Meeting of the
Oregon Tech Board of Trustees
Finance and Facilities Committee
Room 402, Portland-Metro Campus
January 23, 2020
8:40am – 11:15am

Finance and Facilities Committee also Sitting as the Audit Committee Agenda

		Page
1.	**Call to Order/Roll/Declaration of a Quorum** (8:40am) *Chair Vince Jones*	
2.	**Consent Agenda** *Chair Vince Jones*	
2.1	Approve Minutes of the November 21, 2019 Meeting	**1**
3.	**Reports**	
3.1	**Fiscal Operations Advisory Council** (8:45am) (5 min) *FOAC Chair Richard Bailey*	
3.2	Finance, Facilities and Audit Status Update: Quarter Two Fiscal Year 2020 Report (8:50am) (35 min) *VPFA Brian Fox and AVP Stephanie Pope*	**4**
4.	**Action Items**	
4.1	Acceptance of the Annual Financial Report and Single Audit Report (9:25am) (30 min) *Jean Bushong, CliftenLarsenAllen*	**20**
4.2	Acceptance of the Internal Audit (9:55am) (20 min) *Haley Lyons, Kernutt Stokes*	**38**
4.3	Recommendation to the Board to Authorize Staff to Enter into a Contract for Internal Auditing Services (10:15am) (15 min) *VPFA Brian Fox*	**70**
5.	**Discussion Items**	
5.1	Tuition Development Process Update (10:30am) (20 min) *VPFA Brian Fox*	**72**
5.2	OMIC Annual Update (10:50am) (20 min) *Director Craig Campbell*	**86**
6.	**Other Business/New Business** (11:10am) (5 min) *Chair Vince Jones*	
7.	**Adjournment** (11:15am)	

Oregon TECH

Meeting of the
Oregon Tech Board of Trustees
Finance and Facilities Committee
Room 402, Portland-Metro Campus
November 21, 2019
8:00am – 10:15am

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

Trustees Present:

Vince Jones, Chair	Nagi Naganathan, President	Mike Starr
Jessica Gomez	Grace Rusth	Paul Stewart

University Faculty and Staff Present:
Brian Fox, VP of Finance and Administration
Dave Groff, Legal Counsel
Tom Keyser, Dean of the ETM College
Stephanie Pope, AVP of Budget and Resource Planning
Di Saunders, AVP Marketing, Communication, Public Affairs

Others Present:
Trever Campbell, Kernutt Stokes (via Skype)
Haley Lyons, Kernutt Stokes (via Skype)

1. **Call to Order/Roll/Declaration of a Quorum**
   Chair Jones called the meeting to order at 8:02am. The Secretary called roll and a quorum was declared.

2. **Consent Agenda**
   2.1 Approval of Minutes of the May 30, 2019 Meeting
   With no amendments, the meeting minutes stand as published.

3. **Reports**
   3.1 Fiscal Operations Advisory Council - no report

   3.2 Finance, Facilities and Audit Status Update: Fiscal Year 2019 and Quarter One Fiscal Year 2020 Report
   VP Fox and **AVP Pope** explained the quarterly management report in the agenda packet focusing on the impact of enrollment and retention. **AVP Pope** noted OMIC was not included in the current year report because it now has its own report but it was included in quarter four of the previous year. Discussion regarding impacts on the university's budget including HECC's funding formula, the new process to review hiring proposals,

enrollment and retention. There was a request to talk about ratios at the next board meeting and to include a line chart with upper and lower control limits on the dashboard.

4. Action Items

4.1 Recommendation to the Full Board Approval of Fiscal Year 2021 Budget Development Principles

VP Fox explained the proposed budget development principles proposed by the Fiscal Operations Advisory Committee and reviewed by senior leadership, budget process and timeline. He noted that the budget process is still relatively new and changing. Faculty are brought into the process as each department is engaged in building its budgets and through the shared governance of FOAC. **President Naganathan** noted the first principle should identify that the operational budget will be balanced; allowing the board to make any investments above that budget.

Trustee Starr moved to recommend the full board approve the fiscal year 2021 budget development principles. Trustee Stewart seconded the motion. With all trustees present voting aye, the motion passed unanimously.

4.2 Approval of FY 2020 Committee Work Plan

VP Fox explained the changes to the current committee work plan including the delay of tuition setting to the May meeting and addressing an expense ratio analysis to see where we are in comparison to other institutions, in March. He outlined the work plan for next year.

Trustee Rusth moved to approve the FY 2020 Committee Work Plan as presented in the agenda. Trustee Gomez seconded the motion. With all trustees present voting aye, the motion passed unanimously.

4.2 Accept the Internal Audit: Audit Follow-Up Report

Mr. Campbell and **Ms. Lyons** reviewed the PowerPoint via skype and addressed the audit follow-up report, project completion reports, current projects, and a review of the Fraud, Waste and Abuse Ethics Hotline cases. **Ms. Lyons** noted management has not responded to the faculty workload audit findings, and the second slide of the 2018-19 Project Completion Report should show that management is refining responses to the findings for OMIC's audit; so it too is not yet complete. It was clarified that a more detailed report of the Fraud, Waste, and Abuse Ethics Hotline is completed annually and the majority of complaints have not risen to the level of the board. **Counsel Groff** offered to debrief the full board about hotline issues in an executive session, if the Chair requests.

Trustee Stewart moved to accept the Internal Audit: Audit Follow-Up Report. Trustee Starr seconded the motion. With all trustees present voting aye, the motion passed unanimously.

5. Discussion Items

5.1 Internal Audit Structure

VP Fox reviewed the PowerPoint presentation identifying various internal audit structures and the pros and cons to assist the committee's and board's future discussion and action on internal audit functions. Discussion regarding the centralization of internal auditing and other functions for all universities to reduce costs.

6. **Other Business/New Business** - none

7. **Adjournment**
   The meeting was adjourned at 9:54am.

REPORT
Agenda Item No. 3.2

Finance, Facilities and Audit Status: Quarterly Review

Background

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

Note that some material usually provided in the quarterly dashboard is not provided at this time because of the short timeline between Q2 close and the submission of Board material. These are indicated by an (*) below.

Staff Recommendation

No action required. For discussion purposes only.

Attachments

Q2 FY 2020 Quarterly Finance, Facilities and Audit Status Reports including the following:

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

ATTACHMENT B

Quarterly Managerial Report
Q2 FY2020

General Fund Monthly Report
Quarter 2 - December 2019 (Does Not Include OMIC)

	YTD Comparison		FY20 Forecast				
Acct	FY19 YTD Dec. Actuals	FY20 YTD Dec. Actuals	FY19 Year End Actuals	Board Adopted Budget	Adjusted Budget	Year-End Forecast	Notes
State Allocations	17,354	18,766	28,945	29,259	31,311	31,311	(1)
Tuition & Fees	24,799	26,856	35,791	39,369	38,304	39,182	(2)
Remissions	(1,394)	(1,644)	(3,946)	(4,500)	(4,500)	(4,398)	(2)
Other	1,174	1,402	2,309	2,891	2,915	2,736	(3), (4)
Total Revenue	**41,933**	**45,381**	**63,099**	**67,019**	**68,030**	**68,831**	
Unclassified	10,800	10,969	25,519	26,605	26,421	28,330	(5)
Classified	2,749	2,974	5,637	5,738	5,541	6,034	(5), (6)
Student	440	361	904	966	994	968	
GTA	22	29	67	116	119	121	
OPE	7,851	7,705	16,138	18,248	18,498	18,485	(5), (7)
Salary Savings				(2,000)	(1,181)	(2,100)	(8)
Total Labor	**21,863**	**22,038**	**48,266**	**49,672**	**50,392**	**51,838**	
Service & Supplies	6,267	6,734	12,990	13,145	13,898	13,540	(5), (9), (10)
Internal Sales	(521)	(741)	(952)	(1,558)	(1,561)	(1,558)	(11)
Debt Service	682	827	1,514	1,369	1,771	1,781	(12)
Capital	196	307	766	753	926	912	(5)
Utilities	590	467	1,248	1,298	1,298	1,298	
Transfers Out	848	919	1,684	1,882	1,519	1,519	(13)
Total Direct Expense	**8,061**	**8,513**	**17,251**	**16,890**	**17,850**	**17,491**	
Total All Expense	**29,924**	**30,551**	**65,517**	**66,562**	**68,243**	**69,328**	
Net From Operations	**12,009**	**14,830**	**(2,417)**	**457**	**(213)**	**(498)**	
Extraordinary Transfers In	14	21	113	522	553	-	(14)
Extraordinary Transfers Out	(451)	(185)	(819)	-	(568)	(185)	(15)
XFR Out Foundation Loan-RCP		(1,800)					(16)
Carryforward & Rollover Xfrs from FY19		(460)				(1,124)	
Strategic Investment Fund				(1,482)	(525)	-	
Contingency Fund				(1,342)	(920)	-	
Fund Additions/(Deductions)		127	44	-	-	127	(17)
Change in Fund Balance	**11,573**	**12,533**	**(3,079)**	**(1,844)**	**(1,672)**	**(1,680)**	
Beginning Fund Balance	13,080	10,001	13,080	10,001	10,001	10,001	
Ending Fund Balance	**24,653**	**22,534**	**10,001**	**8,157**	**8,329**	**8,321**	
Ending Cash Balance	11,487	10,554	9,896				
% Operating Revenues	58.8%	49.7%	15.8%	12.2%	12.2%	12.1%	

Notes:

Education & General

General - Forecast reflects conservative estimates as of the forecast date of 1.13.2020.

(1) **Adjusted Budget** - increase of $2,052k reflects state funding increase, net of settle-up, to be partially offset by reduction of Resident Tuition rate.

(2) **Adjusted Budget** - reflects $1,065k reduction in tuition as agreed from increase in state funding

(2) **Forecast** - Reflects Fall Term SCH enrollment higher than anticipated, Winter Term retention below prior year, resulting in -$370k adjustment from prior forecast. Remissions adjusted to using similar methodology.

(3) **Adjusted Budget** - increase of $24k is due to Indirect Cost Recovery from OMIC grant.

(4) **FY20 YTD Actuals** - increase of $133k from sale of investment (interest), $112k from ABA Clinic income (not in place yet in FY19), $32k from cost recoveries and $45k surplus sales. Decrease of $78k in legal service revenue and $115k in Dental Hygiene revenue (stopped selling course kits directly to students).

(5) **Forecast** - Strategic Investment Fund and Contingency Fund were redistributed to expense areas;

(6) **Adjusted Budget** - classified salaries have been increasing as SEIU tentatively agreed on contract, which is beyond the amount budgeted and forecasted

(7) **FY19 YTD Actuals** - were overstated by $619k through May 2019 because of Banner issue related to OPE. Corrected at Fiscal Year-End.

(8) **Forecast** - Increase in savings from Adjusted Budget due to salary savings management through position review porcess.

(9) **Adjusted Budget** - increase of $24k is from Indirect Cost Recoveries from OMIC Grant. Remainder is moving budget between categories.

(10) **FY20 YTD Actuals** - increases include $55k computer purchases, $208k software contracts, $70k legal services

(11) **FY20 YTD Actuals** - increase of $147k due to changes in auxiliary assessments rates, $38k business office credits (chargebacks).

(12) **Forecast** - increase of $412k is for debt payments for new RDS equipment

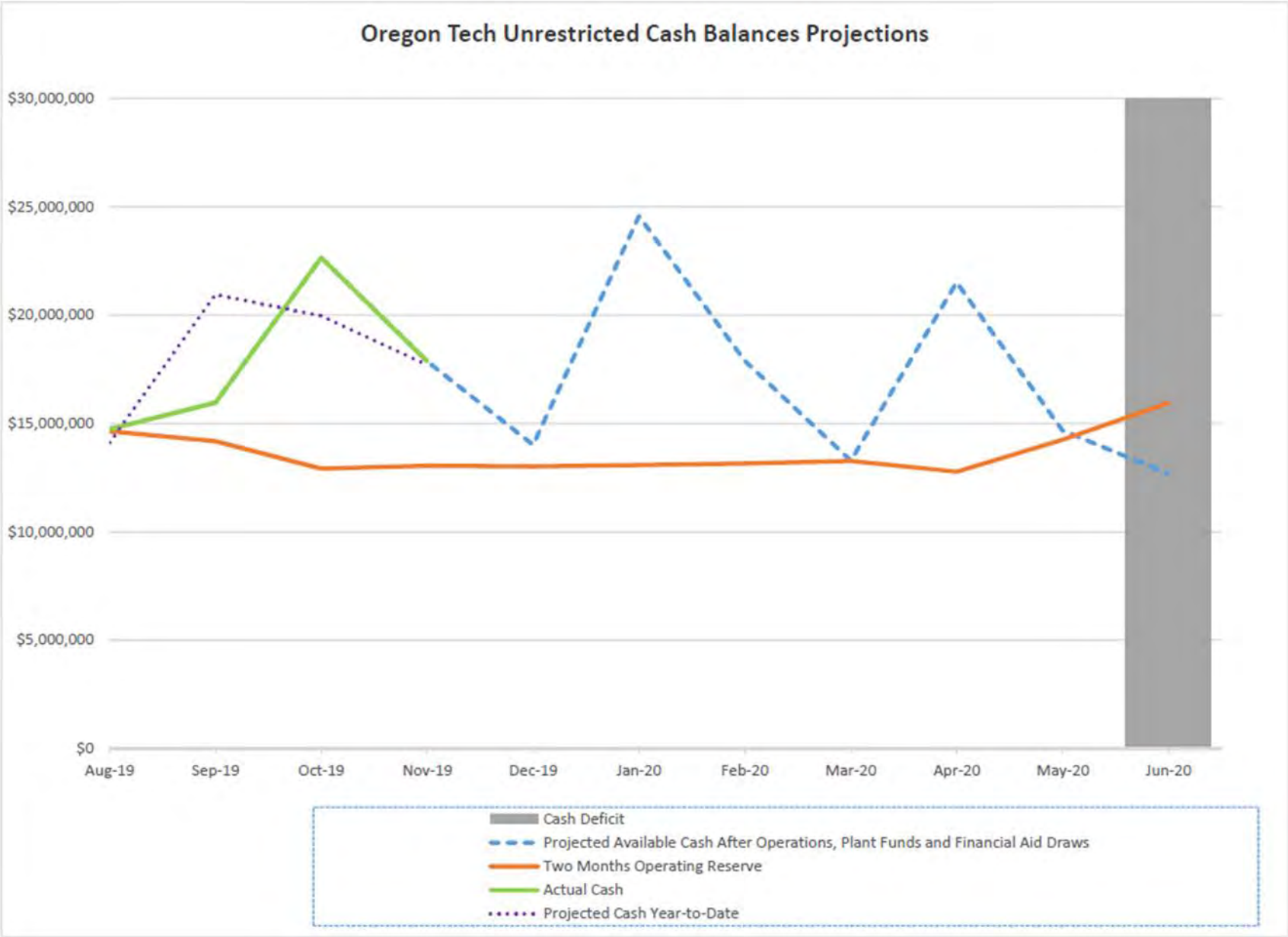
(13) **Adjusted Budget & Forecast** - rebalance Athletics support by $364k with additional Lotter funds.

