregon Tech.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Oregon Tech has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 FEDERAL STUDENT LOAN PROGRAMS

The federal student loan programs listed subsequently are administered directly by Oregon Tech, and balances and transactions relating to these programs are included in Oregon Tech's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2018 consists of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Perkins Loans	84.038	\$ 1,842,652

(7)

**OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? ☐ yes ☒ no
 - Significant deficiency(ies) identified? ☒ yes ☐ none reported
3. Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? ☐ yes ☒ no
 - Significant deficiency(ies) identified? ☒ yes ☐ none reported
2. Type of auditors' report issued on Compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☒ yes ☐ no

Identification of Major Federal Programs

CFDA Number(s)

84.007, 84.033, 84.038,
84.063, 84.268

Name of Federal Program or Cluster

Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$775,459/\$193,865

Auditee qualified as low-risk auditee?

☒ yes ☐ no

OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

2018-001

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During our testing over the information technology (IT) control environment, we noted that certain programmers had the ability to execute, update, and read production programs and data files in Banner.

Criteria or specific requirement: When users have the access rights described above, there is a risk of unauthorized programs being introduced into the production environment.

Context: Our testing noted four users had these access rights.

Effect: Unauthorized programs which have not been approved by the user community may perform illegitimate functions or cause errors due to being poorly tested.

Cause: The University was not aware of these incompatible rights at the time the users were set up.

Repeat Finding: Yes 2017-001.

Recommendation: We recommend that the University review its programmer access rights and ensure that users maintain only inquiry access to the production environment. Privileged access should only be granted in the event of a problem in production which needs to be addressed.

2018-002

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During our audit, through interviews of University personnel, we learned of various control deficiencies in the human resources and payroll processes, including:

- Payments were made to four employees who had either been terminated or whose contracts were no longer active. Amounts were either subsequently returned to the University or checks were later voided.
- Various incorrect payments were made to employees during the year. Subsequently, overpayments were returned to the University. Over the course of multiple fiscal years, the total dollar amount was approximately \$40,000.
- Various former employees did not have their access to information technology systems removed upon separation from the University.

(9)

**OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

- Two employees had the ability to add, change, and delete an employee within the payroll system. In addition they had the ability to establish payment methods and rates, process payroll, and update paid-time off accrual thresholds. There were no compensating controls identified.

Criteria or specific requirement: Entities should have controls in place to ensure that employees are 1) paid by their approved rate and 2) paid only while an active employee of the entity or contract terms have been met. In addition, procedures should be taken to ensure proper segregation of duties exist within information technology systems. This includes removal of incompatible user access rights, removal of terminated employee access, or where necessary, compensating controls to detect any errors or fraud.

Effect: When errors are made by the University in processing payroll, the University could be unable to recoup funds disbursed in error due to incorrect pay rates or terminated employment status. In addition, requesting employees to pay back monies due to the University's error could cause employees to become disgruntled. Lastly, incorrect payments could be made, whether due to fraud or error, in relation to segregation of duties or incorrect user access rights.

Cause: Proper controls were not in place to ensure all terminated employees' system access was timely removed and to ensure terminated employees did not receive pay subsequent to their departure from the University. Also, controls were not in place to prevent payments to contract employees whose contracts were no longer active. In addition, per the University, the errors in the payments to current employees were due to changes in the employees' pay rates during the year and the Human Resources and Payroll Departments quickly processing these change in pay rates. Because the Departments were asked to quickly process these changes, proper protocol and controls were not adhered to ensure pay rates were properly updated. Lastly, in regards to the two employees with improper access rights that creates a segregation of duties weakness, these rights were granted given the limited resources of the University. Yet, in the past, a compensating control was in place to prevent/detect any errors or fraud created by the segregation of duty issue. This compensating control was removed in fiscal year 2018.

Repeat Finding: No

Recommendation: We recommend that the University put key controls in place to ensure only active employees are paid and are paid correct salaries and wages based on approved rates. Further, we recommend that the University implement proper segregation of duties via necessary user access rights in the information technology systems. The University should also implement a process to ensure that all separated employees are promptly removed from having system access.

2018-003

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: In fiscal year 2017, the University opened its Oregon Manufacturing Innovation Center (OMIC) and began charging its members a fee. As part of the fiscal year 2017 audit process, we questioned the revenue recognition process for the membership fees as the University was treating the fee as a non-exchange revenue, such a gift or a grant. The University represented that this was the correct accounting treatment, as the University was not providing any type of continuing benefit to the OMIC members. As such, all revenue received from its members was recognized up front and

**OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

approximately \$735,000 in revenue was recognized in 2017. The membership period began June 2017 to June 2018.

In fiscal year 2018, the University changed its stance on the revenue recognition policy and concluded the revenue stream was an exchange revenue and should be recognized over the membership term and not upfront as it had been in 2017. As such, approximately \$735,000 of membership revenue was recognized in 2017 that should have been deferred and recognized in 2018 over the membership term.

Criteria or specific requirement: Management is responsible for the preparation and fair presentation of its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. A strong internal control structure includes the adoption of revenue recognition policies to ensure revenue is being recognized in accordance with GAAP and consistently from year to year.

