
Finance and Facilities Committee
also Sitting as the Audit Committee
Agenda

	<u>Page</u>
1. Call to Order/Roll/Declaration of a Quorum (8:00am) <i>Chair Vince Jones</i>	
2. Consent Agenda <i>Chair Vince Jones</i>	
2.1 Approve Minutes of the April 7, 2022 Meeting	1
3. Reports	
3.1 Fiscal Operations Advisory Council (8:05) (10 min) <i>FOAC President Don DaSaro</i> Verbal only	
3.2 Quarterly Finance, Facilities & Audit Update (8:15am) (35 min) <i>VP John Harman</i>	6
3.3 FY 2021-22 Internal Audit Update (8:50am) (10 min) <i>Haley Lyons and</i> <i>Trever Campbell, Kernutt Stokes</i>	8
4. Action Items	
4.1 Approve 2022-2023 Budget Recommendation to Board <i>VP John Harman (9:00am)</i> (30 min)	14
5. Discussion Items	
5.1 RFP for External Audit Firm <i>VP John Harman (9:30am) (10 min)</i>	21
6. Other Business/New Business (9:40am) (5 min) <i>Chair Vince Jones</i>	
Adjournment (9:45am)	

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

Trustees Present:

Vince Jones, Committee Chair (remote)	Jessica Gomez, Board Chair (remote)	Mike Starr
	Nagi Naganathan, President	Michele Vitali (remote)

Trustees Not Present:

Paul Stewart

University Faculty and Staff Present in person

Abdy Afjeh, Vice Provost-Research & Academic Affairs
Thomas Cooper, Information Technology Consultant 2
Erin Foley, Vice President & Dean of Students
David Groff, General Counsel & Interim Board Secretary
Pam Grove, Assistant to University General Counsel & Interim Board Secretary
John Harman, Vice President Finance & Administration
Tom Keyser, Dean College of Engineering, Technology & Management
Billy Kimmel, ASOIT Officer, Portland-Metro
Kelsey McCauley, Government Relations
Travis Miller, Information Technology Consultant 2
Joanna Mott, Provost & VP of Academic Affairs
Adria Paschal, Senior Executive Assistant to the President
Dan Peterson, Dean College of Health, Arts & Sciences
Bryan Wada, Information Technology Consultant 2
Jack Zoucha, ASOIT President, Portland-Metro

Others Present:

None

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

Chair Jones called the meeting to order at 8:14am. The Board Secretary called roll and a quorum was declared.

2. Consent Agenda

2.1 Approve Minutes of the January 27, 2022 Meeting

No changes voiced. Minutes approved as submitted.

3. Reports

3.1 Finance, Facilities Quarterly Update: 3rd Quarter FY 2021-22

VP Harman reviewed the quarterly report, which addressed the FY 2022 budget performance, revenue and enrollment indicators, facilities and a capital projects update, equipment and invested funds, as well as external and internal audit coordination.

3.2 FY 2021-22 Internal Audit Update

Trever Campbell, Hailey Lyons, and Claire Pahlmeyer of **KernuttStokes** (KS) reported the Sponsored Programs and Grants Administration audit has been completed, as well as the bi-annual Hotline Report. The capital projects management and Title IX audits are currently under way with an anticipated completion at the end of fiscal year 2022. The Procurement and Contracting audit are on hold, with a tentative plan to begin May 2022. The Fixed Assets & Inventory audit is currently on hold due to staffing constraints. KS reported the Fraud, Waste & Abuse Ethics Hotline has received no reports since the January 27, 2022 board meeting.

4. Action Items

4.1 Approve FY 2021-22 External Audit

Jean Bushong of CliftonLarsonAllen (CLA) reviewed a PowerPoint presentation. She explained the responsibilities of CLA under independent external auditing standards, the scope of CLA's engagements, unique audit issues including COVID-19, HEERF Funding, Financial Edge implementation and implementation of GASB 84, Fiduciary Activities, audit results, and required communications. An unmodified, "clean" opinion was issued, no material weaknesses or significant deficiencies were identified.

Trustee Jessica Gomez moved to accept the Oregon Tech FY 2021-22 External Audit Report. Trustee Michele Vitali seconded the motion. With all trustees present voting aye, the motion passed unanimously.

4.2 Approve 2022-2023 Tuition Recommendation to Board

VP Harman reviewed a PowerPoint presentation and discussed the role of the Tuition Recommendation Committee (TRC), which is to analyze the budget as well as legislative, scholarship and programmatic information, and collect feedback on tuition scenarios and options. The TRC acted by consensus and reviewed financial projections, current tuition, and fee rates at other Oregon public universities and competitor institutions outside the state as well as other information and background materials. VP Harman explained that the TRC recommendation is to increase base tuition and fees by 8.0%, contingent upon HECC approval, and if that approval is not forthcoming the increase would be 5.0%. The ASOIT recommendation is to increase base tuition and fees by 5.0%. This is comprised of a 4.6% tuition increase and increasing the health service fees at the Klamath Falls campus

to \$195 from \$172 and at the Portland-Metro campus to increase to \$63 from \$43 for students enrolled for the regular academic year. VP Harman explained that the Presidential recommendation to the Board of Trustees is to increase academic year 2022-23 base tuition and fees by 7.0% contingent upon HECC approval, as set out in the Board materials.