(14) **Forecast** - balance for additional revenue of: $94k Klamath Falls Dental Clinic, $100k Chemeketa Dental Clinic, and $327k ABA Clinic removed, due to uncertain revenue collections.

(15) **FY20 YTD Actuals** - increase is due to carryforward expenses from prior fiscal year and rollover transfers-out to departmental reserve accounts.

(16) **FY20 YTD Actuals** - the $1.8M transfer will be moved to the Investment in Plant Funds in December to line up the Assets & Liabilities in the same fund.

(17) **FY20 YTD Actuals** - to record principal payments for Presidio equipment and Foundation Loan against the liability.


Oregon Tech Unrestricted Cash Balances Projections
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
Aug-19
Sep-19
Oct-19
Nov-19
Dec-19
Jan-20
Feb-20
Mar-20
Apr-20
May-20
Jun-20
Cash Deficit
Projected Available Cash After Operations, Plant Funds and Financial Aid Draws
Two Months Operating Reserve
Actual Cash
Projected Cash Year-to-Date

ATTACHMENT C

Ratio Analysis

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

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

Viability Ratio:

Calculation: For public institutions, the numerator includes unrestricted net assets and all expendable restricted net assets, excluding those invested in plant among other similar assets. The denominator includes all amounts borrowed for plant purposes from third parties and includes all notes, bonds and capital leases payable. Plant-related debt includes both the current and long-term portions and affiliated foundations, partnerships and other entities debts as well as debt issued by the state on the institution's behalf.

The Viability Ratio demonstrates the availability of expendable assets to cover debt should the institution need to settle its obligations as of the balance sheet date.

Table 13.5 Viability Ratio Calculation

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

A ratio of 1:1 indicates an institution can satisfy all debts as of the balance sheet date. However this should not be viewed as an objective as many institutions operate effectively at a ratio far less than 1:1, however the higher the ratio the greater the financial flexibility of the institution.

Primary Reserve Ratio:

Calculation: For public institutions, the numerator includes unrestricted net assets and all expendable restricted net assets, excluding those invested in plant among other similar assets. The denominator comprises all expenses on in the statement of revenues, expense and changes in net assets, including operating and nonoperating expenses plus component unit total expenses.

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

The Primary Reserve Ratio measures the financial strength of the institution by comparing expendable net assets to total expenses. Expendable net assets represent liquid assets the institution can spend to operating and capital requirements. This ratio provides a snapshot of financial strength and flexibility of an institution by indicating how long the institution could function using its expendable reserves without relying on additional income.

Table 13.2 Primary Reserve Ratio Calculation

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

A Primary Reserve Ratio of .40x or better has been identified as an industry benchmark for maintaining sufficient financial flexibility. Trend analysis is particularly useful when to view the medium and long-term trends in financial performance.

Return on Net Assets Ratio

Calculation: For public institutions, the numerator is the change in net assets plus the change in component unit net assets regardless of whether they are expendable on nonexpendable, restricted or unrestricted. The denominator is the beginning of the year total net assets and net assets of component unit.

Table 13.15 Return on Net Assets Ratio Calculation

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

This ratio demonstrates whether the institution is financially better off than in previous years by measuring total return.

The institution's Return on Net Assets Ratio is best viewed over time to demonstrates its financial performance. Returns can be volatile over the short run as investments are made. Industry standard recommends a real rate of return target in the range of approximately 3 to 4 percent.

Debt Burden Ratio

Calculation: For public institutions, the numerator of this ratio includes interest on all indebtedness, approximated by interest paid, plus the current year's principal payments including component units. The denominator is total operating expenses plus nonoperating expenses less depreciation expense plus debt service principal payments and like for component units.

Table 13.8 Debt Burden Ratio Calculation

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

The Debt Burden Ratio measures debt affordability by examining the institution's dependence on borrowed funds as a source of financing its mission and the relative cost of borrowing to overall expenditures. It compares the level of current debt service with the institution's total expenditures.

The Board has adopted a policy that 7% is a guideline maximum figure. This aligns with industry standards.

ATTACHMENT D

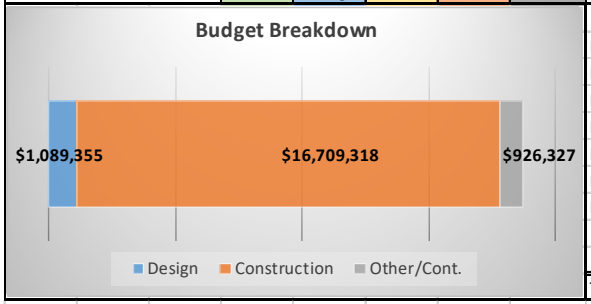
Facilities and Capital Projects

Capital Bond Projects - Status Report **12/31/2019**

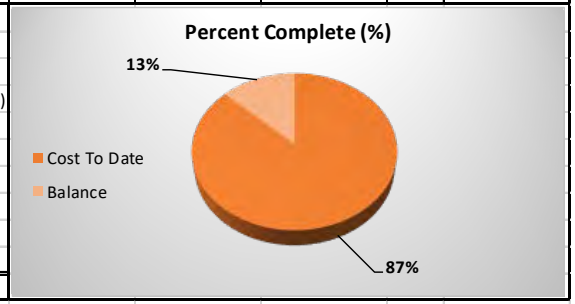
Cornett Renovation - Phase 1 / Phase 2

Project Start: 9.18.17 | Project Completion: 9.31.20

Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE777 / UPE785	* NTP: 9.18.2017						
Bond Type: XI-Q / XI-G	** Phase 1a/1b complete / Phase 2 underway.						
Total = $18,725,000	Phase 1 = $11,670,000.00	Design (6%):	$ 1,042,020	$ 1,089,355	$ 832,100	76%	$ 257,255
Design: BBT Architects	Phase 2 = $7,055,000.00	Construction GMP (89%):	$ 9,090,000	$ 16,709,318	$ 15,114,995	90%	$ 1,594,323
CM/GC: Adroit Const.	Project Total = $18,725,000.00	Other (5%):	$ 1,537,980	$ 926,327	$ 356,075	38%	$ 570,252
	Plan / Design / Bid / **Build** / Closeout	Project Totals:	$ 11,670,000	$ 18,725,000	$ 16,303,170	87%	$ 2,421,830



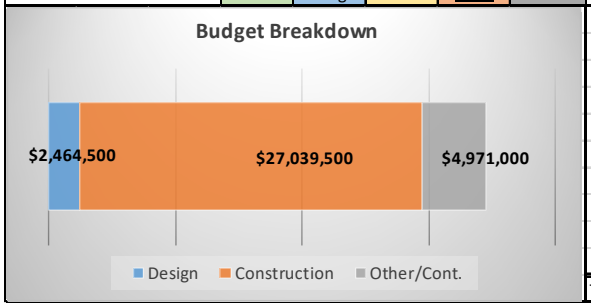
CO's / Amendments	
P1 Amd. 1-9:	$ 413,155
P1 Amd. 13-25	$ 257,455
P1 Amd. 27-32	$ (1,764)
P2 Amd. 11-16	$ 1,838,415
P2 Amd. 22-26	$ 152,990
P2 Amd. 30-33	$ 4,007,414
P2 Amd. 34:	$ 951,653
Total:	$ 7,619,318



New CEET Building

Project Start: 6.03.2019 | Project Completion: 12.31.2020

Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE785 / FCEET	Visioning: May 2018 - August 2018						
Bond Type: XI-Q / XI-G	Design: November 2018 - September 2019	Replace. Parking Lot (1.5%):	$ 525,000	$ 525,000	$ 525,000	100%	$ -
	Construction: February 2020 - July 2021	Visioning/Design (7%):	$ 2,340,000	$ 2,464,500	$ 1,659,005	67%	$ 805,495
Design: TVA Architects		Construction (77%):	$ 27,039,500	$ 27,039,500	$ 905,400	3%	$ 26,134,100
CM/GC: Adroit Const.		Other (14.5%):	$ 5,095,500	$ 4,971,000	$ 125,000	3%	$ 4,846,000
	Plan / Design / Bid / **Build** / Closeout	Project Totals:	$ 34,475,000	$ 34,475,000	$ 3,214,405	9%	$ 31,260,595



CO's / Amendments	
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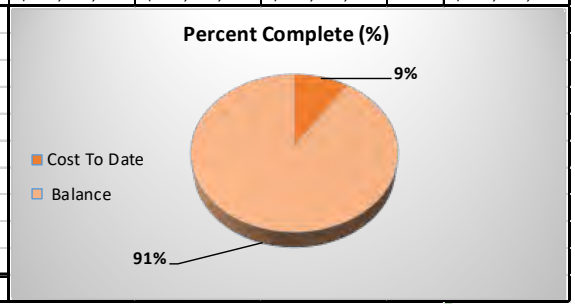
	$ -
	$ -
Total:	$ -



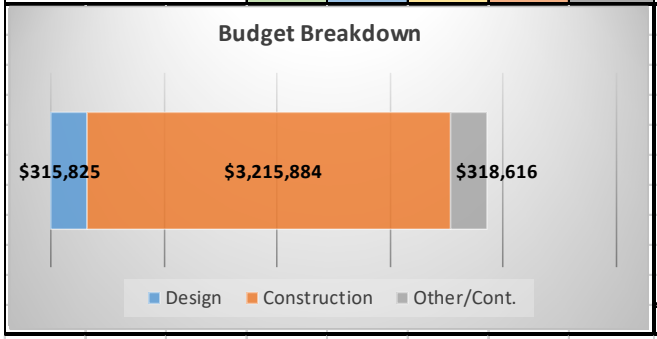
Capital Bond Projects - Status Report

12/31/2019

Academic Student Rec Center (ASRC)

Project Start: 6.04.2018 | Project Completion: 9.27.2019

Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE789/UPE792	Design: January 2018 - June 2018						
Bond Type: XI-F	Construction: June 2019 - June 2020						
	* UPE789 = $3,500,000	Design (8%):	$ 280,000	$ 315,825	$ 222,075	70%	$ 93,750
Design: BBT Architects	** UPE797 = $350,325	Construction (84%):	$ 2,800,000	$ 3,215,884	$ 1,620,710	50%	$ 1,595,174
Build: Modoc Contracting	*** Revised Project Budget = $3,850,325	Other (8%):	$ 420,000	$ 318,616	$ 95,000	30%	$ 223,616
	Plan / Design / Bid / **Build** / Closeout	Project Totals:	$ 3,500,000	$ 3,850,325	$ 1,937,785	50%	$ 1,912,540



CO's / Amendments	
Amd. 6:	$ 410,632
Amd. 7:	$ 5,252
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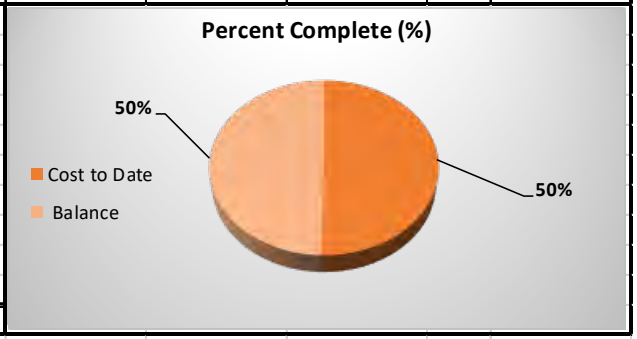
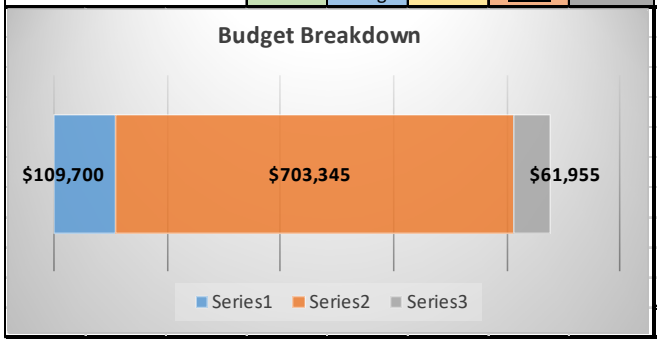
	$ -
Total:	$ 415,884



Well 5 Rehabilitation

Project Start: 6.17.19 | Project Completion: 11.01.19

Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE773	* Design: Completed June 2019						
	** Construction: June 2019 - Oct. 2019						
		Design (15%):	$ 84,500	$ 109,700	$ 78,855	72%	$ 30,845
Design: Fluent Engineering		Construction (80%):	$ 598,685	$ 703,345	$ 370,425	53%	$ 332,920
Build: WWD / DCI		Other (5%):	$ 66,815	$ 61,955	$ 790	1%	$ 61,165
	Plan / Design / Bid / **Build** / Closeout	Project Totals:	$ 750,000	$ 875,000	$ 450,070	51%	$ 424,930



CO's / Amendments	
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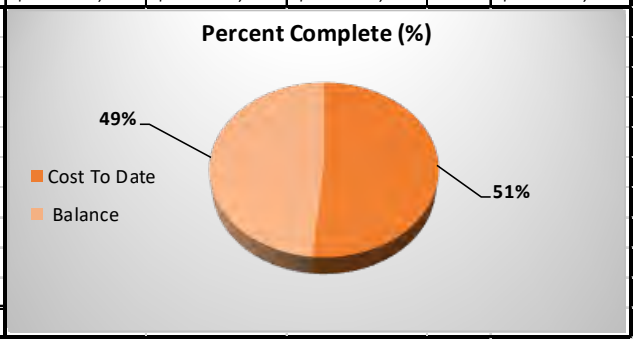
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
Total:	$ -

