Oregon TECH

Meeting of the
Oregon Tech Board of Trustees
Finance and Facilities Committee
Mt. McLoughlin Room, Klamath Falls Campus
February 23, 2017
9am–Noon

Finance and Facilities Committee also Sitting as the Audit Committee Agenda

LUNCH Noon-1pm in Mt. McLoughlin

Meeting of the Oregon Tech Board of Trustees Finance and Facilities Committee Room 402, Wilsonville Campus

November 15, 2016
8am– 11:15am

DRAFT MINUTES

Committee Trustees Present:

Steve Sliwa, Chair
Jessica Gomez
Jay Kenton, Interim President
Bill Goloski
Vince Jones
Paul Stewart

University Staff and Faculty Present:

Brian Adair, Director of Facilities Management and Capital Planning
Vivian Chen, Contracts Officer and Legal Liaison
Thom Darrah, Projects and Planning Manager
Erin Foley, VP Student Affairs/Dean of Students
Brian Fox, VP Finance and Administration
Michelle Meyer, Director of Business Affairs
Steve Neiheisel, VP Strategic Enrollment Management
Tracy Ricketts, AVP Development and Alumni Relations
Paul Rowan, CIO/AVP Information Technology Services
Di Saunders, AVP Marketing and Public Relations
Terri Torres, Mathematics Associate Professor

Others Present:

Penny Burgess, USSE
Trever Campbell, Kernutt Stokes
Patrick Deming, Kernutt Stokes
Haley Lyons, Kernutt Stokes

1. **Call to Order/Roll/Declaration of a Quorum**
   Chair Sliwa called the meeting to order at 8:10am. The Secretary called roll and a quorum was declared.

2. **Consent Agenda**
   2.1 **Approve Minutes of June 29, 2016 Meeting**
   Minutes were approved with a correction to Section 3.4. The last sentence should read: The recurring fund balance policy is 15% which represents two months' expenditures ~~salaries~~.

3. **Finance, Facilities and Audit Status Report**

   3.1 **Quarterly Review**

   VPFA Fox explained the intent of the status report and walked through the attachments in the agenda report including the Financial and Enrollment Metrics which will be produced monthly. He explained the dashboards will be used by executive staff and the Trustees. The Facilities report is still under construction. **Trustee Gomez suggested adding a metric showing cash-in/cash-out on the dashboard. VPFA Fox** stated the annual financial audit will be presented at the February meeting.

4. **Action Items**

   4.1 **Recommendation to the Board to Approve the Creation and Funding of a Quasi-Endowment Fund**

   VPFA Fox explained the purpose for creating a quasi-endowment fund to more effectively and efficiently manage operating and non-operating reserves and maximizing interest earning, and how the funds could be spent and replenished.

   Trustee Gomez moved to recommend the Board approve the creation and funding of a quasi-endowment fund from the E&G Fund at a level of $7,500,000,000 and set the spending policy at a four percent annual spend rate. Trustee Jones seconded the motion.

   Request to bring the spending policy back to the Committee for further discussion.

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

   4.2 **Recommendation to the Board to Approve the Emergency Electrical and Storm Drainage Project and Authorize Issuance of State Funded Debt**

   VPFA Fox explained the repair projects and the need to obtain funds through debt financing.

   Trustee Gomez moved to recommend the board approve the emergency electrical and storm drainage project and authorize issuance of state funded debt. Trustee Stewart seconded the motion. With all Trustees present voting aye, the motion passed unanimously.

   4.3 **Risk Analysis and Internal Audit Plan**

   Chair Sliwa reminded the committee of the decision previously made to employ an outside contractor to perform the internal audit function. **VPFA Fox** introduced the consultants from Kernutt Stokes who explained the process used for the audit and walked through a PowerPoint presentation. A morale/culture survey was not given on either campus and the university could benefit from that; some items related to morale and culture show up in this report. It was acknowledged that some of the items identified in the audit are historical in nature and not forward thinking; people were not using the fraud hotline but felt comfortable with completing the questionnaire because an outside entity was receiving the results. Issues: lack of emergency response/disaster recovery/ business continuity plan; social media policy enforcement; need for additional diversity inclusion; and limited access to institution data and reporting (IT issue). Clarification that every year a risk assessment will be conducted to help determine which of the 43 potential audit units should be addressed.

Types of audits that can be performed: Performance, Financial, and Compliance. Tier 1 – bigger projects, higher risk projects and Tier 2 audits – recurring projects, smaller. General consensus to conduct audits of Financial Aid (Tier 1) and on an Auxiliary Fund (Tier 2) next year. **Request for management to convey issues listed in the report to identified departments or divisions.**

Trustee Stewart moved to adopt the Audit Charter and accept the Risk Assessment and Recommended Audit Plan for 2015-16. Trustee Jones seconded the motion. With all Trustees present voting aye, the motion passed unanimously.

Trustee Stewart moved to delegate authority to Chair Sliwa and Trustee Jones to act as the committee's internal audit representatives for the general and facilities issues, respectively, to work with the President, Vice President of Finance and Administration, and Internal Auditor to establish a final work plan for consideration of adoption. Trustee Gomez seconded the motion. With all Trustees present voting aye, the motion passed unanimously.

BREAK 9:50am-10:05am

5. Discussion Items

5.1 Student Recreation Center Update

VPFA Fox explained the need to rehabilitate and upgrade the existing fitness center/gym to improve student welfare. He summarized the information gathered from a student open forum and surveys, and explained the next steps including holding a second open forum. Discussion regarding specific uses within the structure, the possibility to rehabilitate other amenities such as the tennis courts, the need to look at the lifespan of equipment and renovations, and the time of fee assessment versus completion of project. **Suggestion to accommodate catering/kitchen space if possible. Request to look at lifetime of the assets and budget for replacement. Request to make sure the athletic department is paying its fair share of the rehabilitation. Request to calculate how much this would increase the university's overall debt.**

5.2 Tuition Setting and Budget Setting Process

VPFA Fox walked through a handout showing the draft budget and tuition development timeline. With the failure of Ballot Measure 97 funding to public universities will be limited and this will have an effect on tuition amounts.

5.3 Public University Fund Investment Update

USSE Penny Burgess summarized the investment report. She walked through a handout discussing a fossil-fuel-free fund stating replacement funds would perform at or greater than the fossil-fuel funds. Oregon Tech would need to amend the board's investment policy if it chose to divest funds. OSU is expected to vote on the fund at its January meeting and will likely request a formal letter from the Oregon Tech Board Chair addressing the possibility of Oregon Tech investing in the fund. Discussion regarding the possibility and potential ramifications of universities not supporting the divestment. Concern that this could be just the beginning of requests to divest and this could be setting precedent. Impact should be relatively small financially. **Request for staff and Ms. Burgess to research decisions the University of Washington and Stanford University made and how they are handling the divestment requests and report back to the Committee.**

5.4 Cornett Renovation Update
VPFA Fox introduced **Thom Darrah, Projects and Planning Manager. VPFA Fox** summarized the previous and proposed funding timeline. **Manager Darrah** explained BBT Architects is the architect of record and walked through the Phase I Design and Construction schedule with completion of the project expected at the beginning of the school year of 2018; construction will continue through the school year. Suggestion to hire one general contractor to oversee more than one construction progress to achieve financial savings.

5.5. Information Technology Services Strategic Proposal
ITS AVP/CIO Rowan took comments from the Trustees regarding the information presented in the agenda report. **Chair Sliwa** stated that the SWOT analysis is internally focused and suggested staff look externally. He also stated that having standardized programs and products is a key factor in success; staff should consider moving away from all of the customizations created in the past. Discussion regarding Banner and Ellucian programs and the benefits/downfalls of the Cloud.

6. Other Business/New Business

7. Adjournment
Meeting adjourned at 11:15am

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/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. This is the second publication of Quarterly Report and as the reporting structure and metrics have been adjusted from the first quarterly report issued in advance of the November F&F Committee meeting. It is expected that the Quarterly Report will be further refined through the end of the fiscal year.

These reports are designed to provide information and status updates to the Vice President of Finance and Administration as well as to the Board to ensure systematic tracking and execution on operational objectives. Where information is readily available, currently tracked or reported in a systematic fashion it is included. In certain areas information does not currently exist or is not held in a central location. This is particularly true as it relates to equipment purchasing and replacement as well as the condition and replacement of buildings, grounds and major subsystems is underway and will be incorporated in subsequent reports. These areas will be added or detail increased as projects to develop this information come to fruition. Feedback provided by the Finance and Facilities Committee on its preferences, information needs and reporting structure during the current and subsequent meetings will be incorporated into future Quarterly Finance, Facilities and Audit Status Reports.

Staff Recommendation

No action required. For discussion purposes only.