Context: Approximately \$735,000 of revenue was recognized in fiscal year 2017 for memberships with 12 months into fiscal year 2018.

Effect: Prior year revenues were overstated by \$735,000 while the current year revenues were understated by this same amount. Changing the way revenue is recognized from year to year could be an indicator of earnings management and/or may not provide consistent, comparable data in the financial statements from year to year.

Cause: Per the University, during fiscal year 2017, the University determined member dues were a gift in nature as OMIC executive management determined the University was not required to provide access or other benefits over the term covered by the member dues. Fiscal year 2017's determination was based upon OMIC management's interpretation of the OMIC Collaboration Agreement, executed on June 15, 2017. As a result, the University recognized member dues revenue in full at June 30, 2017 for all members who signed the original Collaboration Agreement on June 15, 2017.

New executive management was hired during fiscal year 2018 to oversee OMIC operations. As part of fiscal year-end close for fiscal year 2018, the Business Affairs Office (BAO) confirmed OMIC member dues treatment with OMIC's new executive management. OMIC's new management stated that they had a different interpretation of recognizing OMIC member dues and OMIC members received benefits for member dues that the College would be required to provide over the annual member dues term.

Repeat Finding: No

Recommendation: We recommend that the University adopt revenue recognition policies to ensure proper application of GAAP and consistent recognition from year-to-year, even in years of staff turnover. As new revenue streams come on board, the University should update such policies. In addition, as new accounting standards are adopted, the University should ensure policies are in compliance with GAAP.

OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section III – Findings and Questioned Costs – Major Federal Programs

2018-004

Federal agency: Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007 – Federal Supplemental Education Opportunity Grants

84.033 – Federal Work Study Program

84.038 – Federal Perkins Loans

84.063 – Federal Pell Grant Program

84.268 – Federal Direct Student Loans

Award Period: July 1, 2017 to June 30, 2018

Type of Finding:

- Compliance, Other Matter
- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: The Federal Code of Regulations 34 CFR 668.22 requires nonfederal entities to determine the amount of Title IV aid earned by a student when they withdraw. When a student completes greater than 60 percent of a term, they are considered to have fully earned their aid. If a student completes less than 60 percent of the term, the nonfederal entity is required to return a portion of the aid to the Department of Education based on various criteria discussed. Additionally, 34 CFR 668.22(j) and 668.173(b)(1) require an institution to return amounts of unearned Title IV aid as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew.

Condition: During our testing of return to Title IV, we noted four instances where the University had not returned funds within the required 45 days.

Questioned costs: None

Context: We tested a statistically valid sample of the return calculations and subsequent crediting of student accounts for a total of 12 students. Of the 12 students tested, 4 students had untimely returns where funds were returned beyond the 45 day timeframe.

Cause: Per discussion with the University, the Office of Financial Aid was short-staffed during the fall term. Processes and controls were not in place to ensure funds were returned in a timely basis during this time.

Effect: The University was not in compliance with federal regulations related to the return of Title IV aid.

Repeat Finding: No

Recommendation: We recommend that the University implement procedures to ensure that unearned aid is returned timely to the Department of Education.

**OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

2018-005

Federal agency: Department of Interior

CFDA Numbers: 15.236 – Environmental Quality and Protection Resource Management
15.517 – Fish and Wildlife Coordination Act
15.608 – Fish and Wildlife Management Assistance
15.945 – Cooperative Research and Training Programs

Award Period: July 1, 2017 to June 30, 2018

Type of Finding:

- Compliance, Other Matter
- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: Per the Uniform Grant Guidance and as outlined in the the *OMB Compliance Supplement*, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Condition: During our audit inquiry over grants receivables, we were notified by the University of multiple over-draws of funds from various federal grants in excess of expenses during fiscal year 2017-2018 totaling \$150,562.68. The over-draws were repaid to the federal government in the next fiscal year.

Questioned costs: Draws were requested from the projects below in excess of expenses for fiscal year 2017-2018:

- CFDA 15.236 – Environmental Quality and Protection Resource Management
 - Draw amount \$4,656.91
- CFDA 15.517 – Fish and Wildlife Coordination Act
 - Draw amount \$106,046.09
- CFDA 15.608 – Fish and Wildlife Management Assistance
 - Draw amount \$27,072.10
- CFDA 15.945 – Cooperative Research and Training Programs
 - Draw amount \$12,787.58

Context: The over draw of funds were from four federal grants during the fiscal year. The funds were returned to the corresponding agencies after fiscal year-end.

Cause: The Office of Sponsored Programs drew funds based on budget or contract instead of basing it on actual incurred expenses during the fiscal year.

Effect: The University was not in compliance with federal cash management requirements.

Repeat Finding: No

Recommendation: We recommend that the University implement procedures to ensure that all drawdowns are reviewed and reconciled to actual expenses prior to drawdowns being performed.



Section IV – Prior Year Findings

FINDINGS – FINANCIAL STATEMENT AUDIT

2017 – 001

Condition: During our audit, we noted that certain users had update capabilities in the Banner production environment assigned to them.

Status: This item was repeated in 2018, see corrective action plan 2018-001.