Trustee Mike Starr commented that certain expenses are not controllable in the short term because they are contractual or are state required whether it is pension or health. Starr said it appears everyone is working hard to decrease variable costs. Starr asked what percent increase of tuition would be required to cover increases that are not controllable in the short term.

VP Harman walked through a history of recent budgets dynamics, explaining that Oregon Tech has not fully recovered from prior budget reductions.

Trustee Starr followed up, noting Oregon Tech must go to an organization, HECC, which underfunds the university to get permission to increase tuition to make up for the lack of funding.

VP Harman replied that HECC has put Oregon Tech in a difficult position. The SSCM formula funding revision was a collaborative process, but the numbers changed quite a bit after the revised model was approved by the HECC. Harman said the university is experiencing no growth in funding from the state whereas other schools got a minimum of about \$3 to \$3.5 million more per year. Harman said it is important to have conversations with legislators and with the HECC to restore funding because Oregon Tech is in a disadvantaged position compared to its peers.

Trustee Brown asked what peer institutions might suggest to the HECC, and whether Oregon Tech would be the only institution going to HECC to seek more than 5% increase in tuition.

VP Harman replied Oregon Tech would be the only university seeking more than 5%, and that the university is really pushed into that situation. He said we don't want to increase expenses on our students more than necessary. He said he believes the other schools are happy with the funding formula results.

Trustee Hasty asked whether the HECC could come back with its own recommendation.

VP Harman said when institutions go to the HECC to request increase in tuition and fees above 5%, it depends on the quality of the presentation and the message about financial necessity. He said it also helps if students are there to support the request. He said he did not think ASOIT would support the 7% tuition increase, because it would be too much of a burden on the students. He said he thought the students would agree Oregon Tech needed additional funding from other sources, however. Harman said it is important that the HECC recognize that Oregon Tech has many programs that are STEM-centric and Oregon Tech does not have a lot of other lower cost programs like larger universities do to help offset the increased costs of engineering, healthcare and other technology degree programs.

Trustee Gomez said VP Harman is being very diplomatic, but as the Chair of the Board, she is very unhappy with the formula and decisions that the HECC has made. It's impacting students adversely and this is not something that I wanted to have proposed in the first place. Gomez said Oregon Tech does not have a lot of options and needs to go to the HECC and ask for the funding. Gomez said no one wants to add more burden to students, but unfortunately the university is in a position where we must.

Trustee Jones noted that accepting the President's recommendation of 7% increase, the university would still be looking at about a \$5 million shortfall in the budget. Earlier when VP Harman was giving the report on the quarterly budget he spoke about the \$5.5 million that we received from the state, and the fact that we are looking at about a \$7.1 million positive number in the change of fund balance. VP Harman, how much of that \$7.1 million do you anticipate we can carry over to the next year in order to close that \$5 million gap? Are we are looking at a 7% increase?

VP Harman said the \$5.5 million special item funds Oregon Tech was fortunate to get as the legislature wound down, is for specific programs such as a center of excellence or developing distinctive programs that related to applied computing and our rural health programs. He said Oregon Tech cannot use those dollars to cover a gap in its overall budget, but to achieve those certain initiatives.

Dr. Naganathan said VP Harman is being very diplomatic in terms of presenting the challenge here. As late as March of last year Oregon Tech thought we would get at least \$3 million more than the last biennium until HECC surprised us in late April of last year. Dr. Naganathan said the \$5.5 million is one-time dollars, so he looks at it as more of an angel investment that the university wants to use to increase doing creative things with it. It's simply for supplemental projects only.

Trustee Mike Starr moved to recommend to the Full Board that academic year 2022-23 tuition and fees be set in accordance with the President's Tuition Recommendation Memo (Attachment A to Agenda) as follows:

- **increase academic year 2022-23 base tuition and fees to 7.0% contingent upon HECC approval.**
 - o **The increase is comprised of a 6.6% tuition increase and increasing health service fees at the Klamath Falls campus to \$195 from \$172 and at the Portland-Metro campus to \$63 from \$43 for students enrolled for the regular academic year.**
- **Differential tuition related to Health and Engineering Technology programs shall remain at the current 37% premium on base tuition rates.**
- **Tuition remissions shall continue at approximately 14% of tuition revenue, and an additional \$200,000 shall be targeted for underserved and disadvantaged students.**
- **Incidental fees shall remain unchanged at \$397.50 for the Klamath Falls campus and will increase to \$80 from \$50 at the Portland-Metro campus for student enrolled during the regular academic year.**

- If HECC approval is not forthcoming at the level approved by the Board, the increase shall be the alternate amount approved by the HECC or 5.0%, whichever is larger.