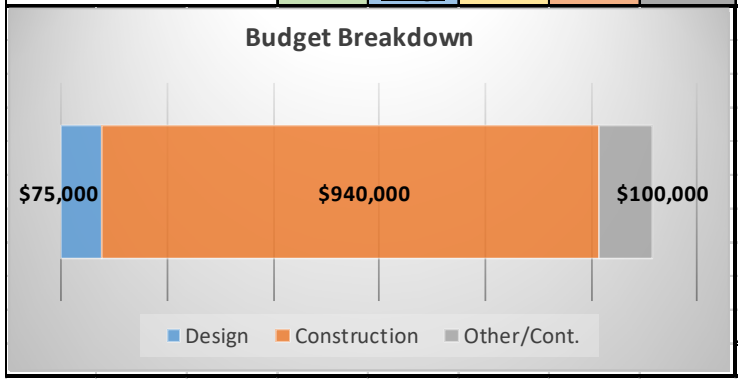


Capital Bond Projects - Status Report

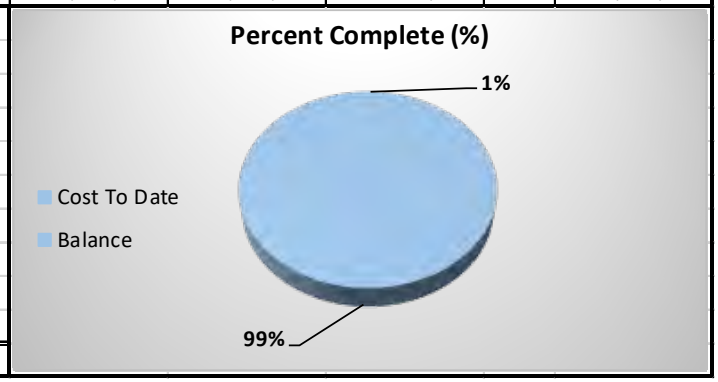
12/31/2019

Track Renovation

Project Start: 6.17.20						Project Completion: 8.30.20					
Project	**Progress Highlights**					**Cost Breakdown**	**Orig. Budget**	**Rev. Budget**	**Cost To Date**	**%**	**Balance**
UPE789	* Design: Completed March 2020										
	** Construction: June 2019 - Sept. 2019										
						Design (6%):	$ 75,000	$ 75,000	$ 12,235	16%	$ 62,765
Design: ZCS Engineering						Construction (94%):	$ 925,000	$ 940,000	$ -	0%	$ 940,000
Build: Beynon						Other (10%):	$ 100,000	$ 100,000	$ -	0%	$ 100,000
	Plan	**Design**	Bid	Build	Closeout	Project Totals:	$ 1,100,000	$ 1,115,000	$ 12,235	1%	$ 1,102,765



CO's / Amendments	
CO 1:	$ 39,950
CO 2:	$ 21,840
CO 3:	$ 19,635
CO 4:	$ 11,675
CO 5:	$ 12,343
	$ -
	$ -
	$ -
	$ -
Total:	$ 105,443



Cornett Renovation - Phase 1 / Phase 2					
Cornett - Phase 1 (UPE777)			Cornett - Phase 2 (UPE785)		
CO's / Amendments			CO's / Amendments		
Amd. 1-9:	$ 413,155	(AV)	Amd. 10/34:	$ 7,106,173	GMP
Amd. 13:	$ 17,725	(AV)	Amd. 11:	$ (270,895)	(AV)
Amd. 14:	$ 51,260	(AV)	Amd. 12:	$ (789,250)	(AV)
Amd. 17:	$ 15,455	(AV)	Amd. 15:	$ (610,320)	(AV)
Amd. 18:	$ 47,140	(AV)	Amd. 16:	$ (167,950)	(AV)
Amd. 19:	$ 27,700	(AV)	Amd. 22:	$ (71,020)	(AV)
Amd. 20:	$ 27,205	(AV))	Amd. 23:	$ (73,760)	(AV)
Amd. 21:	$ 38,770	(AV)	Amd. 26:	$ (8,210)	(AV)
Amd. 24:	$ 11,525	(AV)	Amd. 30:	$ (35,390)	(AV)
Amd. 25:	$ 20,675	(AV)	Amd. 31:	$ (3,817,505)	(AV)
Amd. 27:	$ 113,115	(AV)	Amd. 33:	$ (154,519)	(AV)
Amd. 28:	$ 15,535	(AV)	Amd. 34:	$ (951,653)	(AV)
Amd. 29:	$ 24,105	(AV)		$ -	
Amd. 32:	$ (154,519)	(VE)		$ -	
	$ -			$ -	
	$ -			$ -	
	$ -		P2 Total:	$ (6,950,472)	
P1 Total:	$ 668,846	4%	P2 Balance	$ 155,701	

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

Well 5 Rehabilitation					
DCI			WWD #698188		
CO's / Amendments			CO's / Amendments		
#704309	$ 979		#698188	$ 368,920	
Amd. 1:	$ 1,448		CO1:	$ 5,060	
# 715183	$ 228,787		CO2:	$ -	
	$ -		CO3:	$ 98,150	
	$ -			$ -	
	$ -			$ -	
	$ -			$ -	
DCI Total:	$ 231,214		WWD Total:	$ 472,130	

Deferred Maintenance and Capital Renewal Report

12/31/2019

CCR - UPE 773 , FY 17/18						
#	Project Description	Est. Cost	Final Cost	Bond Balance	Status	Date Complete
	UPE 773			$ 2,760,605		
1	FACP Upgrades-PE/SN	$ (5,745)	$ (5,745)	$ 2,754,860	Completed	Aug. 2017
2	PE Waterline N Upgrade	$ (23,350)	$ (23,350)	$ 2,731,510	Completed	Aug. 2017
3	Chiller CH-1 and CH-2 Overhaul	$ (125,480)	$ (101,650)	$ 2,629,860	Completed	Nov. 2017
4	LRC/Snell/PE Elev. Upgrades	$ (231,315)	$ (231,315)	$ 2,398,545	Completed	Jun. 2018
5	CU Sidew alk Replacement	$ (5,490)	$ (5,490)	$ 2,393,055	Completed	Sept. 2017
6	Well 1-4 Chlorine Syst. Upgrade	$ (40,000)	$ (35,365)	$ 2,357,690	Completed	Dec. 2017
7	Purvine Chiller Compressor	$ (25,000)	$ (26,597)	$ 2,331,093	Completed	May. 2018
8	Facilities Rollup Door (#3)	$ (5,749)	$ (5,550)	$ 2,325,543	Completed	Mar. 2018
9	LRC Ventilator Heaters	$ (7,350)	$ (7,135)	$ 2,318,408	Completed	Jan. 2019
10	Boivin Static Pressure	$ (6,000)	$ (5,000)	$ 2,313,408	Completed	Apr. 2018
11	Athletics Exterior Upgrades	$ (1,050,000)	$ (868,609)	$ 1,444,799	Completed	Dec. 2018
12	Purvine VFD's	$ (10,000)	$ (8,211)	$ 1,436,588	Completed	Dec. 2018
13	Chiller Monitor/Alarm (Warrantied)	$ (5,968)	$ (5,968)	$ 1,430,620	Completed	May. 2018
14	Athletics Hot Water Syst. Upgrade	$ (134,020)	$ (136,370)	$ 1,294,250	Completed	Sept. 2018
15	Well 1 - Pump Replacement	$ (35,000)	$ (25,233)	$ 1,269,017	Completed	Dec. 2018
16	Athletics West Side HC Entry	$ (10,000)	$ (6,654)	$ 1,262,363	Completed	Mar. 2019
17	Pow erplant Fall Protection	$ (25,000)	$ -	$ 1,237,363	On Hold	TBD
18	Purvine Geo Pump Replacement	$ (25,000)	$ (18,765)	$ 1,218,598	Completed	Apr. 2019
19	Well 5 Rehabilitation	$ (875,000)	$ -	$ 343,598	Underw ay	TBD
20	Bottle Fill Upgrades - P1	$ (45,000)	$ (34,712)	$ 308,886	Completed	Jul. 2019
21	Facilities Reroof	$ (230,000)	$ (225,188)	$ 83,698	Completed	Sept. 2019
22	Boivin HC Entry Door Upgrade	$ (8,500)	$ (6,216)	$ 77,482	Completed	Jul. 2019
23	Backflow Replacement (4)	$ (15,000)	$ (13,484)	$ 63,998	Completed	Aug. 2019
24	Chiller Plant - Bearing Replacement	$ (10,000)	$ (7,132)	$ 56,866	Completed	Jul. 2019
25	Replace Geo Fittings In Tunnels.	$ (10,000)	$ -	$ 46,866	Underw ay	TBD
26	Well 1 Upgrades	$ (20,000)	$ (12,101)	$ 34,765	Completed	Jun. 2019
27	Facilities HVAC Replacement	$ (85,000)	$ (72,000)	$ (37,235)	Completed	Sept.2019
28	Geo Heat Upgrades	$ (10,000)	$ (7,905)	$ (45,140)	Compeleted	Sept.2019
	Balance			$ (45,140)		

CCR - UPE 797 , FY 19/20						
#	Project Description	Est. Cost	Final Cost	Bond Balance	Status	Date Complete
	UPE 797			$ 2,591,025		
	Balance Forward - UPE 773	$ (45,140)	$ -	$ 2,545,885		
1	Bottle Fill Upgrades - P2	$ (35,000)	$ -	$ 2,510,885	Underway	TBD
2	Purvine Auditorium Door Upgrade	$ (15,000)	$ -	$ 2,495,885	Underway	TBD
3	Purvine Compressor Replacement	$ (10,000)		$ 2,485,885	Underway	TBD
4	Athletics Entry Lobby Renovation	$ (350,325)	$ -	$ 2,135,560	Design	TBD
5	Campus HX Rehabilitation	$ (350,000)	$ -	$ 1,785,560	Design	TBD
6	Snow melt Connections	$ (225,000)	$ -	$ 1,560,560	Pending	TBD
7	Replace GEO Isolation Valves	$ (140,000)	$ -	$ 1,420,560	Pending	TBD
8	Campus Transformers (X4)	$ (345,000)	$ -	$ 1,075,560	Design	TBD
9	Athletics Roof	$ (375,000)	$ -	$ 700,560	Pending	TBD
10	Replace 4 FRP Pipe Elbows	$ (45,000)	$ -	$ 655,560	Pending	TBD
11	Replace Facilities MDP, Feeder, Secoundaries	$ (130,000)	$ -	$ 525,560	Pending	TBD
12	Bldg. HX Replacement (5)	$ (255,000)	$ -	$ 270,560	Pending	TBD
13	Bovin/Semon Vault, MDP, Feeders and Secour	$ (275,000)	$ -	$ (4,440)		TBD
14		$ -	$ -	$ (4,440)		
15		$ -	$ -	$ (4,440)		
	Balance			$ (4,440)		

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

Identified Deferred Maintenance - Education & General						
#	Building	Other	MEP Systems	Exterior	Interior	Bldg. Total
1	Boivin	$ 850,000	$ 892,000	$ 1,454,250	$ 1,853,250	$ 5,049,500
2	Dow Center	$ 55,000	$ 758,000	$ 10,000	$ 35,000	$ 858,000
3	Facilities	$ 825,000	$ 425,000	$ 770,000	$ 245,000	$ 2,265,000
4	LRC	$ 1,100,000	$ 930,000	$ 185,000	$ 300,000	$ 2,515,000
5	Owens Hall	$ 350,000	$ 854,000	$ 400,000	$ 178,550	$ 1,782,550
6	Power Plant C	$ 905,000	$ 85,000	$ 80,000	$ -	$ 1,070,000
7	Purvine Hall	$ 725,000	$ 679,000	$ 798,850	$ 500,000	$ 2,702,850
8	Semon Hall	$ 850,000	$ 404,000	$ 500,000	$ 325,000	$ 2,079,000
9	Snell Hall	$ 75,000	$ 304,000	$ 561,730	$ 214,000	$ 1,154,730
10	Portland-Metro	$ 341,500	$ 618,780	$ 540,770	$ 493,500	$ 1,994,550
11	Campus	$ 5,565,000	$ 16,150,000	$ 220,000		$ 21,935,000
	Total					$ 43,406,180

Identified Deferred Maintenance - Auxiliary Services						
#	Building	Other	MEP Systems	Exterior	Interior	Bldg. Total
1	Athletics	$ 675,000	$ 854,000	$ 285,000	$ 1,000,000	$ 2,814,000
2	Stadium/Track	$ 1,075,000	$ 235,000	$ 600,000	$ 424,000	$ 2,334,000
3	Residence Hall	$ 800,000	$ 354,000	$ 2,905,650	$ 4,370,000	$ 8,429,650
4	College Union	$ -	$ 404,000	$ -	$ 575,000	$ 979,000
5	Village	$ -	$ 104,000	$ 600,000	$ -	$ 704,000
6	Student Health	$ 77,350	$ 143,000	$ 275,000	$ 270,550	$ 765,900
7		$ -	$ -	$ -	$ -	$ -
	Subtotals	$ 2,627,350	$ 2,094,000	$ 4,665,650	$ 6,639,550	$ 16,026,550
	Total	$ 16,026,550				

Notes:
1) The Deferred Maintenance plan reflects known needs and will be updated as project pricing is finalized to meet institutional priorities or to support unforeseen emergencies.

2) Deferred Maintenance for OMIC facility is not included in analysis.

3) Costs do not include Furniture, Fixtures, Class equipment or IT Hardware.

ATTACHMENT E

Audit Status

Internal Audit
(Prepared by Kernutt Stokes, LLP)

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

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

Internal Audit Projects Update	
Engagement	**Status**
Monitor Fraud, Waste, and Abuse Ethics Hotline	Report included for Board review
Audit Follow-Up Evaluation and Report	Report included for Board review
Athletics Fiscal Review	Completed – report issued
OMIC	Completed – report issued
Sponsored Projects and Grant Administration	Report writing phase – estimated completion by February 2020
Educational Partnerships and Outreach	Fieldwork and Testing phase – estimated completion March 2020
Title IX	Planning phase - starting in Winter 2020
Housing and Residence Life	Starting in Spring 2020

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

Since the last board meeting Internal Audit (IA) continues to work on two projects and will have those to present at the May board meeting. Additionally, IA is starting to work through planning for a third audit. The Athletics Fiscal Review and the OMIC audits have both been completed and the reports have been issued to the Board. These reports are included in your packet and will be discussed today.

IA is actively working with Oregon Tech on two projects: Sponsored Projects and Grant Administration (SPGA) and Educational Partnerships and Outreach. The SPGA audit was started in September 2019 and is focused on the effectiveness of current policies and procedures, compliance with grant/special project reporting requirements, sufficiency of training, conflict of interest disclosure, sub-recipient monitoring, indirect cost tracking, and close-out procedures and reporting. The SPGA audit is anticipated to be completed during February 2020. IA is in the report drafting phase of this audit.

The Educational Partnerships and Outreach audit started in November 2019 and is focused on sufficiency and effectiveness of policies and procedures, coordination of agreements, and the

process for registering and placing students. The Academic Agreements audit is anticipated to be completed during March 2020. IA is currently in the fieldwork and testing phase of that audit.

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

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

Currently in FY 2019/2020 there have been seven new cases reported through both the Oregon Tech Hotline and the Oregon State Audits Division. There have been no new cases opened since the last Board meeting. Six of those cases have been investigated and closed. One case is in a monitoring state as it requires ongoing analysis as part of the investigation.

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

Annual Financial and Compliance Audit

The audit opinions, Annual Financial Report, Single Audit Report were issued in the later part of 2019; and are dated November 8, 2019, and December 30, 2019, respectively.

Results of the fiscal year will be presented as part of the Audit Committee's regularly scheduled first meeting of 2020. The Single Audit Report will be presented to the Board at its next regularly scheduled meeting in April.

Planning for the fiscal year-end 2020 annual financial and compliance audits will begin in February 2020.