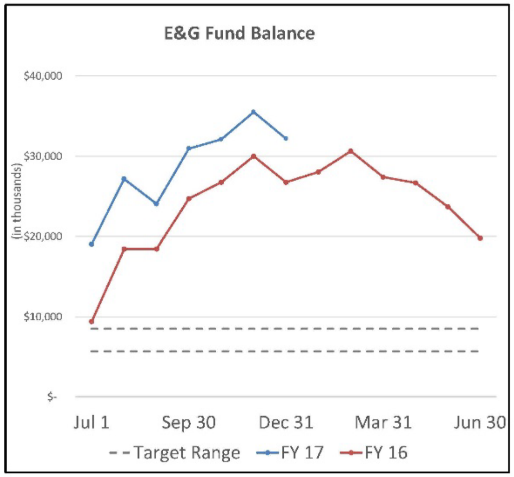
Attachments

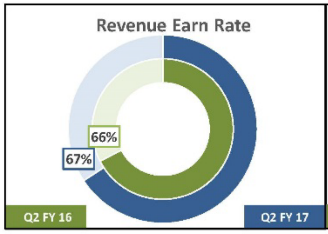
Q2 Quarterly Finance, Facilities and Audit Status Reports including the following:

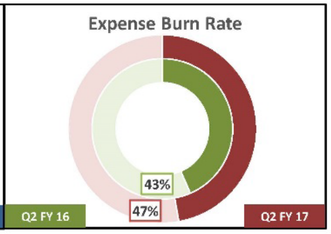
A. Financial and Enrollment Metrics
B. Detailed Budget Review (to be provided on February 23, 2017)
C. Facilities and Capital Projects
    a. Capital Projects Status Report
    b. Deferred Maintenance and Capital Renewal
    c. Facilities Maintenance Projects
D. Equipment Purchases and Replacement
E. Audit Status

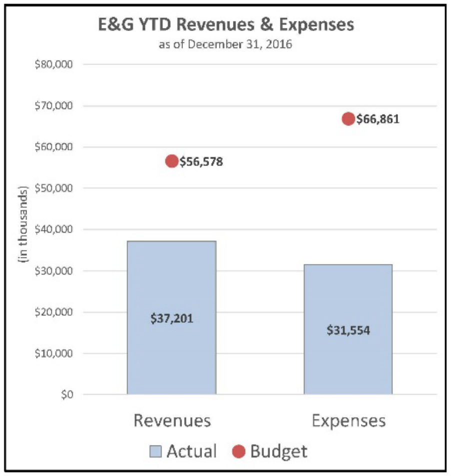
ATTACHMENT A
Financial and Enrollment Metrics

Oregon TECH
Quarterly Financial Dashboard
As of December 31, 2017

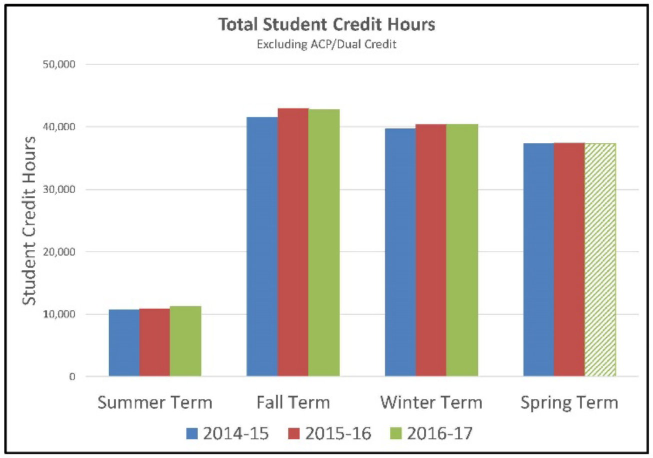


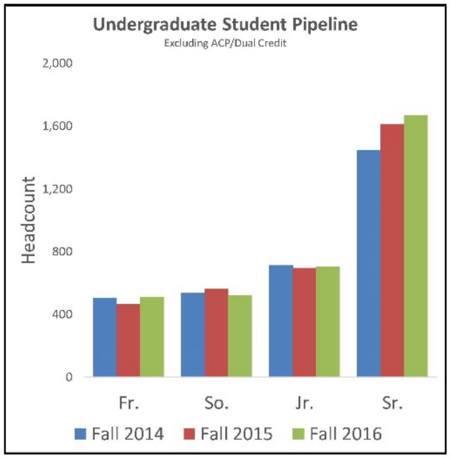






Key Financial Indicators		
E&G Fund Balance:	$32,186	As of Dec. 31, 2016
Cash on Hand:	$32,989	As of Dec. 31, 2016
E&G Cash on Hand:	$14,309	As of Dec. 31, 2016
E&G Days Cash on Hand:	132 Days	As of Dec. 31, 2016
Debt Burden Ratio:	4.8%	As of Jun. 30, 2016
Quasi Endowment:	$0	As of Dec. 31, 2016
Foundation Assets:	$22,829	As of Jun. 30, 2016
Deferred Maint. Backlog:	TBD	As of Jun. 30, 2016





Student Tuition

Undergraduate Tuition	2016-17	2015-16
Resident:	$7,543	$7,324
Non-Resident:	$24,010	$23,311
WUE:	$11,315	$10,986
Online:	$10,215	$10,215
Differential:	15% Premium	

Graduate Tuition	2016-17	2015-16
Resident:	$14,082	$13,672
Non-Resident:	$23,639	$22,951
Online:	$11,088	$11,088
ETM Differential:	15% Premium	

Degree Completions

		2016-17 (Est.)	2015-16	2014-15	3 Year Δ
Undergraduate	Resident:	573	557	529	8.3%
	Non-Resudent:	199	193	144	38.2%
Graduate	Resident:	9	8	9	0.0%
	Non-Resident:	20	16	12	66.7%

Notes:
Quasi Endowment was funded as of 1/1/2017
Tuition calculated at 15 credits
Fiscal Year 16 data unaudited
AY = Academic Year (Fall term through Summer term)
FY = Fiscal Year (July 1 - June 30)
Enrollment and completion projection dates as of 10.31.16

Definitions

Budget: A financial plan that identifies the resources necessary to meet a set of goals for a period of time.

Cash on Hand: Total amount of any accessible cash or cash equivalents

Days Cash on Hand: Number of days that an organization can continue to pay its operating expense, given the amount of cash available

Debt Burden Ratio: The ratio of total monthly installment of debt and total income. Ratio = (Total monthly installment of debt/total Income)

Deferred Maintenance Funds: Funds made available to OIT (outside of the institutional budget) from the State of Oregon, which are allocated for capital repair, renewal and deferred maintenance

E&G (Education and General Fund): Represents state approved appropriations, tuition and other funds used for the general operating expenses of instructional programs and support functions

Expense Burn Rate: Percentage of actual expenses as of report date to projected yearly expenses

Endowment Funds: Funds used to record gifts when the principal must remain intact in perpetuity; income earned by the endowment may be unrestricted or restricted as specified by the donor

Fiscal Period: A unit of time into which the fiscal year is divided; period 1 is July 1-31

Fiscal Year: The period of time used of financial reporting purposes. OIT has a July 1 to June 30 fiscal year

Fund Balance: Defined as the difference between the assets and liabilities of a fund

Fund Balance %: Calculated as fund balance divided by revenues

General Fund: The main University fund used to record state appropriation, tuition and expenses related to the University's core mission

Quasi Endowment Fund: Funds functioning as endowments, used to report resources that the University, rather than a donor has determined are to be retained and managed like an endowment

Revenue Earn Rate: Percentage of actual revenues as of report date to projected yearly revenues

ACP: Advanced Credit Program is a partnership between Oregon Tech and participating high schools which offer college level courses at the high school at a reduced tuition rate

WUE – Students enrolled in the Western Undergraduate Exchange program, which pay 150% of resident tuition

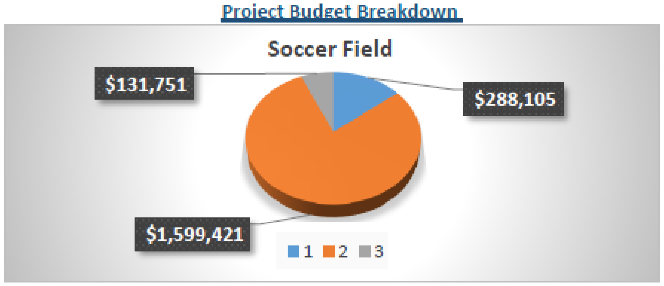
ATTACHMENT C
Facilities and Capital Projects

Capital Bond Projects - Status Report

2/13/2017

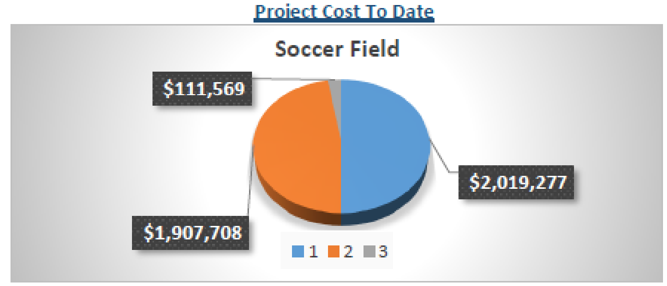
Project	Progress To Date	Breakdown	Orig. Budget	Rev. Budget	Cost To Date	Balance
Soccer Field	1) Substantial completion of soccer field: 12.16.16					
UPE 758 / 759 / 760						
$2,019,277	2) Fence contract awarded: 12.01.16	Design Cost:	$ 285,355	$ 288,105	$ 288,105	$ -
Design: D.A. Hogan	3) Proposed completion: 4.30.17	Construction Cost:	$ 1,535,500	$ 1,599,421	$ 1,589,781	$ 9,640
Build: Hellas Const.		Other Cost:	$ 198,422	$ 131,751	$ 29,822	$ 101,929
Fence: Superior Fence	RFP / Design / Bid / Const. / Closeout	Project Totals:	$ 2,019,277	$ 2,019,277	$ 1,907,708	$ 111,569