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

4.3 Approve reduction in Scope Student Housing Project

VP Harman reviewed a PowerPoint presentation and discussed the reduced scope and modified bond financing authority for construction of a smaller new student housing facility. He explained that in June of 2021, the Legislature approved \$55 million in bonding authority through Article XI-F bonds for Oregon Tech to construct a student housing facility. A recommendation was made to the Board at the July 15, 2021 meeting to approve a resolution on bond issuance for a new student residence hall. The Board authorized acceptance of the \$55 million in bonding authority at that time. Since that time, construction costs have increased on average between 25-30 percent, which increased original estimated construction costs by an additional \$15-18 million. To maintain the original project scope, Oregon Tech would have to fund the escalation out of existing funds or seek additional bonding authority through the legislature. Neither option is feasible because Oregon Tech cannot commit \$15 million from existing funds and additional bond debt would financially impair the project. As a result of material changes in key assumptions, the new student housing facility as originally envisioned and approved by the Board is no longer financially viable and requires a revision in project scope.

Trustee Mike Starr moved to approve a modification in Oregon Tech's Article XI-F series bond authority from \$55 million to no more than \$35 million to construct a new housing facility with no less than 500 beds on the Klamath Falls campus and to authorize management to use a portion of auxiliary or general reserves (with repayment) in the start-up years if necessary until occupancy reaches 95%.

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

5. Discussion Items - none
6. Other Business/New Business - none
7. Adjournment
Meeting adjourned at 10:34am.

Respectfully submitted,



David P. Groff
University General Counsel & Interim Board Secretary



Report to Finance, Facilities & Audit Committee

Oregon Tech Board of Trustees

June 2, 2022

John A. Harman, MBA, CGMA, CMPE | VP Finance & Administration

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REPORT

Agenda Item No. 3.2

Finance, Facilities and Audit Status: Quarterly Update

Background

The Quarterly Finance, Facilities and Audit Status Report provides information on major responsibility areas under the Finance and Administration Division of Oregon Tech. The Report generally highlights budget performance, revenue and enrollment indicators, facilities, equipment, capital projects and invested funds, as well as internal and external audit coordination. Depending on the timing of the quarterly Board meeting, some data may not yet be available for reporting. The information contained in the Report is used by the Office of the Vice President of Finance and Administration to track progress toward achieving the institution's financial and operational goals.

The report is shared with the Finance Facilities and Audit Committee on a quarterly basis to provide information essential in supporting the Board's governance and fiduciary responsibilities.

Staff Recommendation

No action required. For information and discussion purposes only.

Attachments

Due to the timing of the June 2022 Board meeting and the related document submission deadline of May 19th, some data is not yet available. Finance, Facilities and Audit Status Reports include the following Attachments:

- A. [March YTD FY 2021-22 Management Report](#)
- B. [Q-3 FY 2021-22 Financial Dashboard](#)
- C. [Q-3 FY 2021-22 Investment Report](#)
- D. [Q-4 Facilities and Capital Projects Report](#)

KERNUTTSTOKES

Internal Audit Update

June 2, 2022

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Audit Status

Internal Audit

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

The statuses of open and planned projects are as follows:

Internal Audit Projects Update	
In-Process Activities	Status
Capital Projects Management	Reporting phase started in May
Title IX	Reporting phase started in May
Monitor Fraud, Waste, and Abuse Ethics Hotline	Summary below for Board review
Up-coming Activities	Status
Procurement and Contracting	On hold to concentrate on/complete open projects
Fixed Assets and Inventory	On hold to concentrate on/complete open projects
2022/2023 Risk Assessment Update	In progress

The internal audit of Capital Projects Management has entered the reporting phase. Testing is complete, and IA is working with Thom Darrah in the Facilities Department to add management responses and an action plan for any issues identified. We anticipate this report will be final and ready to be presented for Board review by the end of fiscal year 2022.

The Title IX internal audit has entered the reporting phase. Testing work is complete, and IA is working with Dr. Jennifer Wilson, Title IX Coordinator to add management responses and an action plan for any issues identified. We anticipate this report will be final and ready to be presented for Board review by the end of fiscal year 2022.

The Procurement and Contracting audit has been put on hold to focus efforts on completing the above-mentioned open projects. Current staffing constraints at the University make it impractical to continue testing for this audit until other projects have been completed.

The Fixed Assets and Inventory audit is on hold. Staff constraints in the BAO make it impractical to begin this audit until other projects have been completed.