The annual financial and compliance audit function tentative timeline for the fiscal and compliance audits for the year ending June 30, 2020:

- February – May 2020: Internal planning including all audit areas: financial reporting, federal financial aid, and Information Technology Services (ITS) portions of the audit; coordination and planning meetings with various campus departments
- May – June 2020: Auditors on-site conducting interim fieldwork for the financial and financial aid compliance audits;
- May – August 2020: Auditors conduct remote testing over ITS portion of audit (IT-related internal controls); year-end preparation
- June - July 2020: Fiscal year-end close, audit related schedules, financial statement drafting
- August – September 2020: Auditors conduct on-site final fieldwork; financial statement compilation and draft review
- September – November 2020: Auditors conclude testing off-site and audit wrap-up; finalize Annual Financial Report and Single Audit Report
- Audited financial information submitted to the State of Oregon on or before November 15, 2020

Timeline through report issuance includes:

- November 2020: Submission of audit report issuance to State for discretely presented component unit reporting
- First meeting in 2021: Presentation to Audit Committee (regularly scheduled Board meeting)

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

ACTION
Agenda Item No. 4.1

Annual Financial Report and Single Audit Report

Background

The Oregon Tech 2019 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.

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.

CLA has issued an unmodified opinion on Oregon Tech's 2019 Annual Financial Report.

The 2019 Annual Financial 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 2019 Annual Financial Report and Single Audit Report.

Attachments

Oregon Tech 2019 Annual Financial Report Governance Communication Letter
Oregon Tech 2019 Single Audit Report

CliftonLarsonAllen LLP
CLAconnect.com

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), a component unit of the State of Oregon, as of and for the year ended June 30, 2019, and have issued our report thereon dated November 8, 2019. Our report includes a reference to other auditors who audited the financial statements of the Oregon Tech Foundation as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing or other matters that are reported on separately by those auditors. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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.

No new accounting policies were adopted and the application of existing policies was not changed during 2019.

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.

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

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- 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 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.

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 misstatements of the financial statements. Management has determined that the effect, both individually and in the aggregate, 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 November 8, 2019.

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.

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.

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 November 8, 2019.

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

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 8, 2019

Oregon Tech
Passed Audit Adjustment
For the Year Ended June 30, 2019

Description	Debit	Credit
Passed Journal Entry JE # 1		
To reclassify net position to reflect the impact of a capital lease against Net Investment in Capital Assets		
Net Position - Net Investment in Capital Assets	$ 84,000	$ -
Net Position - Unrestricted	-	84,000
Total	**$ 84,000**	**$ 84,000**
Passed Journal Entry JE # 2		
To transfer an asset placed in service in June 2019 from construction-in-progress to the proper depreciable category.		
Buildings - Depreciable Asset	830,880	$ -
Construction-in-Progress	-	$ 830,880
	$ 830,880	$ 830,880

OREGON TECH

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2019

OREGON TECH
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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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 8, 2019. 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.

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. 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.

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*.

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

CliftonLarsonAllen LLP

Denver, Colorado
November 8, 2019

CliftonLarsonAllen LLP
CLAconnect.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, 2019. 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.

A member of Nexia International

Members of the Board
Oregon Tech

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, 2019.

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 We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated November 8, 2019, 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.

Members of the Board
Oregon Tech

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

CliftonLarsonAllen LLP

Denver, Colorado
December 30, 2019, except for the Schedule of Expenditures of Federal Awards,
which is dated November 8, 2019

OREGON TECH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Cluster	Federal Grantor	Program Title	CFDA Number	Pass-Through Entity	Passed Through to Subrecipients	Expenditures
Research and Development						
	Department of the Interior	Fish, Wildlife and Plant Conservation Resource Management	15.231		$ -	($243)
	Department of the Interior	Environmental Quality and Protection	15.236		-	$10,432
	Department of the Interior	Fish and Wildlife Coordination Act	15.517		-	$142,639
	Department of the Interior	Youth Engagement, Education, and Employment	15.676		-	$1,003
	Department of the Interior	National and Regional Climate Adaptation Science Centers	15.820		-	$58,811
	Department of the Interior Total				-	$212,642
	Department of Transportation	University Transportation Centers Program	20.701	Portland State University	-	$125,631
	National Aeronautics and Space Administration	Science	43.001	University of Washington		$25,258
	National Aeronautics and Space Administration	Education	43.008	Oregon State University	-	$6,783
	National Aeronautics and Space Administration Total				-	$32,041
	National Science Foundation	Education and Human Resources	47.076	Portland State University	-	$5,825
	Total Research and Development Cluster				-	**$376,189**
Student Financial Assistance						
	Department of Education	Supplemental Educational Opportunity Grants	84.007		-	$152,149
	Department of Education	Work-Study Program	84.033		-	$143,516
	Department of Education	Perkins Loan	84.038		-	$1,842,652
	Department of Education	Pell Grant Program	84.063		-	$5,333,060
	Department of Education	Direct Student Loan	84.268		-	$16,578,356
	Total Department of Education and Student Financial Assistance Cluster				-	**$24,089,723**
TRIO						
	Department of Education	Student Support Services	84.042		-	$264,891
	Total Department of Education and TRIO Cluster				-	**$264,891**
Other Programs						
	National Aeronautics and Space Administration	Science	43.001	Oregon State University	-	$38,149
	National Science Foundation	Education and Human Resources	47.076		-	($909)
	Total Other Programs				-	**$37,240**
Total Expenditures of Federal Funds					$ -	**$24,768,043**

See notes to the Schedule of Expenditures of Federal Awards

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OREGON TECH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. 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 positon, 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 (no new loans in fiscal year 2019) are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2019 consists of:

Program Title	CFDA Number	Amount Outstanding
Perkins Loans	84.038	$ 1,494,265

OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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)	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000/$187,500

Auditee qualified as low-risk auditee? ☒ yes ☐ no

OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section II – Financial Statement Findings

No financial statement findings were noted during 2019.

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OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section III – Findings and Questioned Costs – Major Federal Programs

No federal award program findings were noted during 2019.

ACTION ITEM
Agenda Item No. 4.2
Internal Audit Report

Summary

Internal Audit has completed an audit of the Oregon Manufacturing Innovation Center – Research & Development (OMIC R&D) and business and cash handling operations within the Athletics Department a unit within the Student Affairs Division. The audits are dated December 23, 2019 and November 7, 2019 respectively.

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

Oregon Manufacturing Innovation Center – Research & Development (OMIC R&D)

The OMIC R&D audit identified three (3) findings, one (1) observation and six (6) process improvement recommendations spanning across several audit objectives. These include Data Management, Contract Procurement, Procedures, Organizational Structure and Member Management. No findings, observations or process improvement recommendations were identified relating to Project Management.

Additional detail can be found in the attached OMIC R&D Internal Audit Report.

Athletics Fiscal Review

The Athletics Fiscal Review audit identified three (3) findings, three (3) observations and four (4) process improvement recommendations spanning across several audit objectives. These include Athletic Events Cash Handling, Travel Expenses, Sponsorship and Marketing and Budget Management. No findings, observations or process improvement recommendations were identified relating to Donor Endowment Funds.

Additional detail can be found in the attached Athletics Fiscal Review Audit Report.

Upcoming Audit Engagements

Internal Audit has four upcoming or ongoing engagements during the remainder of FY20. These are as follows:

- Sponsored Grants and Projects Administration (underway)
- Academic Agreements (underway)
- Title IX (upcoming)
- Housing and Residence Life (upcoming)

Staff Recommendation

Internal Audit recommends that the Audit Committee of the Board of Trustees accept the attached Oregon Manufacturing Innovation Center – Research & Development and Athletics Fiscal Review audits as presented in the docket.

Attachments

OMIC R&D Internal Audit Report
Athletics Fiscal Review Audit Report
PowerPoint

Oregon TECH

OMIC R&D
Internal Audit Report
December 23, 2019

Oregon TECH

To: Board of Trustees and Management of Oregon Tech

From: Kernutt Stokes, Internal Auditors (IA)

Date: December 23, 2019

Subject: Oregon Manufacturing Innovation Center (OMIC R&D) Internal Audit

EXECUTIVE SUMMARY

The objective of this audit was to ascertain the effectiveness and appropriateness of policies and procedures related to ensuring the proper use of bond funds, economic development agency spending, approval authority, and thresholds of OMIC R&D as part of the 2018/2019 Internal Audit Plan.

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

- Finding – More serious in nature, a finding is an instance of a breakdown or partial breakdown, leading to a potential failure of the University's objectives. A finding requires immediate corrective action.
- Observation – An instance of a minor deviation from an otherwise well-implemented process. An observation requires noting in the audit report and should be evaluated and corrected as resources and time allow.
- Process Improvement Recommendation (PIR) – An instance of a potential improvement opportunity. A recommendation does not require action, but is encouraged for improvement.

Focus Area	Page #	Findings	Observations	PIRs
Data Management	5	1	-	-
Contract Procurement	6	1	-	1
Project Management	8	-	-	-
Procedures	9	-	-	2
Organizational Structure	10	1	1	-
Membership Management	12	-	-	3
Total		**3**	**1**	**6**

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

KERNUTTSTOKES

BACKGROUND

The mission of OMIC R&D is to develop and apply advanced metals manufacturing technologies and processes for industrial competitive advantage and academic growth, while inspiring and educating the next generation's manufacturing workforce.

OMIC R&D is a collaboration memorialized in a collaboration agreement signed by the ten charter members with joinder agreements used to add additional members. Oregon Tech is identified in the collaboration agreement as the Host organization. Aside from the collaboration agreement, OMIC R&D has no independent legal status from Oregon Tech and relies upon Oregon Tech for its staffing, operations, administrative functions, legal, human resources, public relations, facilities maintenance and procurement.

Oregon Tech is the landlord and operations host of OMIC R&D, including performance reporting and board management, grant management, marketing communications and event management, and facility management.

OMIC R&D's 30,000 square foot facility is located in Scappoose, Oregon. It features lab, production, and machine shop capabilities with the latest equipment in an environmentally controlled, ecologically safe, facility.

The State of Oregon is a strong partner and supporter of OMIC R&D, granting both operational and capital resources in order to ensure a successful enterprise able to meet its goals. Columbia County, the City of Scappoose, and local businesses and property owners provide support with everything from accelerated permits and contracts to donated land. Philanthropic support provides scholarships for college students to earn degrees in mechanical/manufacturing engineering and to intern at OMIC R&D throughout their college careers.

OMIC R&D is also working with the Economic Development Authority of the U.S. Department of Commerce on a major multi-year grant to further develop infrastructure and support innovation.

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

- Data Management – Due to being a research and development facility, OMIC R&D is constantly accumulating and facilitating highly confidential data. Oregon Tech's information technology department is involved with managing wireless access, firewalls, switches, and the purchasing of IT equipment.

- Contract Procurement – Due to OMIC R&D not being a separate legal entity from Oregon Tech, OMIC R&D is required to follow Oregon Tech's procurement policy.

- Project Management – OMIC R&D facilitates three types of projects: General projects, Specific projects, and Fee for Service projects. General research projects must be approved by OMIC R&D Technology Board. All expenses charged to each project are required to be approved by the Budget Authority assigned to the project which is usually the project's Principal Investigator.

    - General Projects - Intellectual property is owned by the Host (Oregon Tech). Tier I members and universities have fully paid royalty free license to the intellectual property. Tier 2 members have an option to purchase licenses to intellectual property developed during their membership. These projects are funded by member dues.

    - Specific Projects – Unless otherwise agreed upon with the University Research Member conducting the specific project, intellectual property is owned by the sponsor(s). These projects are funded through an allocation of 30% of Tier 1 member dues or by direct funding by industry members or by non-members.

- Procedures – OMIC R&D is in the early stages of developing operations and is still establishing a set of written policies and procedures. Many of the current practices are based on Oregon Tech policies and procedures which may be inefficient or ineffective for the goals of OMIC R&D. While OMIC R&D specific procedures cannot be more lenient than Oregon Tech policies and procedures, documenting specific practices unique to OMIC R&D would be appropriate.

- Organizational Structure – OMIC R&D is not a separate legal entity from Oregon Tech. All financial information is reported through Oregon Tech. Additionally, there is an associated non-profit with a mission to promote OMIC R&D. This organization has used member dues in the past to fund various activities not allowed by a governmental entity.

- Membership Management – As of May 2019, OMIC R&D had 26 members consisting of 3 universities and 23 industry member. Members are broken into 4 tiers which establish level of voting rights, membership dues, and access to intellectual properties developed from OMIC R&D projects. All members remit dues based on the provisions of their executed joinder agreement.

OBJECTIVES

The objectives of this audit were to:

- Ensure data is properly secured and backed up.
- Determine if contracts procured are following Oregon Tech procurement policies.
- Ensure all research projects performed are properly authorized as appropriate.
- Verify expenses charged to research projects are approved as outlined in the policies and procedures manual.
- Ensure that procedures are effective, efficient, and in accordance with Oregon Tech's policies and procedures.
- Evaluate the strategic goals of OMIC R&D and how that aligns with the limitations that inherently exist as a result of required compliance with various government regulations.
- Consider structure of member agreements and make suggestions for potential improvement.

SCOPE AND METHODOLOGY

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

To achieve the audit objectives, we discussed OMIC R&D procedures with OMIC R&D staff. Due to OMIC R&D being a relatively young collaboration, not all procedures specific to OMIC R&D have been documented. Throughout the audit, if OMIC R&D did not have a more specific procedure documented, we relied on Oregon Tech policies and procedures to test compliance.

We conducted interviews with the OMIC R&D staff including the Executive Director, Administrative Lead, Operations Lead & Machine Operator and Programmer, Research Grant & Projects Lead, and employees in the Business Affairs Office (BAO) and Information Technology (IT) departments.

We conducted detailed discussions regarding the following processes:

- Data management including access, backups, and monitoring
- Contract procurements including contracts types, required approval levels, etc.
- Project management including project types, staffing, funding, and expenses
- Organizational structure
- Member management including process to become new member, new member contracts and board approval, and managing member dues

AUDIT RESULTS

Data Management

- **Objective:** Ensure data is properly secured and backed up.

Findings	Observations	PIRs
1	-	-

- **Audit work performed**: IA gained an understanding of data management through interviews with OMIC R&D staff and the Oregon Tech Information Technology department. OMIC R&D follows Oregon Tech's information technology policies and procedures.

  - **Finding:** During IA's interviews with OMIC R&D staff, it was discovered that the majority of OMIC R&D research data and licensing information was stored on one OMIC R&D staff's work computer, with no data backup occurring. If the staff's computer were to fail, all this data would be lost.

    Recommendation: We recommend all OMIC R&D staff computers be backed up to a centralized cloud storage location daily.

Management Response	Responsible Party	Target Date
Management respectfully agrees. OMIC R&D will coordinate with Oregon Tech's Information Technology department to set up all OMIC R&D staff work computers to be backed up to the University's centralized cloud storage and/or dedicated server without internet connectivity. Management also notes that as of July 1, OMIC R&D has contracting with a private IT Service Provider to manage OMIC R&D's ongoing IT needs including storage, backup, internet security, etc.	Craig Campbell	Implemented March 2019

KERNUTTSTOKES

Contract Procurement

- **Objective:** Determine if OMIC R&D contracts procured are properly following Oregon Tech procurement policies.