Project Budget Breakdown



1 - Design / 2 - Construction / 3 - Other

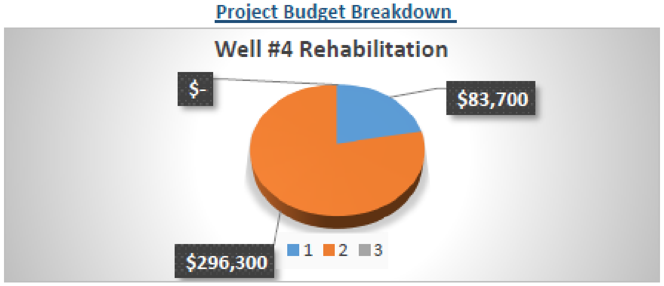
Project Cost To Date



1 - Budget / 2 - Cost To Date / 3 - Balance

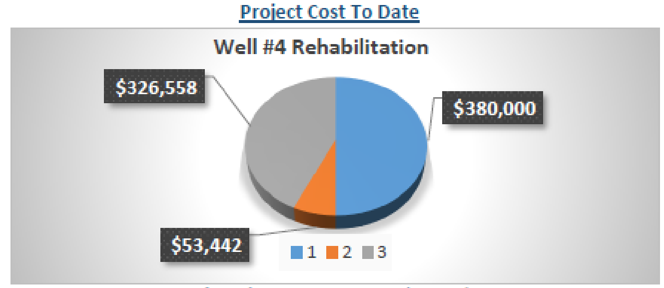
Project	Progress To Date	Breakdown	Orig. Budget	Rev. Budget	Cost To Date	Balance
Well #4 Rehabilitation	1) Adkins Engineering - design complete.					
UPE 763	2) Bid under review.					
$380,000	3) Proposed start: 5.01.17	Design Cost:	$ 83,700	$ 83,700	$ 53,442	$ 30,258
Design: Adkins Engin.	4) Proposed completion: 9.01.17	Est. Construction Cost:	$ 296,300	$ 296,300	$ -	$ 296,300
Build:		Other Cost:	$ -	$ -	$ -	$ -
	RFP / Design / Bid / Const. / Closeout	Project Totals:	$ 380,000	$ 380,000	$ 53,442	$ 326,558

Project Budget Breakdown



1 - Design / 2 - Construction / 3 - Other

Project Cost To Date



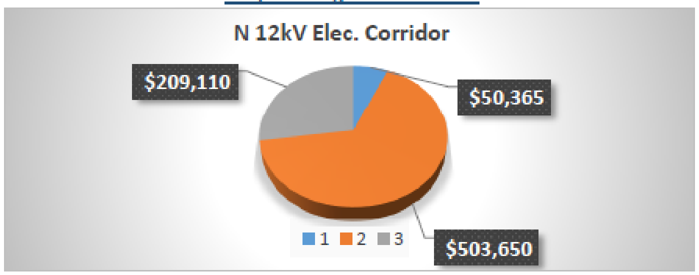
1 - Budget / 2 - Cost To Date / 3 - Balance

Capital Bond Projects - Status Report

2/13/2017

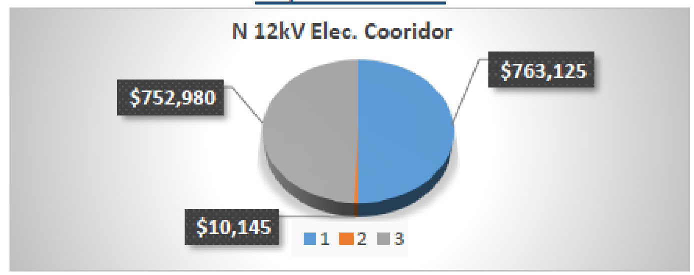
Project	Progress To Date	Breakdown	Orig. Budget	Rev. Budget	Cost To Date	Balance
North 12kV Upgrade	1) Fluent Engineering - design underway.					
UPE 769 / FSCORR	SD Design Phase completed: 1.20.17					
$763,125	2) Construction RFP: 5.03.17	Design Cost:	$ 50,365	$ 50,365	$ 10,145	$ 40,220
Design: Fluent Engin.	3) Proposed start: 6.12.17	Est. Construction Cost:	$ 503,650	$ 503,650	$ -	$ 503,650
Build:	4) Proposed completion: 9.01.17	Other Cost:	$ 209,110	$ 209,110	$ -	$ 209,110
	RFP / Design / Bid / Const. / Closeout	Project Totals:	$ 763,125	$ 763,125	$ 10,145	$ 752,980

Project Budget Breakdown



1 - Design / 2 - Construction / 3 - Other

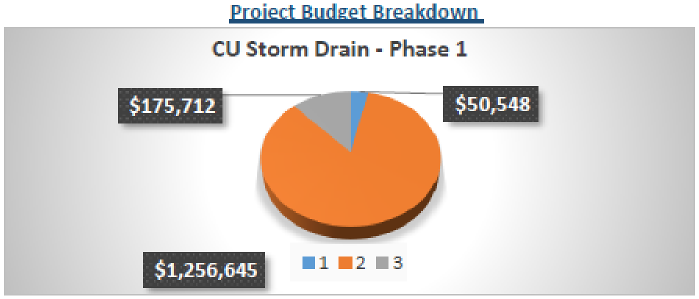
Project Cost To Date



1 - Budget / 2 - Cost To Date / 3 - Balance

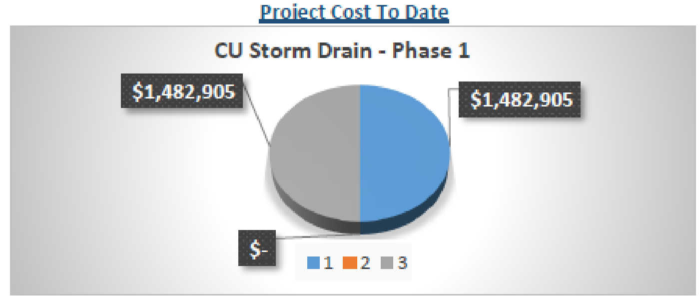
Project	Progress To Date	Breakdown	Orig. Budget	Rev. Budget	Cost To Date	Balance
CU Storm Drain - Phase 1	1) Marquess Engineering - design underway.					
UPE 769 / FSSTDR	DD design phase complete - 3.01.17					
$1,482,905	2) Construction RFP: 5.03.17	Design Cost:	$ 118,836	$ 50,548	$ -	$ 50,548
Design: Marquess	3) Proposed start: 6.12.17	Est. Construction Cost:	$ 1,188,357	$ 1,256,645	$ -	$ 1,256,645
Build:	4) Proposed completion: 9.01.17	Other Cost:	$ 175,712	$ 175,712	$ -	$ 175,712
	RFP / Design / Bid / Const. / Closeout	Project Totals:	$ 1,482,905	$ 1,482,905	$ -	$ 1,482,905

Project Budget Breakdown



1 - Design / 2 - Construction / 3 - Other

Project Cost To Date



1 - Budget / 2 - Cost To Date / 3 - Balance

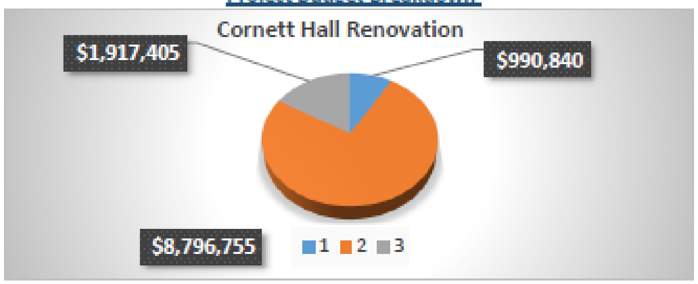
February 23, 2017

Capital Bond Projects - Status Report

2/13/2017

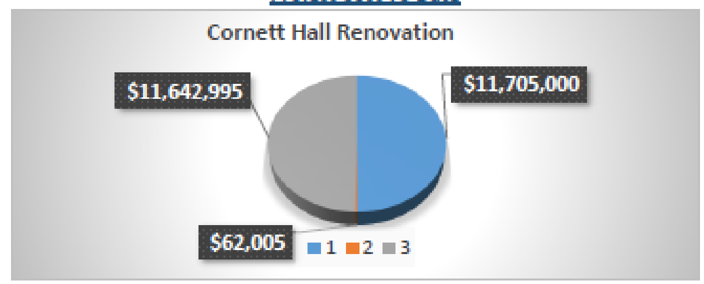
Cornett Hall - Phase 1	1) BBT Architect - design underway.	Breakdown	Orig. Budget	Rev. Budget	Cost To Date	Balance
UPE 757	SD design phase complete: 3.03.17					
$11,705,000.00	2) Design: 12.05.16 - 6.02.17					
Design: BBT Arch.	3) Constrction RFP: 3.01.17	Design Cost:	$ 1,042,020	$ 990,840	$ 62,005	$ 928,835
CM/GC:	4) Construction: 6.12.17 - 8.31.18	Est. Construction Cost:	$ 8,745,575	$ 8,796,755	$ -	$ 8,796,755
	RFP	Other Cost:	$ 1,917,405	$ 1,917,405	$ -	$ 1,917,405
	RFP / Design / Bid / Const. / Closeout		$ 11,705,000	$ 11,705,000	$ 62,005	$ 11,642,995