The 2022/2023 Risk Assessment is currently in progress. IA has completed on-site interviews with key personnel throughout Oregon Tech and will use these responses to update the risk assessment, develop an internal audit plan for the 2022/2023 fiscal year, and propose the audits to Oregon Tech management. Management will review the proposed audit plan and help determine which audits are to be conducted during the next fiscal year. This updated risk assessment will be submitted to the Board for review and approval.

Fraud, Waste, and Abuse Ethics Line Update:

Fraud, Waste, and Abuse Ethics Line Report Log (Fiscal-year)					
Complaint Source	2018	2019	2020	2021	2022
Hotline	5	6	8	9	0
Direct to IA	0	0	0	0	0
Oregon State Audits Division	0	0	1	0	0
Total	5	6	9	9	0
Issues Resolved					
Resolved	5	6	9	9	0
Monitoring	0	0	0	0	0
Open	0	0	0	0	0

IA monitors and performs case management for Oregon Tech’s Fraud, Waste, and Abuse Ethics Line, engaging OIT’s General Council and other appropriate offices at Oregon Tech. A five-year report log is shown with dates representing fiscal years.

There have been no new case submissions since the start of fiscal year 2022, and there are currently no outstanding cases under review.

Internal Audit Activity Charter (Attached)

IA is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Oregon Tech. To meet professional standards, we are required to communicate to you the contents of our charter, which are summarized below.

- Independence and Objectivity: IA will have no direct operational responsibility or authority over the activities audited
- Professionalism: IA will govern itself by adherence to applicable professional standards
- Authority: IA will report to administratively to Management and functionally to the Board
- Responsibility: The scope of IA encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of Oregon Tech’s governance, risk management, and internal controls as well as quality of performance in carrying out assigned responsibilities to achieve the organization’s stated goals and objectives.
- Internal Audit Plan: At least annually, IA will submit to the Board an internal audit plan for review and approval
- Reporting and Monitoring: IA will prepare and issue an Internal Audit Report following the conclusion of each internal audit engagement, these results will also be communicated to the Board

Please review and document your approval of the Internal Audit Activity Charter, which has been provided to you in your Board materials.

Internal Audit Activity Charter

Introduction

Kernutt Stokes, LLP (Internal Audit) provides certain contract internal audit services to Oregon Tech. Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Oregon Tech. It assists Oregon Tech in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of Oregon Tech's governance, risk, and internal control. Internal Audit shall provide the Oregon Tech administrators (Management) and the Oregon Tech Board of Trustees (Board) with an independent and objective examination of the effectiveness, efficiency, and application of the accounting, financial, and other internal controls necessary to accomplish Oregon Tech's objectives.

Purpose

The authority and responsibilities of Internal Audit are defined in this charter, which is approved by the Board's audit committee. Internal Audit examines and evaluates Oregon Tech's activities and their systems of controls to assist Management and the Board in determining whether acceptable policies and procedures are followed, whether legislative requirements and established standards are met; whether resources are used efficiently and economically, whether planned missions are accomplished effectively, and whether the objectives of higher education are being achieved. Management and the Board are responsible for prioritizing the use of Internal Audit resources, assessing the recommendations made by Internal Audit, and implementing any recommendations made.

Independence and Objectivity

Internal Audit will have no direct operational responsibility or authority over the activities audited. Accordingly, Internal Audit will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair independent and objective judgment. Internal Audit will exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make an unbiased and balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Internal Audit will confirm to the Board, at least annually, the organizational independence of the internal audit activity.

Professionalism

Internal Audit will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Internal Audit's performance.

Members of Internal Audit are responsible for maintaining the standards of conduct, independence, and character necessary to provide proper and meaningful internal auditing for Oregon Tech.

Authority

Internal Audit reports administratively to Management and functionally to the Board. Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of Oregon Tech's records (either manual or electronic), physical properties, and personnel relevant to carrying out an audit engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. Internal Audit will also have free and unrestricted access to the Board. Management is responsible for the risk management and internal control structure over the areas audited. Internal Audit shall have the authority to require a written response to audit observations and recommendations contained in audits.

Responsibility

The scope of internal auditing encompasses, but it is not limited to, the examination and evaluation of the adequacy and effectiveness of Oregon Tech's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. Responsibilities include, but are not limited to:

- Evaluating risk exposure relating to achievement of the organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management process.
- Performing consulting and advisory services related to governance, risk management, and control as appropriate for the organization.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board, as appropriate.
- Evaluating allegations of fraud, waste, abuse, unethical business practices, and/or financial and operational misconduct.
- Evaluating plans and actions taken to correct reported conditions.

It is the responsibility of Management to identify, understand, and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also Management's responsibility to maintain a sound system of internal control. The existence of an internal audit function does not in any way relieve Management of this responsibility.