Findings	Observations	PIRs
1	-	1

- **Audit work performed:** IA reviewed the procurement forms for 19 contracts selected, 8 sole source and 11 general contracts, and compared it to the requirements put forth by Oregon Tech's procurement policies and procedures.

	Total Population		Sample Size	
Contract Type	# of Contracts	$ Value of Contracts	# of Contracts Tested	$ Value of Contracts Tested
General	53	$ 8,414,579	11	$ 1,822,988
Sole Source	8	$ 740,750	8	$ 796,954
Total	**61**	**$ 9,155,329**	**19**	**$ 2,619,942**

- **Finding:** For sole source contracts, 3 out of the 8 contracts tested went through the sole source contract method when the standard procurement process could have been utilized.
  I. For one of the contracts, management noted that there were 3 vendors available with comparable machinery. Without going through the standard procurement process, management determined that 2 of the vendors would not meet the required specifications; therefore, no bids or quotes were requested or obtained from those vendors. The sole source contract method does not require a documented evaluation of other vendors; therefore, management's determination that the vendors were inadequate was not readily available.
  II. Two of the contracts used the sole source contract method based on the caveat in Oregon Tech's policy that justifies use of this method in cases of public exigency or emergency. IA believe that the justification of public exigency or emergency is being used too frequently. Based on IA's review of these contracts, there was no clear emergency documented. The frequent use of this caveat leaves OMIC and OT open to additional risk of fraudulent activity.

Recommendations:

I. Even if it is anticipated that only one vendor will be able to meet specific requirements of a project, management should still use the standard procurement process to document that other vendors were considered. This would create more transparency in the process and a proper trail for review.

II. Management should use the sole source contract method infrequently and when a true emergency occurs, as stated in Oregon Tech's procurement policy. The emergency should be clearly documented and a justification for why the standard procurement policy cannot be used should be included. As best practice, when time constraints exist that may not constitute an actual emergency, short window public procurement is the preferred method versus the sole source method.

Management Response	Responsible Party	Target Date
Management respectfully agrees. OMIC R&D now has processes in place that make procurement more predictable making it unnecessary to use sole source contracts. If an actual emergency occurs, that option remains available however we see no need to use sole source contracts otherwise.	Craig Campbell	Immediate

- **PIR:** All 11 general contracts tested appeared to comply with the minimum threshold of either obtaining, or evidence that management endeavored to obtain, three bids or quotes prior to choosing a contractor. In one instance, the documentation related to management's attempt to obtain bids or quotes was not included. Only the two quotes received were attached to the Bid/Quote Tabulation form.

Recommendation: IA recommends Host management implement a best practice that all bids/quotes and evidence of effort to obtain bids/quotes should be included in the documentation attached to the Bid/Quote Tabulation form to create more transparency in the process and a better trail for review.

Management Response	Responsible Party	Target Date
Management respectfully agrees and will ensure procurement records will be documented and retained within OMIC R&D according to the University's existing document retention policy to help ensure an adequate audit trail and increased transparency in public procurements.	Craig Campbell	Immediate

Project Management

- **Objective:** Ensure all research projects performed are properly authorized by OMIC R&D BOG.

Findings	Observations	PIRs
-	-	-

- **Audit work performed**: IA gained an understanding of the research project approval process through interviews with OMIC R&D staff and additional supporting documentation. All general research projects are required to be approved by OMIC R&D BOG via vote. IA reviewed 7 projects and noted all had been properly approved by the Board.

- **Objective:** Verify expenses charged to a research project are properly approved as outlined in the policies and procedures manual.

Findings	Observations	PIRs
-	-	-

- **Audit work performed:** IA gained an understanding of the research project expense authorization process through interviews with OMIC R&D staff and review of Oregon Tech's policies and procedures. The project expense policies and procedures note that Budget Authorities and Principal Investigators are required to approve all invoices. IA reviewed each expense along with associated invoice or supporting documentation and verified the expense appeared appropriate and contained the proper levels of approval.

	Total Population		Sample Size	
Project Type	# of Projects	$ Value of Associated Expenses	# of Projects Tested	$ Value of Associated Expenses Tested
Research Projects	14	$ 1,348,305	7	$ 841,157

Procedures

- **Objective:** Ensure that procedures are effective, efficient, and in accordance with Oregon Tech's policies and procedures.
- **Audit work performed**: Inquired with staff about policies and procedures related to membership management, board of governors, fixed assets, and project cost allocations.

Findings	Observations	PIRs
-	-	2

- **PIR:** Based on interviews performed, there currently is not a process in place to track OMIC R&D's machine utilization. This could result in less than optimal utilization in the future when more projects are occurring simultaneously and maximizing the use of every machine is necessary.

  Recommendation: IA recommends having a shared calendar for each machine that staff can schedule when they will be utilizing the machines.

Management Response	Responsible Party	Target Date
Management respectfully agrees. OMIC R&D will implement an annual calendar to schedule machine use for research which will also allow us to track machine utilization.	Craig Campbell	January 1, 2020

- **PIR:** OMIC R&D has not developed a methodology for charging overhead on projects. General projects do not require an overhead allocation. All other projects should include an overhead charge to compensate OMIC R&D for the wear and tear on machines and benefits received from use of other resources.

  Recommendation: Prior to OMIC R&D doing more of these types of other projects, IA recommends OMIC R&D management determine the proper methodology to charge overhead on all projects other than General projects.

Management Response	Responsible Party	Target Date
Management respectfully agrees. It is good fiscal practice for charges to reflect actual costs required to sustain the activities being paid for.	Craig Campbell	January 1, 2020

Organizational Structure

- **Objective:** Evaluate the strategic goals of OMIC R&D and how that aligns with the limitations that inherently exist as a result of required compliance with various government regulations.

Findings	Observations	PIRs
1	1	-

- **Audit work performed**: IA gained an understanding of the OMIC R&D's and CIM's organizational structure through inquiry with OMIC R&D's Executive Director and the organization's collaboration agreement. IA created four options for the Executive Director to present to OMIC R&D BOG for a potential amendment.

  - **Finding:** In 2017, OMIC R&D BOG, as a one-time exception by unanimous vote following a review by independent counsel, disbursed $120,000 out of industry member dues to the 501(c)(6) which operated under the name Oregon Manufacturing Innovation Center – Research & Development, currently in the process of being closed out in favor of a new 501(c)(3) called the Collaboration for Innovative Manufacturing (CIM). Per the collaboration agreement, all expenses were to be used for research resulting in non-compliance with the collaboration agreement. The 501(c)(6) had requested a second allocation of $120,000 be made to them from membership due in 2018. In order to resolve these issues, the Executive Director was asked by OMIC R&D BOG to develop an amendment to the OMIC R&D collaboration agreement to give OMIC R&D BOG flexibility to use a portion of industry dues beyond research projects, including for activities such as lobbying and entertaining costs for which the use of state dollars would be inappropriate.

    Recommendation: IA presented the OMIC R&D Executive Director with four options for handling funds from industry members, ordered from IA's most preferred option to least preferred option:

    I. Collaboration agreement is not amended. Current industry member funds are used for research. CIM remains a separate entity and industry members can contribute however the board of governance for that organization allows.
    II. Collaboration Agreement amended to have all industry member dues go directly to CIM with CIM responsible for allocating dues back to Oregon Tech for OMIC R&D supported activities.
    III. Collaboration Agreement amended to allocate a specific percentage or amount of industry member funds to CIM.

IV. Collaboration Agreement amended to assign OMIC R&D BOG discretionary spending over industry member dues. While this option brings OMIC R&D into compliance with their collaboration agreements with respect to funds transfers to CIM, risk is present when guidelines are discretionary. Additionally, there are blurred lines with respect to tracing which dollar came from which member and is then used to fund disallowed activities.

Management Response	Responsible Party	Target Date
Management respectfully agrees and has implemented the first option. Current industry member funds are used for research. CIM remained a separate entity and industry members may individually contribute as allowed by the respective organization's board of governance. Subsequent to receiving IA's recommendation, the CIM organization has dissolved.	Craig Campbell	January 31, 2019

- **Observation:** Since OMIC R&D is not a separate legal entity, OMIC R&D's assets all belong to Oregon Tech. IA noted there was no language in the collaboration agreement that establishes what would happen to OMIC R&D and all the assets should the collaboration be disbanded or OMIC R&D becomes a separate legal entity.

Recommendation: The collaboration agreement be updated to specifically address distribution of OMIC R&D assets and funds in the event of the dissolution of OMIC R&D or OMIC R&D becoming a separate legal entity.

Management Response	Responsible Party	Target Date
Management respectfully agrees. Management will review Oregon Tech policies and procedures, and the Collaboration Agreement to determine best method(s) of implementing updates to address distribution of OMIC R&D assets.	Craig Campbell	July 31, 2020

Membership Management

- **Objective:** Consider structure of member agreements and make suggestions for potential improvement.
- **Audit work performed**: IA gained an understanding of the membership management process through interviews with OMIC R&D staff and reviewing member joinder agreements.

Findings	Observations	PIRs
-	-	3

- **PIR:** Section 9.1.1 Financial Management requires that the Host (currently Oregon Tech) establish a segregated financial account on behalf of the Collaboration to hold and manage all financial contributions. Currently, a separate bank account has not been established. The Host uses fund accounting to segregate OMIC R&D funds in their accounting system and comply with this requirement. It is possible in the future that OMIC R&D may become a separate legal entity from the Host, at which time, fund accounting may not be sufficient to comply with the collaboration agreement.

  Recommendation: Periodically, OMIC R&D and the Host should evaluate whether funds continue to be appropriately segregated through the use of fund accounting. In the event that OMIC R&D becomes a separate legal entity, the Host should consider opening a separate bank account to manage the Collaboration funds.

Management Response	Responsible Party	Target Date
Management respectfully agrees. Should OMIC R&D become a separate legal entity, we will comply with the recommendation provided.	Craig Campbell	Upon OMIC R&D becoming separate legal entity

- **PIR:** Member dues are paid annually based on each member's joinder execution date. This creates inefficiencies for OMIC R&D's office administrator, requiring billing to be done monthly rather than annually.

  Recommendation: Amend the collaboration agreement and/or member joinder agreements to identify a specific date that annual dues are to be paid. New members should pay a pro-rata share if entering collaboration during the period.

Management Response	Responsible Party	Target Date
Management respectfully agrees. Management is reviewing OMIC R&D policies and procedures, Collaboration, and Joinder Agreements to determine the best method(s) to update dues renewal dates and relieve the administrative burden of member dues tracking.	Craig Campbell	July 31, 2020

- **PIR:** The voting rights structure for the Tier 2 members appears to be unbalanced. Each Tier 2 member is combined into a group of 5 members who jointly have to come to an agreement when they cast their 1 vote.

  Recommendation: IA recommends OMIC R&D BOG amend the voting structure to have Tier 2 members receive a 1/5th of a voting right.

Management Response	Responsible Party	Target Date
Management respectfully agrees. The arrangement contained in the Collaboration Agreement is not practical in execution and should be changed such that each Tier 2 member is granted a 1/5th voting right. This will likely become untenable as the OMIC R&D membership grows too large to have all members represented on the Board of Governors. Amendments to the Collaboration Agreement require very specific procedures, which take time to implement, but implementing the recommendation would make the voting process cleaner. This may also be accomplished by a new procedure adopted by the Board of Governors, another possibility to be reviewed by Management.	Craig Campbell	January 31, 2021

ACKNOWLEDGEMENT

We appreciate the courtesy and cooperation we received from the staff, specifically at OMIC R&D, BAO, and the Information Technology Services departments throughout this audit. We also thank OMIC R&D for the speed and efficiency with which they provided us with requested information throughout the course of the audit.

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Oregon TECH

Athletics Fiscal Review
Internal Audit Report
November 7, 2019

To: Board of Trustees and Management of Oregon Tech

From: Kernutt Stokes, Internal Auditors (IA)

Date: November 7, 2019

Subject: Oregon Tech Athletics Internal Audit

EXECUTIVE SUMMARY

The objective of this audit was to ascertain the effectiveness and appropriateness of existing policies and procedures related to the fiscal review of cash and revenues, proper execution of contracts and agreements, cost reimbursement review, and budget management of the Athletics Department as part of the 2018/2019 Internal Audit Plan.

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

- Finding – More serious in nature, a finding is an instance of a breakdown or partial breakdown, leading to a potential failure of the University's objectives. A finding requires immediate corrective action.
- Observation – An instance of a minor deviation from an otherwise well-implemented process. An observation requires noting in the audit report and should be evaluated and corrected as resources and time allow.
- Process Improvement Recommendation (PIR) – An instance of a potential improvement opportunity. A recommendation does not require action, but is encouraged for improvement.

Focus Area	Page	Findings	Observations	PIRs
Athletic Event Cash Handling	4	3	-	1
Travel Expenses	7	-	1	2
Sponsorship and Marketing	9	-	2	-
Budget Management	10	-	-	1
Donor Endowed Funds	11	-	-	-
Total		**3**	**3**	4

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

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BACKGROUND

The mission of the Oregon Tech Athletic Department is to facilitate growth and development of its student-athletes by providing a broad-based athletic program that creates educational opportunities through the medium of competition at the collegiate level. The department also provides personal health and fitness opportunities to the campus community through its Tech-Fit facilities.

Oregon Tech has four main on-campus athletic facilities used for collegiate competition as well as two other off-campus locations. The on-campus facilities are Danny Miles Court, used for women's basketball and volleyball as well as men's basketball; Oregon Tech Soccer Field, used for both men's and women's soccer; Moehl Stadium, used for men's and women's track and field, and the newly built John and Lois Stilwell Stadium used for the women's softball team. Off-campus locations include Kiger Stadium, used by the men's baseball team, and Running Y Ranch Resort/Reames Country Club, used for both men's and women's golf. Other revenue sources received by the athletic department are lottery funds and fees charged to each student as an incidental fee that is included with the cost of overall tuition. These funds are separately supervised by administrators of the University and are not included in the scope of the audit.

Oregon Tech sells tickets for certain sporting events through their online website and at event locations. The sporting events that require paid entry are men's basketball and soccer, and women's basketball, volleyball, soccer, and softball. Concessions also served at men's basketball games and women's basketball, softball, and volleyball matches. Students do not have to pay for entry to any of the athletic events.

The Oregon Tech Athletic Department provides the following men's and women's programs:

Men's Sports	Women's Sports
Baseball	Basketball
Basketball	Cross Country
Cross Country	Golf
Golf	Soccer
Soccer	Softball
Track and Field	Track And Field
-	Volleyball

Based on the annual risk assessment, IA focused on:

- Athletic Event Cash Handling – Walkthroughs of cash handling for athletic event ticket sales and concessions.
- Travel Expenses – Analyze and test the Athletics Department travel expenditures for the academic year 2018/2019.
- Sponsorships and Marketing – Analyze sponsorship and marketing agreements between Oregon Tech Athletics and their supporters.
- Budget management – Determine if the Athletics Department's budgeting process is sufficient and thorough.
- Donor Endowed Funds – Analyze and inquire about donor endowed are properly disbursed to their associated athletic programs.