Project Budget Breakdown



1 - Design / 2 - Construction / 3 - Other

Project Cost To Date



1 - Budget / 2 - Cost To Date / 3 - Balance

Deferred Maintenance and Capital Renewal

Fiscal Year 2017 Active Projects					
Project Name	**Stage**	**Start Date**	**Est. Compl. Date**	**% Complete**	**Size ($)**
Misc. ADA Compliance	Improvements	Aug 2016	June 2017	85%	$ 20,000
Well #1 Replacement	Replace VFD	Aug 2016	June 2017	90 %	$ 26,000
Chiller VFP Replacement	Test In May 2017	June 2016	May 2017	98 %	$ 10,000
Ext. Door Replacement – Snell, Boivin & Semon	Updating Contract	Mar 2017	May 2017	5 %	$ 92,000
LRC Air Compressor Replacement	Completed	Jan 2017	Feb 2017	100%	$ 7,000
Purvine Hall Re-roof	Bid Phase	Aug 2017	Sept 2017	5 %	$ 450,000
Replace Facilities Roll Up Door	Completed	Jan 2017	Feb 2017	100%	$ 5,000
Geo Heat Injection Pump & Controls Replacement	Field Evaluation Phase	Jan 2017	Mar 2017	20%	$ 4,800

Proposed Projects					
FY 2018		**FY 2019**		**FY 2020**	
Description	**Size ($)**	**Description**	**Size ($)**	**Description**	**Size ($)**
Purvine Patio/Sidewalk	$ 80,000	Semon/Boivin Sidewalk	$ 55,000	Boivin Siesmic	$350,000
Semon Hall HVAC	$ 250,000	DDC Controls-Pr/Sn/LRC	$ 300,000	Security Access – Phase #1	$250,000
Purvine HVAC Controls	$ 75,000	Purvine Carpet Rm 208	$ 40,000	Boivin DDC controls	$ 125,000
Owens Heat Exchanger	$ 5,000	Transformer Boivin ext.	$ 85,000	LRC elevator	$ 80,000
City Water Backflow Device	$ 14,000	Transformer LRC & P/E	$ 160,000	Boivin return fans	$ 75,000
Facilities Roll Up Door	$ 15,000	Geo well #5	$ 150,000	Geo well #7	$ 180,000
Boivin Fume Hoods	$ 140,000	Facilities Roll Up Door	$ 15,000	Fire alarm Semon	$ 200,000
12 kVa Switch Gear	$ 200,000	Snell Hall carpet hall	$ 25,000	LRC Bathroom #1 Remodel	$ 50,000
Geo Injection Pump & Controls	$ 125,000	Fuel Station Program	$ 20,000	Resurface Fountain	$ 25,000
Paint Boivin & Semon	$ 80,000	Repair Ext. Lighting	$ 20,000		
Exterior Doors- Phase #2	$ 50,000	Boivin/Snell sidewalks	$ 85,000		
C/U Sewer Line	$ 80,000	Facilities HVAC unit	$ 80,000		
Elevator Systems	$ 60,000	Semon Floor & Ceiling Abatement	$ 60,000		
Total	$1,324,000		$1,095,000		$1,335,000

Known Deferred Maintenance By Building Over The Next Eight Years					
Building Name	**Roof**	**Utility**	**Mechanical**	**Exterior**	**Other**
Boivin Hall	$ 0	$ 610,000	$ 300,000	$ 735,000	$ 765,000
Dow Center	$ 0	$ 0	$ 85,000	$ 0	$ 130,000
Facilities	$ 385,000	$ 330,000	$ 295,000	$ 740,000	$ 450,000
LRC	$ 0	$ 235,000	$ 230,000	$ 900,000	$ 545,000
Owens Hall	$ 0	$ 0	$ 445,000	$ 0	$ 150,000
Power Plant "C"	$ 75,000	$ 905,000	$ 85,000	$ 5,000	$ 0
Purvine Hall	$ 0	$ 200,000	$ 565,000	$ 820,000	$ 285,000
Semon Hall	$ 0	$ 530,000	$ 225,000	$ 760,000	$ 615,000
Snell Hall	$ 20,000	$ 50,000	$ 225,000	$ 215,000	$ 440,000
Campus Wide	$ 0	$ 1,885,000	$ 0	$ 0	$ 1,733,000
Est. Totals	$ 480,000	$ 4,745,000	$ 2,445,000	$ 4,175,000	$ 5,113,000
Grand Total	$16,958,000				

Notes:

- The above Deferred Maintenance plan is a living document which will adjust as campus needs & priorities change
- Auxiliary Services have additional Deferred Maintenance needs that are not included in the above analysis
- Some capital renewal and deferred maintenance could be complete during a building renovation project
- Figures above do not include the Wilsonville Campus
- Costs above do not include the need for Furniture, Fixtures, Class Equipment, IT hardware, and other renovations

Facilities and Maintenance Projects

Current Projects					
Project Name	**Stage**	**Start Date**	**Est. Compl. Date**	**% Complete**	**Size ($)**
Sewer Water Intrusion	Evaluating	Dec 2016	Aug 2017	5%	TBD
Res Hall Shower Remodel	Construction	Aug 2016	Aug 2017	40%	$ 13,000
Village LED Lights – Phase II	Construction	Dec 2016	Aug 2017	5%	$ 25,000
LRC Lobby Water Damage	Bidding	Jan 2017	Mar 2017	5%	$ 60,000
Campus Way Finding Signs	Bidding	Aug 2016	Oct 2018	15%	$ 50,000

ATTACHMENT D
Equipment Purchases and Replacement

Finance and Administration staff in conjunction with ITS, the Provost, Deans and other administrative offices to establish an inventory of academic, IT, facilities equipment, including life cycle and replacement costs. The end result will be a publication of information in summary form including purchasing schedules and upcoming investments by major functional area and equipment type. It is intended that the final product will be utilized during the annual budget development processes and departmental strategic planning to plan, prioritize and invest in equipment upgrades in alignment with the institution's overall strategic needs. This effort will be a primary focus for the incoming CIO.

This is expected to be completed in phases throughout the fiscal year in order to inform the budget development process during winter and spring terms of academic year 2016-2017.

To-date the equipment inventory, life cycle and replacement cost analysis has met the following milestones through winter term 2017:

- Identification of equipment groupings, including capitalized equipment and equipment not meeting capitalization thresholds (e.g. useful life greater than one year and historical cost basis of $5,000, or more);
- Inventory classroom and lab computers, technology equipment, and personal computer devices, updating internal schedules as needed;
- Form working group and conduct meetings during fall term and winter term; and
- Develop data points to be included in final inventory/budget.

ATTACHMENT E
Audit Status

Internal Audit

In June 2016, Oregon Tech's Board of Trustees Audit Committee authorized staff to enter into a contract with Kernutt Stokes LLP (KS) for internal audit services for the year ending June 30, 2017 with possible contract extension through June 30, 2019.

Staff engaged KS during summer 2016. Upon engagement, KS began the internal risk assessment process, including developing a Department Risk Questionnaire to ascertain information to be used as guiding information in development the first annual risk assessment. The first annual risk assessment will be used as a guide, prioritize the areas for internal audit work to be performed through the term of the contract and develop a multi-year internal audit schedule; and monitor and perform case management of Oregon Tech's Fraud, Waste, and Abuse Ethics line.

To-date the internal audit function has met the following milestones during fiscal year 2016-2017:

- Drafted an Internal Audit Charter for Audit Committee review and approval
- Developed and issued Department Risk Questionnaire to certain university employees for use in first annual risk assessment
- Conducted employee interviews for use in first annual risk assessment
- Met with certain university executives and Board members
- Developed first Annual Risk Assessment and FY 17 Audit Plan
- *Initiated Internal Audit engagement for review of ITS Telecom Internal Service activity (Ongoing)*

Kernutt Stokes LLP is expected to provide an in-person presentation of the final report of the ITS Telecom Internal Service engagement at the F&F Committee's May, 2017 meeting. This presentation will include any updates of other internal audit engagements that are in progress at that time.