Internal Audit Plan

At least annually, Internal Audit will submit to the Board an internal audit plan for review and approval. The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of Oregon Tech management and the Board. The Board, in conjunction with Internal Audit's recommendations, will determine the best allocation of available audit resources for the current year. Internal Audit will adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems and controls. Any significant deviation from the approved internal audit plan will be communicated to Oregon Tech management and the Board.

Internal Audit will present quarterly to the Board the results of audits completed or in-process.

Reporting and Monitoring

A written report will be prepared and issued by Internal Audit following the conclusion of each internal audit engagement. Internal audit results will also be communicated to the Board. The internal audit report will identify the audit scope and objective, the audit steps performed, audit findings (including condition, criteria, cause, and effect), overall opinion, audit observations, and recommendations for change or improvement.

The report may include management's response and corrective action taken or to be taken in regard to specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. Internal Audit is responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will be tracked until the issues are resolved.

Adopted by the Board of Trustees of Oregon Tech and Kernutt Stokes on October 26, 2017

ACTION

Agenda Item No. 4.1

Fiscal Year 2022-23 Oregon Tech All Funds Budget

Background:

Each year, Oregon Tech conducts an extensive and collaborative process in developing the All-Funds Budget for the next fiscal year. The All-Funds Budget includes the Education and General, Auxiliary, Service Operations and Designated Operations Funds budgets. The General Fund (GF) is the primary operating budget for the university. The General Fund budget includes “Special General Fund” budgets which are fee-for-service activities such as clinic revenues and grant indirect charges. Distance Education and Boeing operations are included in the General Fund budget since revenues from these programs are used to support general operations of the university.

The General Fund includes revenues from tuition and fees, state appropriations through the Public University Support Fund (PUSF), Engineering & Technology Sustaining Fund (ETSF) and Oregon Renewable Energy Center (OREC) along with other miscellaneous income. These revenues are used to fund instruction, research administration, public service, academic support, institutional support, student services and facilities operations of the institution.

Auxiliary, Service and Designated operating funds are separate pools of restricted or dedicated resources and are included separately. Auxiliary budgets include student housing operations, campus life, athletics, parking, student health and other various non-core operations. These operations are expected to be self-supporting and maintain balanced budgets throughout the fiscal year.

COVID-19 Implications

The COVID pandemic continued to have an impact on Oregon Tech operations during FY 2021-22, as with nearly every other university across the country. The FY 2021-22 budget required continued spending reductions and operational changes resulting from the pandemic and an enrollment shortfall and related uncertainties concerning revenue and campus operations. Through careful planning and fiscal discipline, Oregon Tech has weathered the worst of the pandemic and has emerged more resilient. Federal COVID relief funds administered through the Higher Education Emergency Relief Funds (HEERF) program have provided some targeted financial relief both for students and universities to address some of the urgent financial, environmental and healthcare challenges caused by the pandemic. Additional federal relief funding is not expected as the pandemic continues to wind down and universities return to more normal operations with in-person classes and the discontinuation of mask and social distancing mandates.

During FY 2021-22, Oregon Tech students received over \$3.3M in federal relief funds distributed as grants through the university. The source of these funds was from the \$3.7M awarded to Oregon Tech through HEERF for students. Oregon Tech administered these funds to students with demonstrated need and were intended to help offset their additional costs related to the pandemic and to improve their ability to stay enrolled and continue their education.

Oregon Tech was allocated \$7.7M in federal funds through the HEERF programs designated for institutional use to help offset revenues lost from state funding reductions, enrollment shortfalls and the decline in auxiliary revenues. These funds were utilized to reimburse the institution for the additional costs of converting to remote

classroom instruction, investing in information technology, personal protective equipment (PPE), training and space reconfigurations to promote social distancing, etc. Oregon Tech has worked to carefully prioritize how these funds are spent to best meet the needs of the University, while also following the federal guidance. Although \$4.7M has been expended or committed for specific projects to date, \$3M remains available to help support the FY 2022-23 budget.

The impact from COVID is expected to continue to dissipate over the summer, but it could be a few years before enrollment has fully recovered. The economic impact on the economy from the pandemic is expected to have lingering effects on higher education as families struggle to recover and resume normal lives.

Process

In developing the FY 2022-23 Budget, the university adhered to a set of budget development principles previously established by the Board of Trustees to ensure fiscal responsibility in developing a realistic budget along with operational efficiencies to position the university for continued success in driving its strategic plan and achieving its mission. These principles were jointly developed between the President, Senior Leadership Team and the Fiscal Operations Advisory Council (FOAC) and are as follows:

- 1) Balance revenue, other resources and expenses within the operating budget
- 2) Prioritize recruiting, retaining, and graduating students to ensure long-term sustainability
- 3) Align programs and initiatives with industry and employer demand
- 4) Invest in faculty, staff, and infrastructure to support student and institutional success
- 5) Use an open and transparent budget development process

A budget process timeline was developed and distributed to the Leadership Team, FOAC and the Board. Because of persistent revenue uncertainties around the final tuition and fees increase and funding from the Higher Education Coordinating Commission (HECC) related to a formula review, some deviation from the original budget planning and development calendar was necessary. The process was designed to meet budget objectives supported by the Board and to involve FOAC in the review and advisory process. See Table 1 below.