OBJECTIVES

The objectives of this audit were to:

- Ensure proper cash handling of athletic event sales and concessions are in-line with the Oregon Tech Athletics Cash Handling Policy for Indoor/Outdoor Sporting Events.
- Analyze whether travel expenditures are being properly documented.
- Ensure sponsorship and marketing agreements are consistent, correctly implemented, and adhered to.
- Determine if the Athletics Department's budgeting process is accurate and sufficient.
- Review donor endowed funds are properly allocated based on donor requests as well as communicated with the Athletics Department.

SCOPE AND METHODOLOGY

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

To achieve the audit objectives, we reviewed the 2018/2019 Oregon Tech Athletics Cash Handling Policy for Indoor/Outdoor Sporting Events. The purpose of this policy is to provide an outline of the procedure for employees and students in charge of athletic event ticket sales and concession sales. Additionally we reviewed travel expenditures for various athletic programs for the academic year 2018/2019.

The scope of this audit included policies, procedures, expenditures, and agreements of the Athletics Department for the 2018/2019 academic year.

AUDIT RESULTS

Athletic Event Cash Handling

- **Objective:** Ensure proper cash handling of athletic event sales and concessions are in line with the Oregon Tech Athletics Cash Handling Policy for Indoor/Outdoor Sporting Events.
- **Audit work performed**: Observation of softball concession sales, interviews with staff, and review of policies and procedures related to cash handling.

Findings	Observations	PIRs
3	-	1

1) **Finding:** During IA's observation of softball concession sales, it was noted that staff running the concessions are not required to count the amount of monies collected during the athletic event. Without any record of how much money was collected and stored in the bank bag, there is no process to ensure the entire amount of the funds is secure or deposited by other parties. Per review of the Oregon Tech Athletics Cash Handling Policy for Indoor/Outdoor Sporting Events, the policy does not require the monies to be counted during athletic events. IA considers this a weakness in the policy rather than the observed procedure.

   Recommendation: Create a cash receipts log that is required to be completed for every event. IA recommends two people count the monies to ensure accurate counts and documentation. Each person counting should sign off on the amount at the end of a shift.

Management response	Responsible Party	Target Date
Management respectfully agrees. Athletics, in conjunction with the Business Affairs Office (BAO), will develop a cash receipts log to be used at each on-campus Athletics event where tickets, concessions, and/or other cash receipts occur. The cash receipts log will be stored with collected cash in a secure safe or drop box. The cash receipts log will require counting of cash by two individuals and documented with signature and date to verify cash collected. Current Athletics cash handling procedure was updated on October 3, 2019.	John VanDyke	Completed

2) **Finding:** During our walkthrough of softball concessions sales IA noted that, after monies have been removed from the cash box at the event and put into bank bag, they were stored overnight in the desk drawer of the Administrator in Charge's office. The Oregon Tech Athletics Cash Handling Policy for Indoor/Outdoor Sporting Events specifies that bank bags should be stored in a locked combination safe directly after conclusion of an event. IA was informed that this is common practice for a variety of events as the current safe is frequently broken or the combination does not work or has been changed. With no record of how much funds are included in the bank bag, there is no way to ensure the entire amount of funds is secure. IA did not consider the office secure since it is a communal office where multiple coaches would have access to the desk.

   Recommendation: We recommend either fixing the current safe or purchasing a safe with a drop box to minimize the possibility of losing athletic event funds. We also recommend creating an in/out log for the safe to be able to track when it has been accessed.

Management response	Responsible Party	Target Date
Management respectfully agrees. Athletics will update its cash handling procedure to require all cash bags be stored in a secure safe or drop box at the conclusion of all on-campus Athletics events where cash receipts occur. A check-in/out log requiring signature and dating for the safe was created and is being used by Athletics coaches and staff as of October 3, 2019.	John VanDyke	Completed

3) **Finding:** During our walkthrough of softball concessions sales IA noted that, after monies have been removed from the cash box at the event and put into bank bag, they were transferred by only the Administrator in Charge to the Athletics building where they were stored overnight. There was another softball game the following day, and the same bank bag was to be retrieved from the Athletics building to be used for concessions that day. According to the Oregon Tech

Athletics Cash Handling Policy for Indoor/Outdoor Sporting Events, bank bags should remain in double custody until they are placed securely in the safe. If there is an event the next day, the bags should be reset preceding the next event to separate the previous funds collected from the next event's funds.

Recommendation: We recommend that when transferring bank bags after the completion of an event, the Administrator in Charge as well as another individual, collectively move the funds to the safe to maintain double custody in accordance with the policy. Additionally, we recommend if there is an event the next day, the Athletic Program Operations Coordinator or other admin should 1) reset the bank bags with the appropriate beginning funds 2) separate out the event funds received from the prior day and place them in a manila envelope in the safe, with two people present, to be deposited at a later date in accordance with the policy. The amount to be deposited should match the count log from the prior day's event, less the starting cash.

Management response	Responsible Party	Target Date
Management respectfully agrees. Athletics will update its current cash handling procedure and provide training to cash handling staff on a periodic basis, no less than annually. Training will specifically include the updated written procedure requirements including: 1) bank bags will be handled in double custody at all times; 2) new bank bags will be used for each event that requires cash handling; and 3) bank bags to be stored in a secure safe or locked drop box location. Procedure was updated and staff training was completed by October 3, 2019.	John Van Dyke	Complete

4) **PIR:** During our interviews, IA noted that when coaches receive their cash advances, they are required to bring back any extra cash once their trip is complete. Currently there is no formal timetable for when coaches need to return the extra cash. This can become an issue if the coach delays the reimbursement of University funds for an excessive length of time. It could become difficult for the Cashiers Office to track all outstanding reimbursements which could eventually lead to lost University funds.

Recommendation: We recommend excess funds be returned to the cashier's office before the end of the week following completion of an event to ensure fund are received timely.

Management response	Responsible Party	Target Date
Management respectfully agrees. While there is a current expectation coaches return excess cash advance monies within two business days, there is not a written procedure related to this expectation. Athletics has developed a written procedure and will provide training	John Van Dyke	Completed

to coaches on a periodic basis held no less than annually. Initial training was completed by October 3, 2019.		

Travel Expenses

- **Objective:** Analyze whether travel expenditures are being properly documented.
- **Audit work performed:** Reviewed and tested a comprehensive list of all travel expenses for the academic year 2018/2019. IA analyzed support for 22 transactions by accessing the information through the University's data storage software, Nolij.

Findings	Observations	PIRs
-	1	2

1) **Observation:** During IA's review of supporting documents in Nolij, 2 out of the 20 selected transactions were not properly entered into the Nolij database. IA selected two additional transactions for further testing and noted both supplemental selections were located in Nolij.

   Recommendation: Diligently utilize Nolij as a data bank for the support of the Athletic Department's expenditures.

Management response	Responsible Party	Target Date
Management respectfully agrees. Athletics administrative staff will work to ensure completeness in digital storage within the University's data storage software and that policies and procedures are followed in this area. Completed on October 31, 2019.	John Van Dyke	Completed

2) **PIR:** IA reviewed supporting documents and receipts for meals purchased using P Cards in Nolij and noted that the players and coaches that were part of the meal were not listed. This makes it difficult to determine if the amount of expense is aligned with how many individuals were involved. Out of the 22 selected travel expense transactions, three were for meals that IA was not able to determine the reasonableness of the charges because no description of cost was provided. These three transactions had a total value of $1,421.

   Recommendation: Document on the receipt all of the individuals involved and the purpose of the meal. This creates an audit trail that can be easily followed for any future monitoring that could be necessary.

Management response	Responsible Party	Target Date
Management respectfully agrees. Athletics will develop, in conjunction with the BAO, a standardized form to document all student athletes and coaches where P-Card purchases are made on their behalf; and continue to ensure that existing University policies and procedures are followed in this area. Related staff training to be held on a periodic basis, no less than annually. Form, written procedure update, and initial staff training was completed by October 3, 2019.	John Van Dyke	Completed

3) **PIR:** Based on IA's correspondence with management, there are circumstances where family members of, or other parties associated with, the players or coaching staff may travel with the teams to away sporting events. At times on these occasions, the team (through the University) may purchase or incur costs for transportation, hoteling, etc. on behalf of these parties in order to get group/bulk discounts or ensure consistency of travel arrangements for all involved. There is currently no policy in place to approve these types of purchases or to dictate when or how the reimbursement of these funds back to the University should take place

Recommendation: Create a reimbursement policy for family members of players or coaching staff, or others, that choose to travel with an athletic program on extended away events and have expenses paid by the University. IA recommends that whenever travel expenses are paid on behalf of a family member or other person by the University, the costs incurred should be reimbursed either before the purchase has been made by the University (when ticket costs are known in advance), or within one week of the purchase and/or before the travel event has occurred. If costs are incurred during an event, reimbursement should take place within 1 week of the event ending. IA also recommends that the Athletic Department monitor the frequency and amounts of these types of purchases and consider whether the Athletic Director should approve these types of purchases/reimbursements in advance as part of the policy.

Management response	Responsible Party	Target Date
Management respectfully agrees. Athletics will develop a written procedure in conjunction with the BAO stating family members traveling with the team will be doing so as a University volunteer, and will follow the University's existing volunteer review and documentation process. Volunteers who travel with Athletics teams will have a documented University need and be approved prior to team travel. Staff will also be trained on Volunteer documentation. Related staff training to be held on a periodic basis, no less than annually. Written procedure	John Van Dyke	Completed

updated and initial staff training was completed by September 4, 2019.		

Sponsorships and Marketing

- **Objective:** Ensure sponsorship and marketing agreements are consistently and correctly implemented and adhered to.
- **Audit work performed:** IA gained an understanding of sponsorship and marketing agreements through interviews and correspondence with Marketing and Promotions staff as well as reviewing sponsorship agreements between the Athletics Department and local sponsors. IA selected 5 agreements for testing.

Findings	Observations	PIRs
-	2	-

1) **Observation:** Based on IA's correspondence with management, it was discovered that certain sponsors have signage at athletic facilities which are not documented with a written agreement or with any internal documentation that memorializes the agreement. Sponsorship space is limited at most University facilities creating a cap on the amount of revenue that can be earned from these agreements. Documenting all agreements with signed documents or internal memos will allow the University to maximize the revenue that can be raised with sponsorship space and avoid misunderstandings or conflicts with current or potential sponsorship partners.

   Recommendation: We recommend that sponsorship arrangements be formally written and signed by both parties outlining all agreed upon terms. There may be circumstances for which a written agreement is not possible. In these circumstances IA recommends that an internal memo be created that outlines the verbal agreements between both parties involved. This memo would outline terms such price to be paid by both parties, sponsorship benefits, and length of the contract.

Management response	Responsible Party	Target Date
Management respectfully agrees. Athletics Administration will ensure a properly authorized, executed agreement is in place, which will include terms and conditions for all sponsorship arrangements. Procedural change was made effective immediately.	John Van Dyke	Completed

2) **Observation:** During our testing, one of the five sponsorship agreements we sampled was not signed by a University official as required. The agreement was for a Gold Package Program ad

and the form used to document the agreement was the Athletic Advertisement Agreement. The form has required signature spots for both the advertiser and the Athletic Department's designated authority in order to acknowledge all the terms set forth in the arrangement.

Recommendation: We recommend all agreements be signed by the proper University official in accordance with guidance outlined in the written agreement. An incomplete agreement could cause the agreement to become invalid and lead to a loss of Athletic Department funds.

Management response	Responsible Party	Target Date
Management respectfully agrees. Athletics Administration will ensure all sponsorship agreements have authorized signatures prior to execution. Procedural change was made effective immediately.	John Van Dyke	Completed

Budget Management

- **Objective:** Determine if the Athletics Department's budgeting process is accurate and sufficient.
- **Audit work performed:** Reviewed and inquired with budgeting administration on current processes and potential improvements.

Findings	Observations	PIRs
-	-	1

1) **PIR:** During the course of our inquiries with those in charge with budgeting, as well as the physical walkthrough of the event ticket and food sales, we noted that there is no current process to document or record the total amount of sales for tickets and food.

   Recommendation: We recommend recording ticket and food sales for each applicable sporting event. This can provide a benefit in reconciling total cash received to ticket/food sales to minimize risk of undetected theft, and also historical data that can be used for future budgeting purposes.

Management response	Responsible Party	Target Date
Management respectfully agrees. Athletics Administration will develop a written procedure and standardized form to track and report all gate and concession revenues as well as deposit the monies into the appropriate account code. Related staff training to be held on a periodic basis, no less than annually. Form,	John Van Dyke	Completed

written procedure update, and initial staff training was completed by October 3, 2019.		

Donor Endowed Funds

- **Objective:** Review donor endowed funds are properly allocated based on donor requests as well as communicated with the Athletic Department.
- **Audit work performed:** IA gained an understanding of donor endowed funds through interviews and correspondence with Foundation staff as well as reviewing historical correspondence between Foundation and coaches. IA selected three distributions from the Foundation to the Athletics Department for testing and no issues were noted.

Findings	Observations	PIRs
-	-	-

Below is a table of the distributions reviewed by IA during the audit:

Description of Distribution	Athletic Program	Amount
Baseball Uniforms	Baseball	$10,064
Booster Clubware – BSN Sports	Athletic Boosters	$5,974
Old Hickory Lofted Barn Storage Shed	Women's Soccer	$4,500

ACKNOWLEDGEMENT

We appreciate the courtesy and cooperation we received from the management, staff, and coaches, specifically in the Athletics Department, Cashiers office, and Foundation throughout this audit. We appreciate the speed and efficiency with which they provided us with requested information throughout the course of the audit.

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Internal Audit Update

January 23, 2020

Internal Audit Update Agenda

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

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2018/2019 – Project Completion Report

Oregon Manufacturing Innovation Center (OMIC)

- Audit Objectives:
  - Ensure data is properly secured and backed up.
  - Determine if contracts procured are following Oregon Tech procurement policies.
  - Ensure all research projects performed are properly authorized as appropriate.
  - Verify expenses charged to research projects are approved as outlined in the policies and procedures manual. Ensure that procedures are effective, efficient, and in accordance with Oregon Tech's policies and procedures.
  - Evaluate the strategic goals of OMIC R&D and how that aligns with the limitations that inherently exist as a result of required compliance with various government regulations.
  - Consider structure of member agreements and make suggestions for potential improvement.
- Audit report includes responses from management on all items
- Questions or discussion on report items:

Findings	Observations	Process Improvement Recommendations
3	1	6

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2018/2019 – Project Completion Report

Athletics: Fiscal Review

- Audit Objectives:
  - Ensure proper cash handling of athletic event sales and concessions are in-line with the Oregon Tech Athletics Cash Handling Policy for Indoor/Outdoor Sporting Events.
  - Analyze whether travel expenditures are being properly documented.
  - Ensure sponsorship and marketing agreements are consistent, correctly implemented, and adhered to.
  - Determine if the Athletics Department's budgeting process is accurate and sufficient.
  - Review donor endowed funds are properly allocated based on donor requests as well as communicated with the Athletics Department.
- Audit report includes responses from management on all items. All responses have been implemented.
- Questions or discussion on report items:

Findings	Observations	Process Improvement Recommendations
3	3	4

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2019/2020 – Project Status Update

Sponsored Projects and Grant Administration

- Review policies and procedures, compliance and reporting, conflicts of interest, sub-recipient relationships, indirect costs allowed under agreements, close-out procedures.
- Report drafting phase: expected completion February 2020

Educational Partnerships and Outreach

- Registering and placing students, coordination of agreements.
- Fieldwork and testing phase: expected completion March 2020

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2019/2020 – Project Status Update

Title IX

- Policies and procedures, processing complaints, communication and documentation, victim and whistleblower confidentiality.
- Planning phase: expected start in Winter 2020

Housing and Residence Life

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

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Fraud, Waste, and Abuse Ethics Hotline Update

Status Update

- 6 cases opened through hotline in 2019/2020, 1 case opened through Oregon Secretary of State Audits Division
  - 6 resolved and closed
  - 1 in monitoring

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Questions?