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

2017 – 002

Condition: The University's process to comply with 2 CFR 200.303, as it relates to the special test verification, involves secondary review of the verification process. During our testing of internal controls over compliance related to verification, we noted that there was one student selected for verification that was not properly reviewed.

Status: This item was resolved in 2018.

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Department of Health and Human Services

Oregon Tech respectfully submits the following corrective action plan for the year ended June 30, 2018.

Audit period: July 1, 2017 to June 30, 2018

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2018-001 Developer access rights in IT production environment

Recommendation: We recommend that the University review its programmer access rights and ensure that users maintain only inquiry access to the production environment. Privileged access should only be granted in the event of a problem in production which needs to be addressed.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: The current Banner application is in the process of being upgraded and migrated to a hosted infrastructure platform. The Banner upgrade will be a "baseline" installation (no modifications) and the permissions structure for all users, including developers, will be modified as part of the upgrade. The upgraded Banner application will be implemented with standard best practices, thus, programmers will no longer be able to use their credentials to modify source code, databases, web forms, or any other aspect of the production environment. Standard change management procedures will be utilized for the transition of code from the development and test environments into production. The Banner upgrade project will be completed by January, 2019. At that time the current risk presented by unauthorized program changes will be resolved.

Name(s) of the contact person(s) responsible for corrective action: Jim R. Jones, Associate Vice President for Information Technology and Chief Information Officer.

Planned completion date for corrective action plan: January 2019

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2018-002 Control Deficiencies Payroll Process

Recommendation: We recommend that the University put key controls in place to ensure only active employees are paid and only paid based on approved rates. Further we recommend that the University implement proper segregation of duties via necessary user access rights in the information technology systems. The University should also implement a process to ensure that all separated employees are promptly removed from having system access.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: Finance and Administration will review its processes and procedures in the payroll workflow, including IT processes, to reassign duties, limit access and delegate as necessary to achieve proper segregation of duties. In addition, Finance and Administration will review assignment of duties on a periodic basis and will engage accounting staff for internal control analysis to ensure proper segregation of duties is achieved on a consistent basis. Finance and Administration will also implement procedures to ensure only active employees are paid. Review and approval procedures will also be implemented to ensure employee pay is paid at approved rates. Lastly, Finance and Administration will implement additional procedures to ensure system access is promptly removed from separated employee on a timely basis.

Name(s) of the contact person(s) responsible for corrective action: Sandi Hanan, Acting Director, Human Resources

Planned completion date for corrective action plan: April 2019

2018-003 Control Deficiencies Non-Exchange Revenue Recognition

Recommendation: We recommend that the University adopt revenue recognition policies to ensure proper application of GAAP and consistent recognition from year-to-year, even in years of staff turnover. As new revenue streams come on board, the University should update such policies. In addition, as new accounting standards are adopted, the University should ensure policies are in compliance with GAAP.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

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Action planned in response to finding: Finance and Administration will review its revenue streams and adopt revenue recognition policies so that revenue recognition may be followed consistently on a year-to-year basis. Finance and Administration will also put procedures in place for new revenue streams to be communicated to and analyzed by accounting staff as part of the planning and development process.

Name(s) of the contact person(s) responsible for corrective action: Brian Fox, Vice President for Finance and Administration.

Planned completion date for corrective action plan: April 2019

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

Department of Education

2018-004 Student Financial Assistance Cluster –

CFDA No.

84.007 – Federal Supplemental Education Opportunity Grants

84.033 – Federal Work Study Program

84.038 – Federal Perkins Loans

84.063 – Federal Pell Grant Program

84.268 – Federal Direct Student Loans

Recommendation: We recommend that the University implement procedures to ensure that unearned aid is returned timely to the Department of Education.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The Financial Aid Office and the Business Affairs Office will develop and implement a standard of communication escalation to address student attendance information not received in a timely manner so that Department of Education compliance requirements may be met. Additional cross-training will also be implemented as to maintain adequate staff coverage during busier times of the year.

Name(s) of the contact person(s) responsible for corrective action: Tracey Lehman, Director of Student Financial Aid.

Planned completion date for corrective action plan: March 2019

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2018-005 Department of Interior –

CFDA No.

15.236 – Environmental Quality and Protection Resource Management

15.517 – Fish and Wildlife Coordination Act

15.608 – Fish and Wildlife Management Assistance

15.945 – Cooperative Research and Training Programs

Recommendation: We recommend that the University implement procedures to ensure that all drawdowns are reviewed and reconciled to actual expenses prior to drawdowns being performed.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The Sponsored Projects & Grants Office will handoff post-award accounting duties, including billing and grant drawdowns to the Business Affairs Office. The Business Affairs Office will utilize current staff and procedures already in place to ensure that all drawdowns are reviewed and reconciled to actual expenses prior to performing drawdowns.

Name(s) of the contact person(s) responsible for corrective action: Barbara Neal, Director of Sponsored Projects & Grants.

Planned completion date for corrective action plan: January 2019

If the Department of Health and Human Services has questions regarding this plan, please call Tracey Lehman, Director of Student Financial Aid at (541) 885.1291.

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