Quarterly written updates on the internal audit function will be provided to the Audit Committee on a go-forward basis with periodic presentations from Kernutt Stokes.

Annual Financial and Compliance Audit

In May 2016 Oregon Tech's Board of Trustees Audit Committee authorized staff to enter into a contract with CliftonLarsonAllen LLP for an audit of the Oregon Tech financial statements, and a compliance audit or the years ending June 30, 2016; June 30, 2017; and June 30, 2018 with possible contract extension through the year ending June 30, 2022. Oregon Tech's independent governance status requires the university to contract for these services.

Staff engaged CliftonLarsonAllen LLP in early summer 2016. Staff began internal year-end planning in April 2016 with year-end work beginning in May 2016.

To-date the annual financial and compliance audit function has met the following milestones for the fiscal and compliance audits for the year ending June 30, 2016:

- Scheduling
- Internal planning
- Internal year-end work
- Control testing
- Fieldwork
- Issuance of financial statement and compliance audits, including required communication letters

To-date the annual financial and compliance audit function has met the following milestones for the fiscal and compliance audits for the year ending June 30, 2017:

- Schedule on-site interim fieldwork for April 2017
- Tentatively schedule final fieldwork for August/September 2017
- Internal planning

The scheduling of on-site interim and final fieldwork, as well as internal planning has been initiated in order to meet the goal of report issuance in November 2017 with report presentation by CLA to the Audit Committee during the regularly scheduled December 2017 Board of Trustees Meeting.

The VPFA Office oversees the progression and completion of annual financial and compliance audits with work performed by the Business Affairs Office. CliftonLarsonAllen LLP performed on-site fieldwork during September and October 2016 with off-site work, wrap-up, and reporting performed during October and November. Wrap-up of audit testing conducted during November 2016 with report issuance in December 2016. The State of Oregon requires audit and compliance reports to be issued and submitted to the State by November 30, 2016. Oregon Tech met this requirement.

CliftonLarsonAllen LLP will be available to present at the report and results of the fiscal year Audit Committee's scheduled meeting on February 23, 2017.

ACTION
Agenda Item No. 4.1

Recommendation to the Full Board to Approve the Procurement of Diagnostic Equipment and Authorize the President, or Designee, to Enter into a Contract in Excess of One Million Dollars

Background

The capital campaign for the Martha Ann Dow Center for Health Professions not only included physical facilities to house current and future health programs, but also to provide state-of-the-art equipment to enhance the educational endeavors of students. Much of the equipment acquisition was realized through outright purchases and others through leasing opportunities.

Due to the large imaging footprint in the Dow Center and in consideration of platform life, leasing of the ultrasound systems required for Diagnostic Medical Sonography and Vascular Technology programming was determined to be the most beneficial. Through competitive RFP processes, the initial leasing agreement for 20 systems was awarded to Toshiba America Medical Systems (TAMS). One year later the Echocardiography program was implemented with grant funding from the Murdock Foundation for 5 systems.

Five years from the initial Toshiba award, a sole source request resulted in renewing the Toshiba lease. Sixteen of the original twenty systems were replaced with new technology while four of the systems were donated. One year later, five cardiac systems were consigned to the Echocardiography program to replace those purchased with the Murdock grant as they were end of life.

The expiration date of the Toshiba lease is Fall 2017, while the consignment date for the five cardiac systems ends fall 2018. In order to maximize the potential pricing and bring all ultrasound systems into the same rotation, a decision was made to include all twenty-five systems in the current RFP process.

An RFP was issued November 7, 2016 with a closing date of January 10, 2017. Vendor presentations and demonstrations took place the week of February 6, 2017. An evaluation committee including imaging faculty and students, were tasked with grading the RFPs as well as the actual equipment against a common rubric. Scores have been compiled and the selected vendor will be named within the next several days. Pricing is in the $1.5 million range.

Board Policy on Delegation of Authority Section 1.6.4 states that the Board retains sole authority for business and administrative affairs including the approval of a capital project budget that is anticipated to exceed $1,000,000. For the purpose of awarding the winning vendor through the RFP process and entering into a lease agreement to exceed $1,000,000 with the chosen vendor, Staff recommends Board approval of the Capital expenditure.

Staff Recommendation

Staff recommends that the Finance and Facilities Committee recommend the full Board approve the procurement, through a lease, of diagnostic equipment and authorize the President, or designee, to enter into a contract to not to exceed one million five hundred thousand dollars ($1.5M).

Attachments

None

ACTION
Agenda Item No. 4.2

Recommendation to the Full Board to Adopt a Quasi-Endowment Investment Policy

Background

At the regularly scheduled November 2016 Oregon Tech Board of Trustees meeting, the Board voted to establish and fund a quasi-endowment. With a particular focus on affordability, access and degree completion of students, the Board established the fund to preserve principle and provide capacity for the Board to invest in initiatives, which better position the institution over the long-term. The following investment policy, developed after discussions between Oregon Tech, University Shared Services Enterprise (USSE) and Oregon State Treasury (OST) staff limits investments to fixed income securities, and specifically limits investments to the Oregon Short-Term Fund, Oregon Intermediate-Term Pool, or the Public University Fund (see Section 11B), thus retaining the current relationship with USSE and OST as Investment Advisor.

Oregon Tech staff have established a quasi-endowment fund within the institution's accounting system, effective January 1, 2017. This fund is currently invested with all other university funds in the Public University Fund and spread among short, intermediate and long-term investment pools. Once an investment policy is approved by the Board, staff will work with OST and USSE to identify the most appropriate fund, given the long-term nature of the quasi-endowment. OST will act as the Investment Advisor and Investment Manager as it currently does with Oregon Tech's other investments accounts through the Public University Fund.

Staff Recommendation

Staff recommends the Committee recommend to the Board adoption of the Oregon Tech Quasi-Endowment Investment Policy as outlined in the docket, and delegate to the President, or the President's designee, the ability to select an Investment Advisor and take all actions necessary to execute the policy.

Attachments

Draft Oregon Tech Quasi-Endowment Investment Policy

DRAFT
Board Policy on Quasi-Endowment Investment
Board of Trustees of Oregon Institute of Technology

1.0 Purpose

1.1 The purpose of the Quasi-Endowment Investment Policy is to govern the investment of the Oregon Tech's Quasi-Endowment Fund ("Quasi-Endowment).

1.2 The policy ensures that:

1.2.1 The Board, the Investment Advisor and others entitled to such information may be made aware of the Policy of the Quasi-Endowment with regard to the investment of its assets.

1.2.2 There will be a clear understanding by the Board, the Investment Advisor and staff of the investment goals and objectives of the Quasi-Endowment.

1.2.3 The Board and management have a basis for evaluation of the investment managers.

1.2.4 The investment managers be given guidance and limitation on investing the funds.

1.3 It is intended the objectives in this policy to be sufficiently specific to be meaningful, but flexible enough to be practical. It is expected that the policy and objectives will be amended as necessary to reflect the changing needs of the endowment; however, all modifications shall be made in writing and approved by the Board.

2.0 Oregon Tech Quasi-Endowment Fund

The Quasi-Endowment is expected to operate over a long-term time horizon and as such these funds will be invested in asset classes which support long-term preservation of capital and income generation. It is important to follow coordinated policies regarding spending and investments to protect the principal of the Quasi-Endowment and produce a reasonable return.

3.0 Responsibility of the Board

The role of the Board is to recommend broad investment goals to the Investment Advisor, including spending rate information and to provide input into the asset allocation process.

4.0 Investment Advisor Responsibility

The Investment Advisor, and/or a designee, serves as consultant to the Board and will have the responsibility and authority to establish the asset allocation for the Quasi-Endowment and approve the retention and termination of all investment managers. The Investment Advisor, and/or a designee, will recommend to the Board a specific asset mix reflecting judgments of the investment environment as well as the specific needs of the Quasi-Endowment. Other duties assigned to the Investment Advisor, and/or a designee, include:

- Recommending professional investment managers;
- Negotiating and/or monitoring Quasi-Endowment investment expenses;
- Monitoring investment managers, on an ongoing basis;
- Assuring proper custody of the investments; and
- Reporting to the Board, on a quarterly basis, the Quasi-Endowment's investment results, its composition and any other information the Board may request.

5.0 Spending Policy

The amount of Quasi-Endowment available for spending (distribution) is 4% per year unless otherwise authorized by action of the Board. These funds are to be transferred on a yearly basis to the General Fund of the University.

6.0 Investment Policy Guidelines

6.1. Asset Allocation

The most important component of an investment strategy is the allocation among the various classes of securities available to the Quasi-Endowment. The Investment Advisor, in consultation with the Board, will establish the target asset allocation for the investments that will mostly likely achieve the investment goals of the Quasi-Endowment.

6.1.1 The risk/return profile shall be maintained by establishing the following long-term "target" strategic asset allocations:

Asset Class	Policy	Target	Benchmark
Fixed Income	100%	100%	See Exhibit A
Cash	0-3%	0%	91 Day T-Bill

6.2 Investment Time Horizon

6.2.1 In making investment strategy decisions for the Quasi-Endowment, the focus shall be on a long-term investment horizon that encompasses a complete business cycle (usually three to five years). An interim evaluation will be performed by the Investment Advisor, and/or a designee, if a significant change in fees, manager personnel, investment strategy or manager ownership occurs.