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ACTION ITEM
Agenda Item No. 4.3

Internal Audit RFP Authorization

Summary

The Finance and Facilities Committee at its regularly scheduled meeting on November 21, 2019 reviewed options for Internal Audit (IA) services. This analysis included a review of prospective costs, service levels and models utilized by other public universities in Oregon. Options ranged from purely insourced, to purely outsourced IA function and a hybrid model utilizing both internal resources and external services.

After discussion with the Committee and subsequent conclusion by the Chair, staff is recommending the continuation of an outsourced IA function at or near the current service levels. This would include both traditional IA services, management of the Fraud, Waste and Abuse Hotline and periodic comprehensive Risk Assessment.

If approved, the university will issue a Request for Proposal (RFP) for IA services, with a provider set to begin no later than July 1, 2020 to ensure continuity of operations for a term of three years with annual renewal terms after the initial period.

Background

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

The original term of the Internal Audit contract was a single-year contract, ending June 30, 2017 with the ability to extend the contract for two additional single-year terms, concluding at the end of the 2019 fiscal year. The Audit Committee voted to authorized the VPFA to extend the contract with Kernutt Stokes for an additional year through June 30, 2020 maintaining the current terms and conditions with the understanding that the Committee would review the long-term IA structure during the 2020 fiscal year.

Draft Audit Scope

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

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

Objectives:

Contractor shall meet the following draft objectives:

1. Risk Assessment. In conjunction with key Oregon Tech staff, Contractor shall perform a comprehensive Risk Assessment at the beginning of the contract term and thereafter at the discretion of the Audit Committee. The Risk Assessment will include financial and operational risks at Oregon Tech, and outline potential Internal Audits to mitigate the impact of identified risks on university operations. Such risk assessment shall not include a financial statement review.

2. Annual Internal Audit Work Plan. In conjunction with key Oregon Tech staff and the Audit Committee of the Board of Trustees, contractor shall use the Risk Assessment as a guide to prioritize the areas for internal audit work to be performed throughout the term of the Contract. From the prioritization, a multi-year internal audit schedule shall be developed to encompass the necessary departments or functions. Contractor shall perform a maximum of up to four audits each fiscal year. The audit schedule shall be reviewed with Oregon Tech administration on an annual basis and shall be adjusted accordingly to reflect any changes in the internal or external control environment. All work plans shall be approved by the Oregon Tech Board Audit Committee prior to execution.

3. Campus Fraud, Waste, and Abuse Ethics Line. Oregon Tech currently receives service from a third party to provide the ability for anonymous reporting of real or potential fraud, waste and abuse at the university. Contractor shall be responsible for monitoring and case management of the Fraud, Waste, and Abuse Ethics Line ("Ethics Line") tips. Contractor shall be the sole point of contact and coordinator for all questions, concerns, and follow-up issues related to future Ethics Line tips. Any investigation of tips beyond clarifying, follow-up questions is outside the scope of this contract.

Recommendation

Staff recommend the Finance and Facilities Committee of the Board of Trustees, acting as the Audit Committee, authorize staff to issue a Request for Proposal (RFP) for Internal Audit Services and negotiate a contract resulting from the RFP. Further, the Audit Committee authorizes the Chair of the Audit Committee to act on its behalf to finalize and execute the RFP and resulting contract.

Attachments

None

DISCUSSION
Agenda Item No. 5.1

Tuition Development Process Update

Summary
In order to ensure a consultative tuition development process annually the Board of Trustees, through its adoption of a tuition policy, has established the Tuition Recommendation Committee (TRC). The Committee's 2019-20 work plan is designed to conform to both university policy, meet the process requirements of HB 4141 (2018), satisfy the criteria established by the Higher Education Coordinating Commission (HECC) for approving tuition above five percent. Most importantly, the process is designed to provide for a consultative and inclusive tuition setting process focused on supporting student affordability, long-term sustainability of the university and ensuring high-quality degree programs. This docket item provides an update on the TRC process to date and relevant criteria for approving tuition at the HECC and state.

The TRC began meeting in during the first week of Winter Term 2020 and will continue to meet until through the beginning of March 2020 in order to provide the President and ASOIT the necessary information for a recommendation in time for the April 2, 2020 meeting of the Board of Trustees. This timeline will include the hosting of two student open forums led by ASOIT at each primary campus location. These open forums are designed to provide meaningful opportunities for students at-large to participate in the tuition setting process and elicit student feedback for the TRC and for ASOIT on their priorities during the tuition setting process. In prior years these events have provided an opportunity to inform and receive feedback from the university community on the university's and state's budget and plans going forward. The TRC will conclude its process during March in advance of students leaving for Spring Break.

Tuition Recommendation Committee Work
The TRC is composed of the following members:

Brian Fox, *Chair*	Vice President for Finance and Administration	Klamath Falls
Richard Bailey	Department of Management, ETM	Klamath Falls
Erin Foley, *Ex-Officio*	Vice President for Student Affairs and Dean of Students	Klamath Falls
Samantha (Sam) Henkell	ASOIT President	Klamath Falls
Erik Johnson	Director of Admissions	Klamath Falls
Taylor Kimura	Student Representative	Klamath Falls
Nashmy Luna	Student Representative	Portland-Metro
Jesse Lutterloh	Student Representative	Klamath Falls
Anne Malinowksi	Assistant Registrar	Portland-Metro
Samantha McLean	Student Representative	Klamath Falls
Dr. Joanna Mott	Provost and Vice President for Academic Affairs	Klamath Falls
Dao Nguyen	Student Representative	Portland-Metro
Dr. Rosanna Overholser	Department of Mathematics, HAS	Klamath Falls
Stefan Valenzuela	ASOIT President	Portland-Metro

Support staff for the TRC includes:

Stephanie Pope	Assistant Vice President for Fiscal Operations	Klamath Falls
Farooq Sultan	Director of Institutional Research	Klamath Falls
Nellie Stewart	Executive Assistant to the VPFA	Klamath Falls

The TRC meets or exceeds all requirements established by HB 4141 (2018), including a broad and diverse set of students from both the Klamath Falls and Portland Metro campuses, faculty and senior administrators.

Process Guidelines and Principles

In order to facilitate the tuition setting process the President has established a committee charter for the TRC. This charter is included in the annual catalog of Standing Committees, Commission and Councils (page 11). At the TRC's first meeting it established a working calendar (Appendix I) as well as guiding principles and a process framework to ensure that the group had a guidepost to measure their deliberative process and the outcome by. These are included below.

2019 Tuition Recommendation Committee Charter

The Tuition Recommendation Committee is responsible for recommending the tuition and mandatory fee rates to the President who must in turn report and recommend mandatory tuition and fee to the Board of Trustees in accordance with ORS 352.102. The Board of Trustees shall request that the President transmit to the Board the joint tuition recommendation of the President and the recognized student government.

This committee is comprised of six students representing both campuses and appointed by the ASOIT president(s), two of which represent ASOIT and two of which represent historically underserved students of the university, as defined by the university; the Fiscal Operations Advisory Council (FOAC) chair and at least two administrators. Any changes to the Committee structure required by ORS 352.102, subsequent controlling statutes or Board Policy may be made without notification. The President shall designate one member to chair the committee.

Before making any recommendation to increase tuition and mandatory fees but especially when the proposed increase is more than five percent annually, the Committee must document its consideration of the impact on students, and the necessity of the increase in achieving the mission of the University. The Committee shall provide meaningful opportunities for members of the student government and students at large to participate in the process and deliberations.

The committee will meet at least twice during January – February. Its meetings shall be open to the public and broad notification of the meetings shall be made to the university community. The committee will consider the guidelines provided by the Board, information provided by the Administration, and such other matters as shall seem appropriate.

Guiding Principles

- Consider long-term factors when recommending the single year decisions (important to have a forward looking vision).
- Recognize the importance of affordability for students.

- Tuition levels should be developed using data and information, including internal budget, comparator institutions, and external cost indices.
- Ensure we maintain the current service level, quality and support that Oregon Tech provides to students.

Process Framework

- Communicate openly and transparently with all stakeholders at an appropriate level of detail
- The committee will utilize data and information throughout the process
- Communicate respectfully and ask questions

Deliberative Process

Throughout the two-month long tuition setting process the TRC will meet at least seven times, host four campus forums, two on each primary campus location and hear from university teams including, Financial Aid, Budget and Planning, Enrollment Management, Student Affairs and Institutional Research. This process will include training on the major components of and pressures affecting Oregon Tech's and state's budget, as well as historical data on tuition and fees. Staff will outline for the TRC how the university is managing its costs and continues to evaluate scenarios which include reductions in tuition if additional state support is available.

HB 4141 (2018) lays out a stringent series of requirements for public universities during the tuition setting process (Appendix II). This codifies many of the practices Oregon Tech has long undertaken to ensure broad engagement and inclusion throughout the tuition setting process. During last academic year the HECC further clarified its evaluative focus if a tuition increases beyond 5% is proposed by a university (Appendix III). These includes three specific criteria:

1. Fostering an Inclusive and Transparent Tuition Setting Process
    a. The institution can demonstrate that students had multiple opportunity [sic] to engage in the tuition-setting process including, but not limited to, participation on the institution's advisory committee.
    b. The institution demonstrates that information about the tuition setting process was easily accessible, that the tuition-setting process was transparent and in compliance with House Bill 4141 (2018).
2. Safeguarding Access and Support for Degree Completion by Historically Underrepresented Students
    a. Demonstration of impacts, with and without a tuition increase of more than 5%, on remission programs and support services that bolster retention and completion of underrepresented students.
    b. The institution has a plan for reducing tuition costs if the PUSF exceeds the funding level upon which the tuition increase is predicated.
3. Financial Conditions Demonstrating the Need for Resident, Undergraduate Tuition to be Increased More than 5%
    a. The institution demonstrates that current and projected financial conditions compelling the need for the increase request to meet the critical portions of its HECC-approved mission or goals set in the HECC's strategic plan, including documentation that alternatives to raising tuition above 5% were considered.

b. The institution demonstrates that it has considered and implemented cost containment efforts for those costs that are within their control.

Staff believes that the process outlined by HB 4141 (2018) and the evaluation criteria established by the HECC have been met or are in process of being met.

Staff Recommendation

No action necessary, for discussion purposes only.

Attachments

Tuition Recommendation Committee Calendar
HB 4141
HECC Tuition Increase Criteria

Tuition Recommendation Committee Calendar

JAN2020

TUITION RECOMMENDATION COMMITTEE

SUN	MON	TUE	WED	THU	FRI	SAT
			01	02	03	04
05	06	07	08	09	10	11
	WINTER TERM BEGINS	MEETING 1 Review Process & Calendar, Establish Principles				
12	13	14	15	16	17	18
			MEETING 2 Budget Data & Tuition Comparison			
19	20	21	22	23	24	25
		MEETING 3 Tuition Forum #1 Prep		BOARD OF TRUSTEES MEETING (P-M)		
26	27	28	29	30	31	
	KF TUITION FORUM #1		PM TUITION FORUM #1			

FEB2020

TUITION RECOMMENDATION COMMITTEE

SUN	MON	TUE	WED	THU	FRI	SAT
						01
02	03	04	05	06	07	08
		MEETING #4 Tuition Scenarios				
09	10	11	12	13	14	15
		MEETING #5 Tuition Scenarios,				
16	17	18	19	20	21	22
		MEETING #6 Tuition Scenarios, Forum Prep #2				
23	24	25	26	27	28	29
	KF TUITION FORUM #2		PM TUITION FORUM #2			

MAR2020

TUITION RECOMMENDATION COMMITTEE

SUN	MON	TUE	WED	THU	FRI	SAT
01	02	03	04	05	06	07
			MEETING #7 Tuition Recommend-ation to ASOIT			
08	09	10	11	12	13	14
	ASOIT Recommend-ation to President					
15	16	17	18	19	20	21
	FINALS WEEK			President's Recommend-ation to Board		
22	23	24	25	26	27	28
	SPRING BREAK			Board Material Posted		
29	30	31				

APR2020

TUITION RECOMMENDATION COMMITTEE

SUN	MON	TUE	WED	THU	FRI	SAT
			01	02	03	04
				BOARD OF TRUSTEES MEETING (KF)		
05	06	07	08	09	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

79th OREGON LEGISLATIVE ASSEMBLY--2018 Regular Session

Enrolled
House Bill 4141

Sponsored by Representative HERNANDEZ, Senator DEMBROW, Representatives ALONSO LEON, BYNUM, HEARD, Senators ROBLAN, THATCHER; Representatives KENY-GUYER, MCLAIN, NOSSE, SALINAS, SOLLMAN (Presession filed.)

CHAPTER .....

AN ACT

Relating to setting the costs of attending public universities; creating new provisions; amending ORS 352.102; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Section 2 of this 2018 Act is added to and made a part of ORS 352.025 to 352.146.

SECTION 2. (1) Each public university listed in ORS 352.002 shall have an advisory body to advise the president of the university on the president's recommendations to the governing board regarding resident tuition and mandatory enrollment fees for the upcoming academic year.

(2) The public university shall:

(a) Establish a process to ensure that the advisory body required under subsection (1) of this section is composed of no fewer than:

(A) Two administrators of the university;

(B) Two faculty members of the university;

(C) Two students representing the recognized student government of the university; and

(D) Two students representing historically underserved students of the university, as defined by the public university.

(b) Establish a written document describing the role of the advisory body and the relationship of the advisory body to the public university, president of the university and the governing board.

(3) The public university shall ensure that all members of the advisory body are offered training on:

(a) The budget of the public university;

(b) The mechanisms by which moneys are appropriated by the Legislative Assembly to the Higher Education Coordinating Commission for allocation to public universities; and

(c) Historical data regarding the relationship between the amount of resident tuition and mandatory enrollment fees charged by the public university and the amount of state appropriations that the commission allocates to the public university.