Table 1

<u>FY 2022-23 Budget Original Development Calendar (with modifications)</u>	
December, 2021	Budget template development starts
January, 2022	Budget Office provides budget training as needed
January, 2022	TRC meetings #1 and #2
January, 2022	Senior Leadership determines cut/investment strategy
January, 2022	Template preparation complete
February, 2022	2022 Legislative short session begins
February, 2022	Budget Office distributes budget templates
February, 2022	TRC meetings #3, #4 and 2 student forums held
February, 2022	Targets available to departments (moved to May)
March, 2022	Budgets due to Budget Office (moved to May)
March, 2022	Budget Office reviews templates (moved to May)
April, 2022	FOAC reviews/makes recommendation to President (moved to May)
April, 2022	Board Meeting - FY 2022-23 Tuition & Fees
April, 2022	Senior Leadership reviews budget (moved to May)
June, 2022	Board Meeting - FY 2022-23 Budget Review and Approval
June, 2022	Board Approved Budget loaded to finance system

Budget Assumptions

The following assumptions were used in establishing the FY 2022-23 General Fund budget:

Revenues:

1. The Tuition Recommendation Committee (TRC) recommended an 8% increase in FY 2022-23 base tuition and fees. The President subsequently reduced the recommendation advanced to the Board in April to 7%, based on an a projected \$343K in additional revenue for FY 2022-23 resulting from a correction in the Student Success and Completion Model (SSCM) communicated by HECC on March 15, 2022. The Board of Trustees approved the recommendation for a 7% base tuition and fees increase at its April 7, 2022 meeting, contingent upon approval by the HECC, as required by statute because the amount of the increase exceeded 5%. Prior to the scheduled appearance by Oregon Tech at the HECC to seek permission to proceed with a 7% increase in base tuition and fees, the HECC agreed to modify selected allied health program weights in the SSCM model. This modification was estimated by HECC to yield an additional \$1.2M in funding through the SSCM for Oregon Tech in FY 2022-23. This development eliminated the need for Oregon Tech to pursue approval from HECC for a 7% increase in base tuition and fees. At a special meeting of the Board on May 13, 2022, the Board approved a revised base tuition and fees request of 5% for FY 2022-23 as presented by the president. The increase was comprised of a 4.5% increase for base tuition, 0.05 % increase for fees and no increase in differential tuition and is budgeted for FY 2022-23.
2. Fee remissions are budgeted to remain at approximately 14% of gross tuition, along with an additional \$200K targeted for under-represented and disadvantaged students which was approved by the Board.
3. State appropriations were budgeted using the revised SSCM calculation provided by the HECC on March 15, 2022 plus the estimated additional \$1.2M allocation confirmed by HECC on May 6, 2022 related to modified weights for selected allied health programs and assumes the PUSF remains funded at \$900M for the 2021-23 biennium.
4. Enrollment is assumed to be flat, at about 8% less than budgeted for FY 2021-22, and is consistent with assumptions used during the TRC process. While new freshman deposit trends are encouraging and student retention remains strong, overall enrollment is not expected to increase in FY 2022-23.

Table 2

State Revenue Allocations					
	Biennium	FY 2021-22	FY 2022-23	\$ Variance	% Variance
Public University Support Fund	\$60,985,957	\$30,282,842	\$30,703,115	\$420,273	1.4%
Engineering Technology Support Fund	2,246,747	1,102,082	1,144,665	42,583	3.9%
Oregon Renewable Energy Center	558,503	273,667	284,836	11,169	4.1%
State Energy Loan Program	267,072	133,536	133,536	-	0.0%
Benefits Navigator	233,450	115,000	118,450	3,450	3.0%
Applied Computing and Rural Health Initiatives	5,500,000	5,500,000	=	(5,500,000)	-100.0%
Total	\$69,791,729	\$37,407,127	\$32,384,602	(\$5,022,525)	-13.4%

Expenses and Budget Targets:

1. PERS rates are adjusted at the onset of the first fiscal year of a biennium. For the 2021-23 biennium, PERS rates were expected to increase by 6.6%. Other payroll expenses are expected to increase in relation to increasing salaries during FY 2022-23.
2. FY 2022-23 budgeted base salaries and other payroll expenditures (OPE) for Association of America University Professors (OT-AAUP) faculty increased over the prior year budget by the amount of negotiated raises for CY 2022. Unclassified staff base salaries and OPE are budgeted to increase by as much as 2.0% in CY 2023, contingent upon available funds. Salary pools were budgeted for estimated CY 2023 OT-AAUP faculty and chairs and unclassified staff salary increases.