6.2.2 While the quantitative assessment of managerial competence will be measured over a complete market cycle, the Board anticipates that the Investment Advisor will make period qualitative assessments as well. Specific qualitative factors considered by the Investment Advisor may include, but are not limited to, fundamental changes in the manager's investment philosophy, changes in the manager's organizational structure, financial condition and personnel, and any changes, relative to peers, in a manager's fee structure.

7.0 Prudence and Ethical Standards

7.1 Prudence

All participants in the investment process shall act responsibly. The standard of prudence to be applied by the Board, the Investment Advisor, selected designees, Oregon Tech staff and external service providers shall be the “prudent investor” rule, which states: "Investments shall be invested and the investments managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing each investment fund."

7.2 Ethics and Conflicts of Interest

Board members, Investment Advisory staff, selected designees, Oregon Tech staff and external service providers involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. These parties are required to reveal all relationships that could create or appear to create a conflict of interest in their unbiased involvement in the investment process.

8.0 Investment Objectives

The investment objective of the Quasi-Endowment is to seek consistency of investment return with emphasis on capital preservation and maintenance of purchasing power over long periods of time, notwithstanding Board authorized distributions. In keeping with the performance goals included in the Policy, achievement of this objective shall be done in a manner that, over a long-term planning horizon, will meet the spending rate established by the Board (under Section 5).

9.0 Manager(s) Responsibilities

9.1 Legal Compliance

9.1.1 The investment manager(s) is (are) responsible for strict compliance with the provisions of their investment management agreement.

9.2 Authority of Investment Manager(s) in the Managed Accounts

9.2.1 Subject to the terms and conditions of this Policy and conditions of this Policy and the investment management agreement, manager(s) shall have full discretionary authority to direct investments of assets in the managed accounts. The Investment Advisor, and/or a designee, will recommend changes to this Policy when the advisor(s) views any part of this Policy to be inconsistent with overall market, economic conditions, or investment policies.

9.2.2 The Investment Advisor directs all managers to vote proxies and to vote them in the best economic interest of the Quasi-Endowment. When requested, managers will report to the Investment Advisor regarding how proxies were voted.

9.2.3 Meetings between Quasi-Endowment managers and the Investment Advisor will occur consistent with the policies established for the Investment Advisor's other managers, to discuss items including, but not limited to, the manager's performance, outlook, and investment decision process.

10.0 Reporting Requirements

10.1 Investment results will be regularly monitored by the Investment Advisor, selected designees and Oregon Tech staff.

10.2 A representative of the Investment Advisor, and/or a designee, shall report investment results, or other information, to the Board no less frequently than annually, if requested. Any material non-compliance with the Investment Policy, Guidelines and Objectives of the Quasi-Endowment or with the investment management agreement will be reported to the Board immediately.

11.0 Investment Guidelines

11.1 Cash: The Quasi-Endowment shall maintain minimal cash, consistent with short-term requirements. Short term cash will be invested in a liquid cash equivalent investment.

11.2 Fixed Income: Fixed-income securities, for purposes of these guidelines, shall mean the Oregon Short-Term Fund, Oregon Intermediate-Term Pool, Public University Fund or individual securities of mutual funds with similar.

11.3 Performance: Performance expectations for each of the asset classes are described in Exhibit A.

12.0 Asset Custody and Securities Lending

Custodial responsibility for all securities is to be determined by the Board or its designee(s).

13.0 Conclusion

Implementation of this Policy, including investment manager selection, shall be the responsibility of the Investment Advisor, subject to the necessary approvals from the Board.

This Policy shall be reviewed by the Board at least every two years.

EXHIBIT A

Performance Monitoring

Fixed Income accounts are expected to exceed the return of the Barclays U.S. Aggregate 3-5 Years by 0.5 percent (after fees) over a market cycle for core bond investments.

DISCUSSION
Agenda Item No. 5.1
Annual Financial and Single Audit Report

Background

Oregon Tech, in conjunction with the University Shared Services Enterprise (USSE), prepared the Oregon Tech 2016 Annual Financial Report. The audit opinions issued by CliftonLarsonAllen LLP (CLA) are an unmodified opinions. The Annual Financial Report is attached below.

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

CLA has prepared a Management Comment Letter to communicate certain comments and suggestions other than significant deficiencies. The Management Comment Letter is Attachment.

During the audit of the annual financial report CLA became aware of one significant deficiency in internal controls, which was brought to the attention of CLA by management (finding 2016-001). During the Single Audit CLA became aware of two significant deficiencies in internal controls (findings 2016-002 and 2016-003). All findings are included within the Single Audit Report, attached below.

CLA staff will present the Annual Financial Report at the F&F Committee.

Staff Recommendation

No action required. Report item only.

Attachments

- Oregon Tech 2016 Annual Financial Report (under separate cover)
- Oregon Tech 2016 Annual Financial Report Governance Communication Letter
- Oregon Tech 2016 Management Comment Letter
- Oregon Tech 2016 Single Audit

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

Oregon Tech
Members of the Board of Trustees

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, 2016, and have issued our report thereon dated December 27, 2016. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, 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.

As described in Note 1, the University adopted GASB Statement No. 72, *Fair Value Measurement and Application*. The adoption of this standard had no material impact to the University's financial statements.

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 uncollectible receivables is based on historical collection rates.

- Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from five to 50 years.

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- Other postemployment benefit expense is calculated based on the annual required contribution of the University and the unfunded actuarial accrued liability as determined by an actuarial estimate.

- Compensated absences and related personnel expenses are recognized based on estimated balances due to employees for vacation and sick 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 asset/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.

We evaluated the key factors and assumptions used to develop the estimates 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.

- As discussed in Note 1 (A), effective July 1, 2014, Senate Bill 270 was passed during fiscal year 2013 and provided a pathway for the University to become an independent public body legally separate from the Oregon University System effective July 1, 2015.

- As discussed in Note 14 (A), on April 30, 2015, the Oregon Supreme Court declared Senate Bills 822 and 861 unconstitutional in so far as they affect retirement benefits earned before May 6, 2013. The Oregon Supreme Court's decision reversed a significant portion of benefit reductions made under Senate Bills 822 and 861. As a result, the decision increased the present value of projected state-wide benefits to be paid by the plan by an estimated $5.1 billion and is reflected in the June 30, 2015 measurement of the collective pension liability of the State of Oregon Public Employees Retirement System (PERS). The decision also negated a large portion of the cost savings for PERS employers that were factored into contribution rates for the 2015-2017 biennium. PERS has executed a project to restore COLA payments to benefit recipients and enhance its system to implement the new COLA allocation going forward.

  Under GASB Nos. 67 and 68, the Total Pension Liability must be calculated based on the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result, the impact of the Oregon Supreme Court decision was first reflected in the Total Pension Liability measured at June 30, 2015, resulting in the $5.1 billion increase in the state-wide obligation described above. The University's proportionate share of this increase is reflected in its net pension liability at June 30, 2016. The Net Pension Asset reported as of June 30, 2015 of $2.1 million changed to a Net Pension Liability of $6.0 million as of June 30, 2016.

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 uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Corrected misstatements

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

Disagreements with management

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

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated December 27, 2016.

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.

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.

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.

This communication is intended solely for the information and use of the Board of Trustees and management of the System 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
December 27, 2016

Oregon Tech
Passed Audit Adjustment
For the Year Ended June 30, 2016

Description	Debit	Credit
Passed Journal Entry JE # 1 In prior year, certain costs were expensed as they were below the capitalization threshold. In current year, guidance was provided by the State in which such costs paid for by bond proceeds should be capitalized. As such, the University reversed the prior year expense to capitalize the items through current year activity. Impact is not considered material/pass on restatement as seen below.		
Beginning net position	$ -	$ 203,730
Expenses	203,730	-
Total	**$ 203,730**	**$ 203,730**

Cumulative Impact:	
Assets (Overstated) Understated	$ -
Liabilities Overstated (Understated)	-
Beginning Net Position - Prior to Restatement - Overstated (Understated)	(203,730)
Beginning Net Position Restatement - Overstated (Understated)	-
	(203,730)
Support and Revenue Overstated (Understated)	-
Expenses (Overstated) Understated	203,730
Changes in Net Position Overstated (Understated)	$ 203,730

December 27, 2016

CliftonLarsonAllen LLP
8390 East Crescent Parkway, Suite 600
Greenwood Village, CO 80111

This representation letter is provided in connection with your audits of the financial statements of Oregon Tech (the University), which comprise the respective financial position of the business-type activities and the discretely presented component unit as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of December 27, 2016, the following representations made to you during your audit of the financial statements as of and for the year ended June 30, 2016 and 2015.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 25, 2016, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

2. We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.

5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

6. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

7. All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP, as applicable.

10. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.

11. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.

12. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.

13. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

14. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity, except as disclosed in the financial statements.

15. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded, if applicable.