(4) In order to assist the advisory body in making its recommendations, the public university shall provide the advisory body with:

(a) A plan for how the governing board and the public university's administration are managing costs on an ongoing basis; and

(b) A plan for how resident tuition and mandatory enrollment fees could be decreased if the public university receives more moneys from the state than anticipated.

(5) Before making a recommendation to the president of the university that resident tuition and mandatory enrollment fees should be increased by more than five percent annually, the advisory body must document its consideration of:

(a) The impact of the resident tuition and mandatory enrollment fees that the advisory body intends to recommend to the president of the public university on:

(A) Students at the public university, with an emphasis on historically underserved students, as defined by the public university; and

(B) The mission of the public university, as described by the mission statement adopted under ORS 352.089; and

(b) Alternative scenarios that involve smaller increases in resident tuition and mandatory enrollment fees than the advisory body intends to recommend to the president of the public university.

(6) The advisory body shall:

(a) Provide meaningful opportunities for members of the recognized student government and other students enrolled at the public university to participate in the process and deliberations of the advisory body; and

(b) At a time established by the public university, provide a written report to the president of the university that sets forth the recommendations, deliberations and observations of the advisory body regarding resident tuition and mandatory enrollment fees for the upcoming academic year. The written report must include any minority report requested by a member of the advisory body and any documents produced or received by the advisory body under subsections (4) and (5) of this section.

(7) Each public university shall ensure that the process of establishing resident tuition and mandatory enrollment fees at the public university is described on the Internet website of the public university. This material must include, but is not limited to:

(a) The written document produced by the public university under subsection (2)(b) of this section; and

(b) All relevant documents, agendas and data that are considered by the advisory body during its deliberations.

(8) As used in this section, "resident tuition and mandatory enrollment fees" means the tuition and mandatory enrollment fees for undergraduate students who are enrolled in a degree program and have established residency in Oregon.

SECTION 3. ORS 352.102 is amended to read:

352.102. (1) Except as set forth in this section, the governing board may authorize, establish, eliminate, collect, manage, use in any manner and expend all revenue derived from tuition and mandatory enrollment fees.

(2) The governing board shall establish a process for determining tuition and mandatory enrollment fees. The process must [*provide for participation of enrolled students and the recognized student government of the university.*]**:**

(a) Include the use of an advisory body in the manner set forth in section 2 of this 2018 Act; and

(b) Ensure that the governing board receives and considers all written reports and minority reports, including all recommendations, deliberations and observations of the advisory body that are provided to the president of the university under section 2 of this 2018 Act.

(3) The governing board shall request that the president of the university transmit to the board the joint recommendation of the president and the recognized student government before the board authorizes, establishes or eliminates any incidental fees for programs under the supervision or control of the board and found by the board to be advantageous to the cultural or physical development of students.

(4) In determining tuition and mandatory enrollment fees for undergraduate students who are enrolled in a degree program and are qualified to pay resident tuition:

(a) The governing board may not increase the total of tuition and mandatory enrollment fees by more than five percent annually unless the board first receives approval from:

(A) The Higher Education Coordinating Commission; or

(B) The Legislative Assembly.

(b) The governing board shall attempt to limit annual increases in tuition and mandatory enrollment fees for undergraduate students who are enrolled in a degree program and have established residency in Oregon to a percentage that is not greater than the percentage increase in the Higher Education Price Index, as compiled by the Commonfund Institute.

(5) If the governing board of a public university requests that the commission approve an increase in the total amount of tuition and mandatory enrollment fees of more than five percent under subsection (4)(a) of this section, the public university shall provide to the commission:

(a) All written reports and minority reports, including all recommendations, deliberations and observations of the advisory body that are provided to the president of the university under section 2 of this 2018 Act; and

(b) Any other information or materials the commission determines are necessary in order for the commission to determine whether to approve the proposed increase in the total amount of tuition and mandatory enrollment fees.

[(5)] **(6)** The governing board may not delegate authority to determine tuition and mandatory enrollment fees for undergraduate students who are enrolled in a degree program and are qualified to pay resident tuition.

SECTION 4. Section 2 of this 2018 Act and the amendments to ORS 352.102 by section 3 of this 2018 Act first apply to the process used to establish tuition and mandatory enrollment fees for the 2019-2020 academic year.

SECTION 5. This 2018 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2018 Act takes effect on its passage.

Passed by House February 20, 2018

Repassed by House March 3, 2018

.....
Timothy G. Sekerak, Chief Clerk of House

.....
Tina Kotek, Speaker of House

Passed by Senate March 1, 2018

.....
Peter Courtney, President of Senate

Received by Governor:

.....M., ..., 2018

Approved:

.....M., ..., 2018

.....
Kate Brown, Governor

Filed in Office of Secretary of State:

.....M., ..., 2018

.....
Dennis Richardson, Secretary of State

HECC Tuition Increase Criteria

HIGHER EDUCATION COORDINATING COMMISSION
Adopted by the Commission
December 13, 2018

Tuition Increase Criteria

The following criteria shall be used by the HECC in determining whether or not a proposed university increase to its undergraduate resident tuition rate of greater than 5% is "appropriate" (ORS 350.075 (3)(h)(B)).

The following constitute the criteria the Commission will employ during the tuition review process. In determining whether or not an institution has met any particular criterion, the Commission will employ a "reasonableness" test; in other words, taking into account context and constraints, can the institution be understood to have taken all prudent and reasonable measures to meet the standard suggested by the criterion?

Finally, when making its final determination about whether a university's above-threshold tuition increase is appropriate, the Commission will consider the totality of the institution's submission. An institution's shortcoming or success with respect to any one criterion will not necessarily determine the Commission's overall conclusion about the appropriateness of the proposed tuition increase.

Focus Area One: Fostering an Inclusive and Transparent Tuition-Setting Process
Goals: Inclusion, Transparency

Why this focus area is important: Student engagement in tuition-setting decisions is a core priority for students, public universities, the state, and the HECC. The HECC seeks assurance that the tuition-setting process is open, fair and provides ample opportunities for student participation.

In order to assess the criterion in this focus area, evidence must be provided regarding the engagement of students throughout the process and that student engagement informed the development of an institution's final tuition proposal. This impact should be clearly documented by the available materials produced by the tuition advisory committee as well as the views of students and student organizations involved, either directly or indirectly, in the tuition-setting process.

Criteria for this Focus Area:

A. The institution can demonstrate that students had multiple opportunity to engage in the tuition-setting process including, but not limited to, participation on the institution's tuition advisory committee.

Fulfillment of this criterion: The Commission determines that engagement with students occurred throughout the tuition-setting process and that student input was fully considered in the institution's tuition proposal.

B. The institution demonstrates that information about the tuition setting process was easily accessible, that the tuition-setting process was transparent and in compliance with House Bill 4141 (2018).

Fulfillment of this criterion: Information on the institution's process is available and accessible and meets or exceeds the requirements of HB 4141. Data that can be used to support this determination include: Tuition advisory committee structure; student outreach strategies that were undertaken at the institution with a particular focus on outreach to underrepresented student groups; extent of information available to tuition advisory committee members, particularly students; and how dissenting comments are reflected and incorporated into official tuition deliberations and/or recommendations.

Focus Area Two: Safeguarding Access and Support for Degree Completion by Historically Underrepresented Students
Goals: Mitigate impacts of tuition increase, Plan for use of additional state resources

Why this focus area is important: The HECC's strategic plan emphasizes the importance of increasing the participation and completion of historically underrepresented students at every level. At a minimum, the HECC wants to ensure that the impact of any tuition increases on these highly vulnerable groups is mitigated.

These criteria allow universities to identify how they will help targeted groups more by approving these increases than by not doing so – for example via targeted remissions or student support programs. In addition, criteria require detailing how tuition would decrease should the final PUSF exceed the funding level upon which the tuition increase is predicated.

Criteria for this Focus Area:

A. Demonstration of impacts, with and without a tuition increase of more than 5%, on remission programs and support services that bolster retention and completion of underrepresented students.

Fulfillment of this criterion: The institution demonstrates that it reduced or mitigated impacts on underrepresented students under the proposed increase. Specific examples should be provided as related to programs that support these students, especially resident students.

B. The institution has a plan for reducing tuition costs if the PUSF exceeds the funding level upon which the tuition increase is predicated.

Fulfillment of this criterion: Completion of a schedule linking PUSF increases with tuition decreases.

Focus Area Three: Financial Conditions Demonstrating the Need for Resident, Undergraduate Tuition to be Increased More than 5%
Goals: Explanation of cost drivers and revenue dynamics triggering tuition increase, Demonstrated consideration of alternatives, Implementation of cost containment efforts and long-term sustainability of the university

Why this focus area is important: The tuition-setting process presents an opportunity to describe the impact of state-mandated cost pressures as well as to understand institutional efforts to contain costs and improve long-run fiscal sustainability. The universities and the HECC agree that certain funding levels by the state must be met to cover state-mandated cost drivers. The criteria under this focus area highlight these considerations.

Additionally, although universities establish tuition rates annually, this focus area highlights that decisions about tuition should consider the long-term consequences of annual decisions on the financial health of the institution, programs supporting student success, the quality of academic programs, and the institution's ability to recruit and retain faculty and staff.

Criteria for this Focus Area:

A. The institution demonstrates that current and projected financial conditions compelling the need for the increase request to meet the critical portions of its HECC-approved mission or goals set in the HECC's strategic plan, including documentation that alternatives to raising tuition above 5% were considered.

Fulfillment of this criterion: A clear explanation, backed up with appropriate quantitative evidence, that the institution's increase in excess of 5% is necessary to support the long-term need to meet the institution's core mission or its ability to meet the HECC's strategic plan.

B. The institution demonstrates that it has considered and implemented cost containment efforts for those costs that are within their control.

Fulfillment of this criterion: The institution has a demonstrable history of cost control efforts, including engaging in a systematic review of cost efficiencies. In addition, these efficiency reviews and the resulting data/monitoring have been incorporated into an institution's budgetary decision-making process for an institution's cost control efforts to receive a passing analysis under this criterion.

DISCUSSION ITEM
Agenda Item 5.2

OMIC R&D Overview

Summary
OMIC R&D is a collaboration of three Universities and 27 Industry partners established to conduct applied research directed by industry and to address the workforce needs of manufacturers in the region. Oregon Tech is one of the three University partners and acts as the host organization for OMIC R&D providing human resources, budget, finance, grant management and procurement services in support of the collaboration.

Attachments
OMIC R&D Power Point Presentation

OMIC R&D

Update to Oregon Tech Board of Trustees

Craig Campbell, Executive Director
January 23, 2020

OMIC R&D

Research

20 General Projects – 6 conducted in whole or part at OMIC R&D
8 Completed, 12 Underway

7 Specific Projects – All conducted at OMIC R&D
4 Completed

30 Members and Growing

Absolent
ATI
BLOUNT INTERNATIONAL
BOEING
CARON ENGINEERING
CGTECH VERICUT
Cobot Team
DAIMLER
HAIMER
HANGSTERFER'S
IMCO Power. Precision. Performance.
IMS SOFTWARE
KENNAMETAL
MITSUBISHI MATERIALS
Oregon TECH Oregon Institute of Technology
OMEP
Oregon State University
OSG
PGE
Portland State University
SANDVIK Coromant
SECO
Schaeffer's SPECIALIZED LUBRICANTS
SILVER EAGLE
SUGINO
SUMITOMO CARBIDE · CBN · DIAMOND
VIGOR
WALTER
WFL MILLTURN TECHNOLOGIES
ZOLLER expect great measures

OMIC R&D

Capital Projects

- Facility Renovations:
  - Retrofit of existing facility for power, air and water to machines – Near completion
  - Fiber Optic Internet Connectivity - Complete
  - Climate Control – EDA Grant
  - Americans with Disabilities Act Access Upgrades – EDA Grant
  - Security – EDA Grant
  - Parking – EDA Grant
- Outbuildings:
  - Chemical and Hazardous Materials Storage
  - Compressor Building
- New Additive Manufacturing Center (Rapid Tooling Center)

OMIC R&D

Equipment

- WFL M80 Millturn – Member In-Kind
- Okuma Genos M560V – 3-Axis Mill
- Doosan PUMA TT2500 SY – 8 Axis Lathe
- Sugino JCC 603 ROVO – Waterjet Deburring Machine – Member In-Kind
- MTS Load Frame
- Wenzel LH 1210 Coordinate Measuring Machine
- Zollar Titan – Business Oregon HiOp Grant
- Anca TX7 Linear Grinder – Business Oregon HiOp Grant

OMIC R&D

Finances - Overview

- Operational Funding from State of Oregon –
  - FY19 $3,081,102
  - FY 20: $5,655,698
- Membership Dues FY 20: $1,115,315
- Capital Funds Since Inception:
  - State Bond Revenues: $13.375 Million
  - Federal Grant Funds: $2.78 Million
  - OBDD HIOP Grant: $500,000

Operations – Source – Business Oregon Contract

OMIC R&D FY20 State Funds Expenditures to Date - 7/01/2019 - 12/31/2019				
Category	Budget	Actuals	Remaining	Percentage Expended
Staff	$ 1,710,992	$ 602,564	$ 1,108,428	35%
Services, Supplies and Equipment	$ 135,440	$ 43,456	$ 91,984	32%
Professional Services	$ 668,120	$ 21,823	$ 646,297	3%
Communications & Marketing	$ 74,050	$ 25,350	$ 48,700	34%
Travel & Training	$ 37,500	$ 16,497	$ 21,003	44%
Capital*	$ 455,000	$ 34,015	$ 420,985	7%
TOTAL	**$ 3,081,102**	**$ 743,705**	**$ 2,337,397**	**24%**

OMIC R&D

Research – Membership Dues

OMIC R&D Membership Dues Report	Y1: 2017-18	Y2: 2018-19	Y3: 2019-20
NUMBER OF MEMBERS	18	26	30
REVENUES			
Cash Dues Received - Industry	856,667	1,023,750	609,362
Cash Dues Received - Universities	200,000	200,000	100,000
Cash Dues Receivable	0	0	405,953
Total Revenues:	**1,056,667**	**1,223,750**	**1,115,315**
EXPENSES			
General Projects	189,050	1,087,867	578,196
Tier 1 Set Aside	219,500	264,000	191,400
Landlord Fund	200,000	200,000	200,000
Other	120,000	0	0
Total Expenses:	**728,550**	**1,551,867**	**969,596**
ENDING BALANCE	**328,117**	**(328,117)**	**145,719**

OMIC R&D Inception date is 6/15/17.

OMIC R&D

Capital - Source – State and Federal Grants

- OMIC R&D Road Construction
  - Access Road Construction - $3.39 million
- OMIC R&D – (EDA Match) – Bond Sale Spring 2019
  - Existing building renovation $3.875 million
- Economic Development Administration Grant (FEDERAL GRANT)
  - Existing building renovation $2.78 million
- Rapid Tooling Center - Bond Sale Fall 2019
  - New building - $3.5 million
  - New equipment - $3.0 million
- Rapid Tooling Center – Bond Sale Spring 2021
  - HIP Sinter Furnace - $3.0 million

OMIC R&D