3. Divisions were given budget goals which included funding for continuing CY 2022 salary increases and estimated increases for FY 2022-23 retirement and healthcare costs. See Table 3 below.
4. Salary recapture of \$2.5M was budgeted and may be swept quarterly from department and division budgets to ensure these funds are spent in support of strategic institutional initiatives and to reach overall budget targets. Salary pools were established for estimated January 2023 faculty, administrative and classified staff adjustments. See Table 4 below.
5. New and ongoing strategic investments, approved in prior years, will continue and a modest operating contingency was established to allow for mid-year adjustments as necessary and will be utilized at the discretion of the President.
6. Special General Fund operations, excluding Boeing and Distance Education, set their own revenue targets and are expected to manage expenses within those revenue targets or adjust expenses downward during the year.

Table 3

FY 2022-23 Oregon Tech Regular General Fund Budget by Division							
Division	FY 2021-22 Adj. Permanent Budget	FY 2022-23 Faculty Adjustments	FY 2022-23 Admin. Adjustments	FY 2022-23 Classified Increases	Other Adjustments	FY 2022-23 Perm Budget	Variance to Prior Fiscal Year
President	\$3,138,404	-	\$11,990	-	(\$804,817)	\$2,345,577	-25.3%
Provost & Academic Affairs	39,120,340	192,953	28,330	159,894	328,262	39,829,779	1.8%
Student Affairs	4,537,256	-	9,004	41,573	(75,860)	4,511,973	-0.6%
Enrollment Management	5,841,996	-	13,197	36,591	-	5,891,784	0.9%
Finance and Administration	13,642,100	-	26,691	185,217	1,093,016 ¹	14,947,024	9.6%
Advancement & Marketing	2,031,888	-	7,876	25,950	27,000	2,092,714	3.0%
Institutional General	3,002,783	=	=	=	=	3,002,783	0.0%
Total	\$71,314,767	\$192,953	\$97,088	\$449,225	\$567,601	\$72,621,634	1.8%

¹ Human Resources is moving from President's Division to Finance and Administration Division in FY 2022-23

Budget Risks

Although the COVID-19 pandemic has subsided, some budget risks remain that could impact the university over the next fiscal year. Although they cannot be quantified, they will be noted and monitored as the year progresses. These include, but are not limited to:

- Continuing public health and possible legal implications related to the pandemic
- Achieving enrollment, housing, student services, research and clinical activities targets
- Changing federal monetary policy could impact Oregon state economy
- Escalating inflation, labor costs and supply-chain disruptions
- Changes in Oregon tax and lottery revenues could impact higher education funding
- Evolving state priorities and competing demands on resources from other sectors in the economy could impact higher education funding
- Labor relations and other employee impacts stemming from health concerns and economic changes in the university

Table 4

FY 2022-23 Oregon Tech General Fund Budget			
	FY 2021-22	FY 2022-23	Variance to Prior Fiscal Year
Revenue			
State Allocation	\$32,215,454	\$32,384,602	0.5% (1)
Tuition and Fees (less special general funds)	41,891,640	39,290,381	-6.2% (2)
Tuition Remissions	(6,039,143)	(5,346,310)	-11.5%
Additional Targeted Remissions	-	(200,000)	
Other Revenue (less special general funds)	827,627	994,813	
Special General Fund	<u>1,908,372</u>	<u>1,848,613</u>	
Total Revenue	<u>\$70,803,949</u>	<u>\$68,972,099</u>	-2.6%
Expenses			
Beginning Permanent Budget	\$68,992,094	\$72,621,634	5.3%
Salary Recapture	(2,500,000)	(2,500,000)	
Special General Fund Expenses	1,908,372	1,848,613	
Contingency Reserve	419,441	432,923	(3)
Administrative Salary Pool (effective January 1, 2023)	270,914	103,948	
Faculty Salary Pool (effective January 1, 2023)	513,603	279,981	(4)
Classified Salary Pool	460,188	-	
Applied Computing and Rural Health Initiatives	=	5,000,000	(5)
Sub Total Expenses	<u>\$70,064,612</u>	<u>\$77,787,099</u>	11.0%
Strategic Investments			
DICE Director	\$192,399	-	
Portland Metro Academic Advisor	80,059	-	
Portland Metro Grants Business Manager	89,649	-	
CEET Facilities Costs	272,757	-	
Facilities Master Plan	100,000	\$100,000	
Administrative Staff Pay Equity Study	-	100,000	
Faculty Pay Equity Study	-	150,000	
Business Continuity/Disaster Recovery Plan	-	150,000	
Polytechnic Cost Study	-	185,000	
Total Strategic Investments	<u>\$734,864</u>	<u>\$685,000</u>	-6.8%
Total Expenses	<u>\$70,799,476</u>	<u>\$78,472,099</u>	10.8%
Other Resources			
Transfer In - Applied Computing and Rural Health Funds	-	\$5,000,000	(5)
Transfer In - COVID Relief Funds (HEERF)	-	3,000,000	
Reserves	=	1,500,000	
Total Net	<u>\$4,473</u>	<u>\$0</u>	