16. We believe that all material expenditures that have been recorded as prepaid expenses and deferred outflows will be recoverable in future periods.

17. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.

18. We are not aware of any potential or frequent changes to the State of Oregon pension and other postretirement benefit plans for which the University is a participant.

19. We believe we have appropriately reported and disclosed the effect of the implementation of GASB 72 "*Fair Value Measurement and Application*".

20. Our participation in the Public Universities Risk Management and Insurance Trust has been properly reported and disclosed in the financial statements.

Information Provided

21. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

    e. All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices.

    f. All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.

    g. Access to all audit or relevant monitoring reports, if any, received from funding sources.

22. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

23. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

24. We have no knowledge of any fraud or suspected fraud that affects the University and involves:

    a. Management;

    b. Employees who have significant roles in internal control; or

    c. Others when the fraud could have a material effect on the financial statements.

25. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the University's financial statements communicated by employees, former employees, grantors, regulators, or others.

26. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.

27. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

28. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.

29. We have disclosed to you the identity of the University's related parties and all the related party relationships and transactions of which we are aware.

30. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.

31. We have a process to track the status of audit findings and recommendations.

32. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

33. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

34. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the University, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds/accounts.

35. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

36. The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.

37. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor

requirements to maintain a specific asset composition necessary to satisfy their restrictions.

38. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

39. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations, as applicable.

40. The financial statements properly classify all activities.

41. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

42. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

43. Provisions for uncollectible receivables have been properly eliminated.

44. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

45. Internal and intra-entity activity and balances have been appropriately eliminated.

46. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.

47. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

48. We have appropriately disclosed the entity's practice regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the current practice.

49. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

50. The University has not been notified by the U.S. Department of Education of the loss of eligibility for one or all of the Title IV programs due to high default rates.

51. The University has reported to the U.S. Department of Education for investigations all known criminal misconduct, if any, involving Title IV funds by any student, employee, third-party servicer, or other agent of the institution involved in the administration of the University's Title IV programs.

52. The University or its employees have not received any direct or indirect benefits from lenders related to the University's Title IV loan programs.

53. With respect to federal award programs:

    a. We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) including requirements relating to preparation of the schedule of expenditures of federal awards.

    b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.

    c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA.

    d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

    e. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

    f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

    g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

h. We have received no requests from a federal agency to audit one or more specific programs as a major program.

i. We have complied with the direct and material compliance, including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.

j. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E)

m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

q. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the date as of which compliance was audited.

r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

t. We have charged costs to federal awards in accordance with applicable cost principles.

u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

v. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

x. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

y. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

z. The University did not pass any grant funds through to subrecipients during the year.

Michelle Meyer
Director of Business Affairs

Brian Fox
Vice President of Finance and Administration

Dr. Jay Kenton
Interim President

February 23, 2017

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Audit Committee and Management
Oregon Tech
Klamath Falls, Oregon

In planning and performing our audit of the financial statements of the business-type activities and the discretely presented component unit of Oregon Tech (the University), a component unit of the State of Oregon, as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our comments and suggestions regarding those matters are summarized below.

Other deficiencies in internal control and other matters

- During our testing over the effectiveness of controls of the payroll disbursement process, we discovered that one employee, an adjunct professor, was overpaid by $210.10 during the month of March 2016. The employee had two employment contracts. The first contract was properly paid. The second contract related to the employee teaching an additional class at a rate of $2,800 for three months. The employee's hours were charged to two separate account codes: overload pay and normal pay. The amount charged to the normal pay code was for the full monthly amount of $960 ($2,880/3). However, an additional $210.10 was erroneously charged to the overload pay account as well.

  As a result of this exception, we performed additional procedures over employees who had similar contracts. No additional exceptions were noted.

  Although the amount of the error was not significant, we recommend that a process be established to ensure non-traditional contracts are properly paid.

- A fundamental concept in a strong system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both assets and the related accounting records or to all phases of a transaction. If the separation of duties is inadequate, there is a resulting risk that intentional fraud or unintentional errors could occur and not be detected. As it relates to information technology and applications, controls should be assigned to employees to technically prohibit one user from performing all phases of a transaction.

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During our review of segregations of duties conflicts within the Banner system, we noted two individuals had the ability to:

- Payroll:
  - Add, change, and delete an employee with in the payroll system
  - Establish payment method and pay rates
  - Process payroll
  - Update paid-time off accrual thresholds

While the University had certain automated compensating controls in place, such access rights allow for fraud or error to occur and potentially be undetected if certain compensating controls are not performed consistently, or are not at a low enough level to detect certain instances of fraud or error. We recommend management ensure proper segregation of duties is established by removing access rights so that no one employee has the ability to perform incompatible functions.

If in the rare circumstance that access rights cannot be removed for certain employees, we recommend the University strongly emphasize to the employees performing the compensating controls the importance of such controls to prevent and detect fraud or errors. Such emphasis should be made throughout the year so that the employees performing the compensating controls understand the risk. Periodic trainings, monthly reminders, and a separate person (for example, the internal audit function) ensuring the compensating control is being performed effectively are all potential avenues for the University to ensure the compensating controls are being performed timely and effectively.

Oregon Tech Response:

Oregon Tech respectfully agrees with the comments and suggestions as recommended by CliftonLarsonAllen LLP. It is management's belief that there are inherent limitations on resources in a public entity the size of Oregon Tech, both financial and human, and that by continuing the automated compensating controls, continuing to engage in various forms of training on an on-going basis and utilizing personal and resources in outlying functions, that the risk related to access rights is sufficiently mitigated to an acceptable level. Oregon Tech plans to continue the certain automated compensating controls in place within multiple departments of the University, including those outside of the Payroll function, and also plans to continue the compensating controls of employee training, communications, and oversight.

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

* * *

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
December 27, 2016

OREGON TECH

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2016

OREGON TECH
SINGLE AUDIT REPORT
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FOR THE YEAR ENDED JUNE 30, 2016

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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 (University), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 27, 2016. 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.

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; therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The University's Response to Findings

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
December 27, 2016

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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, 2016. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Oregon Tech complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2016-002 and 2016-003. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2016-002 and 2016-003, which we consider to be significant deficiencies.

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

Members of the Board
Oregon Tech

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 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 27, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
February 9, 2017

OREGON TECH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Cluster:	Federal Grantor:	Program Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
Student Financial Assistance Cluster:							
	Department of Education						
		Supplemental Educational Opportunity Grants	84.007			$ -	$ 140,093
		Work-Study Program	84.033			-	165,153
		Federal Perkins Loans	84.038			-	2,242,765
		Pell Grant Program	84.063			-	5,238,353
		Federal Direct Student Loans	84.268			-	17,137,835
	Total Department of Education					$ -	$ 24,924,199
Total Student Financial Assistance Cluster						$ -	$ 24,924,199
Research and Development Cluster:							
	Department of the Interior						
		Fish, Wildlife, & Plant Conservation Resource Mgt	15.231			$ -	$ 3,057
		Fish & Wildlife Management Assistance	15.608			-	176
		Endangered Species Conservation Recover Implement	15.657			-	4,121
		Cooperative Research & Training Programs	15.945			-	4,019
	Total Department of the Interior					$ -	$ 11,373
	Department of Transportation						
		University Transportation Centers	20.701	Portland State University	NITCN-OIT-01	$ -	$ 22,933
				Portland State University	NITCN-OIT-02	-	9,268
				Portland State University	NITCN-OIT-03	-	23,712
				Portland State University	NITCN-OIT-04	-	17,857
				Portland State University	NITCN-OIT-05	-	14,984
				Portland State University	NITCN-OIT-06	-	32,476
	Total Department of Transportation					$ -	$ 121,230
	National Science Foundation						
		Education & Human Resources	47.076			$ -	$ 22,066
	Total National Science Foundation					$ -	$ 22,066
Total Research and Development Cluster						$ -	$ 154,669

See accompanying notes to Schedule of Expenditures of Federal Awards.

OREGON TECH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Cluster:	Federal Grantor:	Program Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
TRIO Cluster:							
	Department of Education						
		Student Support Services	84.042			$ -	$ 299,263
	Total Department of Education					$ -	$ 299,263
Total TRIO Cluster						$ -	$ 299,263
Other Programs:							
	National Aeronautics & Space Administration						
		Science	43.001	Oregon Space Grant Consortium	NS216L-D-Task Order 1	$ -	$ 20,092
		Science	43.001	Oregon State University	UW143A-A	-	27,506
		Education	43.008	Oregon State University	NS265D-A	-	21,285
	Total National Aeronautics & Space Administration					$ -	$ 68,883
Total Expenditures of Federal Awards						$ -	$ 25,447,014

See accompanying notes to Schedule of Expenditures of Federal Awards.

OREGON TECH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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 are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2016 consists of:

Program Title	CFDA Number	Amount Outstanding
Perkins Loans	84.038	$ 1,747,051

OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 84.003, 84.038, 84.063, 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000/$190,853

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

(9)

OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings

2016-001

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

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

Criteria: A fundamental concept in a strong system of internal control is the segregation of duties. In order to ensure proper security in accordance with the Information Systems Audit and Control Association's (ISACA) Control Objectives for Information and related Technology (COBIT) 5 framework (DS005), access to Banner production environment should be limited to read only access for certain users.