(1) FY 2021-22 Board Adopted budget was realigned for format changes

(2) Tuition revenue assumes 0% enrollment increase

(3) Contingency fund is 1.3% of new state allocation

(4) FY 2022-23 portion of January 1, 2022 (CY 2022) faculty increases are already in FY 2022-23 division budgets

(5) Special state allocation received in FY 2021-22, but to be expended in FY 2022-23

(6) Strategic investments are contingent upon actual state allocations received in October, 2022

Fund Balance

Oregon Tech is forecasting a yearend surplus for FY 2021-22, primarily resulting from salary savings/recapture related to vacant positions and reduced spending on Supplies and Services. The reserve balance at FYE 2021-22 is expected to total just over \$17M or approximately 23% of forecasted operating revenue, after the transfer-out of about \$5.0M of the original \$5.5M in one-time state funds for applied computing and rural health initiatives received in FY 2021-22, but which will not be fully expended until FY 2022-23. With the recommended FY 2022-23 budget, the ending reserve balance for FY 2022-23 is expected to total \$15.5M or 22% of budgeted operating revenue. This amount falls within the top half of the range that the Board has prescribed as acceptable.

Summary

The state's most recent revenue forecast continues to provide encouraging information about the strength of Oregon's economy. This optimism and confidence supported the state's additional \$63M investment in higher education through the PUSF for the 2021-23 biennium. While Oregon Tech did not initially benefit from this increased funding, its leadership was able to collaborate with the HECC to ensure the SSCM was correctly implemented, beginning with FY 2022-23 allocations, through applying modified weights for select allied health programs as was intended and modeled in the final report from the formula advisory work group and approved by the HECC in November of 2020.

Recommendation:

After review of the proposed FY 2022-23 All-funds Budget and related documents, and with the recommendation from the Finance and Facilities Committee, staff recommends a **Motion to recommend to the full Board that the FY 2022-23 All-funds Budget as provided herein be adopted and approved.**

Attachments:

Auxiliary, Designated Operations and Service Fund Budget Overview

Attachment

Auxiliary, Designated Operations and Service Fund Budget Overview:

FY 2022-23 Oregon Tech Budget Non-E&G Funds			
	Auxiliary	Designated	Service
Revenues			
Academic Affairs (HAS only)	\$500,000	-	-
Student Affairs	9,917,073	-	-
F&A	2,163,528	20,530	192,000
OMIC	941,525	=	=
Total Revenue	<u>\$13,522,126</u>	<u>\$20,530</u>	<u>\$192,000</u>
Expenses			
Academic Affairs (HAS only)	\$500,000	-	-
Student Affairs	9,992,073	-	-
F&A	2,035,913	20,530	192,000
OMIC	850,975	=	=
Total Expenses	<u>\$13,378,961</u>	<u>\$20,530</u>	<u>\$192,000</u>
Net	<u>\$143,165</u>	<u>\$0</u>	<u>\$0</u>

DISCUSSION

Agenda Item No. 5.1

RFP for External Audit & Related Services Firm

Background

As an independent public body, Oregon Tech is required to have an annual independent audit of the financial statements for each fiscal year. Additionally, as the recipient of federal funds, the Office of Management and Budget (OMB) requires an annual compliance audit in accordance with the OMB “Uniform Guidance” (Title 2 CFR Part 200 Subpart F, *Uniform Administrative Requirements, Cost Principles and Requirements for Federal Awards*). The current independent auditor’s agreement, originating with FYE 2016, expires upon completion of the June 30, 2022 fiscal yearend audit. Much of the work for this audit will be performed in the fall of 2022 with the final report expected to be shared with the Board in January of 2023.

The subsequent auditor would begin planning for the FY 2023 fiscal yearend financial statement audit during January 2023. Thus, the new multi-year agreement must be finalized by November 2022.

The typical Audit Cycle for these engagements is as follows:

Financial Statements & Federal Compliance Audit

- Scheduling: January-February
- Control Testing: May/June
- Fieldwork: Summer
- Reporting: Fall
- Board Presentation: January of subsequent calendar year

The request for proposal (RFP) will include independent financial audit services, as well as consultative support. Because of evolving support levels at the University Shared Services Enterprise (USSE), Oregon Tech will also rely more on the non-attest services of the selected firm to assist in yearend compilation and review procedures in preparation for the work of the independent auditors. It is expected that the Agreement for services will be a multi-year agreement.

Staff Recommendation

No action required. For information and discussion purposes only.

Attachments

- [Draft Request for Proposal for Audit and Related Services](#)
- [Draft Audit Services Cost Proposal Form](#)