Context: As part of our audit over ITS we reviewed access rights for all users of Banner, we noted five programmers with update capabilities in the Banner production environment.

Effect: The risk of unauthorized programs being introduced into the production environment increases because a programmer could potentially bypass all the stated controls in the process. Unauthorized programs include programs that have not been approved by the user community, may perform illegitimate functions, and have not been properly tested.

Cause: Due to the size of the IT operations, programmers have been granted update access in production.

Recommendation: Management should ensure proper segregation of duties is established by removing access rights so that no one employee has the ability to perform all phases of change management process. Management should only provide inquiry-only access to programmers and only provide privileged access if there is a production problem, which needs to be addressed.

Views of responsible officials and planned corrective actions: Oregon Tech respectfully agrees with this finding. The University has placed additional procedures and automated reports in place effective as of fall 2015, increasing authorization and monitoring activities.

OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section III – Findings and Questioned Costs – Major Federal Programs

2016-002

Federal agency: Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007 – Federal Supplemental Education Opportunity Grants
84.033 – Federal Work Study Program
84.038 – Federal Perkins Loans
84.063 – Federal Pell Grant Program
84.268 – Federal Direct Student Loans

Award Period: July 1, 2015 to June 30, 2016

Type of Finding:

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

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 685.309, requires that enrollment status changes for students be reported to NSLDS within 15 days or within 60 days if the student with the status change will be reported on a scheduled transmission within 60 days of the change in status. Regulations require the status include an accurate effective date. In addition, regulations require that an institution make necessary corrections and return the records within 10 days for any roster files that do not pass the NSLDS enrollment reporting edits.

Uniform Guidance requires nonfederal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that submission errors to the NSLDS are corrected and resubmitted in a timely manner.

Condition: Review of enrollment reporting data from the University showed that errors were not corrected and returned to NSLDS within the prescribed timeframe (10 days). Yet, per a sample of 40 students whose underlying enrollment reporting data was tested for accuracy of status and timeliness of reporting, no student statuses were reported incorrectly or untimely to the NSLDS.

Questioned costs: None.

Context: During our review of submission dates and error corrections, we noted that errors identified by the NSLDS were not corrected within the prescribed 10-day timeframe. Yet, in testing underlying enrollment information of 40 students, there were no errors noted as described above.

Cause: The University utilizes the National Student Clearinghouse (NSC) to report student information to NSLDS. After uploading batch roster updates to NSLDS within the required timeframe, the University's error/acknowledgment file from NSLDS is available to them via their NSC services. In an attempt to correct the errors, NSC resubmitted the files within the required 10 days but unfortunately, some of those records continued to not pass the NSLDS enrollment reporting edits and we noted no additional uploads by NSC to correct these errors until the next enrollment roster request from NSLDS.

Effect: The NSLDS system is not updated with the correct student information, which can cause overawarding should the student transfer to another University. In addition, the students may not properly enter the repayment period if their status is not properly updated with the NSLDS.

OREGON TECH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Repeat Finding: No

Recommendation: We recommend the University continue to review its reporting procedures to ensure that students' statuses are accurately and timely reported to NSLDS as required by regulations described above.

Views of responsible officials: Oregon Tech respectfully agrees with this finding. The University will continue to review its reporting procedures to ensure that students' statuses are accurately and timely reported to NSLDS as required by regulations.

2016-003

Federal agency: Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007 – Federal Supplemental Education Opportunity Grants

Award Period: July 1, 2015 to June 30, 2016

Type of Finding:

- Compliance, Eligibility
- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 676.10 requires that Federal Supplemental Education Opportunity Grants (FSEOG) be awarded to students with the lowest expected family contributions (EFC) who will also receive Federal Pell Grants. Additionally the Federal Student Aid Handbook notes that professional judgment is not an appropriate means of attempting to determine need, and may only be used to make adjustments to elements used in calculation of EFC.

Condition: The University awarded a student FSEOG despite not having the lowest EFC.

Questioned costs: $300

Context: During our testing over Federal Aid recipient eligibility, we noted that one student out of our sample of forty, while receiving Pell, was awarded FSEOG despite not having the lowest EFC. The institution did not exhaust the number of students with a lower EFC prior to awarding the student in question.

Cause: The University uses two pools in awarding FSEOG. The first pool is the priority deadline pool, which awards all aid to the lowest EFC Pell grant recipients. After the deadline, pool funds are awarded to eligible students who demonstrate extraordinary need, not necessarily in order of lowest EFC.

Effect: The University awarded $300 to a student but failed to offer FSEOG to students with lower EFCs first.

Repeat Finding: No

Recommendation: We recommend the University review its policy for awarding FSEOG to be in compliance with Federal standards.

Views of responsible officials: Oregon Tech respectfully agrees with this finding. The University has taken action to remedy this error. The University will continue to review its policy for awarding FSEOG to be in compliance with Federal Standards.

OREGON TECH
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Section IV – Prior Year Findings

There were no findings in the prior year that were required to be reported.

DISCUSSION
Agenda Item No. 5.3
Tuition Setting and Budget Update, and Priority Discussion

Background
This communication will provide an overview of the major external forces affecting Oregon Tech's revenue and cost structure building from the macro forces impacting state funding and address how these forces are likely to translate into the university's budget and planning over the near to medium-term. The first section focuses on three major information sets: 1) short- and medium-term State of Oregon General Fund revenue forecasts, 2) systematic increases in calls on those revenues, and 3) state higher education spending background and assumed future expenditures. This first section will establish a base set of assumptions for the development of future Oregon Tech budgets. The second section carries these assumptions into institutional specific factors and articulates proposed tuition and budget priorities, which recognize these assumptions and will position the institution for long-term stability and growth.

Oregon's Budget Overview

General Fund Revenue

Oregon's General Fund has seen significant net revenue growth since the 2007-09 biennia. During the current and prior biennia, the state has net general fund revenue gains in excess of 10%; the upcoming 2017-19 biennia is projected to see slowing growth to 8.3% with continued moderation over the upcoming three biennia.[1] The DAS Office of Economic Analysis projections do not forecast a recession; however, they note that revenue growth has slowed as job growth has begun to moderate and that recessionary risk is particularly acute given Oregon's volatile personal income centric tax structure. As a note of reference, it is important to recognize that the Great Recession ended in June 2009, 80 months ago while the post-war average length between recessions is 58 months.[2]

Oregon General Fund Revenue[1]		
Biennia	Revenue	Growth
2013-15	$16.0B	13.3%
2015-17	$18.0B	12.1%
2017-19*	$19.5B	8.3%
2019-21*	$21.4B	10.0%
2021-23*	$23.7B	10.7%
2023-25*	$25.8B	8.8%
* Forecast		

Calls on State Revenue

Balancing increases in General Fund revenues are increases in calls on those revenues. Despite a forecast growth of nearly $1,490 million dollars from the 2015-17 biennia to the upcoming 2017-19

[1] Oregon Department of Administrative Services: Office of Economic Analysis. "Oregon Economic and Revenue Forecast: December 2016: Appendix B. Vol. XXXVI, No. 4. Nov. 16, 2016. <http://www.oregon.gov/das/OEA/Documents/forecast1216.pdf>.

[2] National Bureau of Economic Research. "US Business Cycle Expansions and Contractions." Apr. 4, 2012. <http://www.nber.org/cycles.html>.

biennia, the state is facing a deficit of $1,769 million dollars in Current Service Level (CSL) terms.[3] Anticipated labor, health benefits, S&S, and general service needs are driving the increase in CSL requirements. Two cost drivers in particular stand out: increase for Oregon Health Plan to fund the expansion of Medicaid eligibility as a part of the federal Affordable Care Act and significant increases in Public Employee Retirement System (PERS) contribution rates. The ramifications of certain cost-increasing ballot measures also contribute significantly to the CSL deficit.

Medicaid Expansion

Oregon elected to expand its Medicaid eligibility through a provision of the Affordable Care Act. The Federal Government 100% funded this expansion from 2014 through 2016 and has resulted in 95% of Oregonians having health insurance, which represents a 63% increase from 2013.[4] However, the state, beginning in 2017, will be required to fund 5% of the expansion's total cost. This funding requirement will increase by 1% per year through 2020.[5] Decreases in federal funding will require either increased state funding, decreases in service level or reductions in the number of Oregon Health Plan participants. The delta between the 2015-17 Legislatively Approved Budget (LAB) for the Oregon Health Authority and its 2017-19 CSL budget is $1,022 million dollars.[3] Given the recent change in presidential administration, there is increased uncertainty in the overall funding of the Medicaid expansion during the out years.

PERS Funding

The state's retirement system, of which many local jurisdictions, school districts, community colleges, and public universities are members, has seen a rapid deterioration in its overall funding status since the 2015-17 biennium. This is due to two major changes: the first being the Oregon Supreme Court's overturning of the 2013 Legislature's PERS reforms in the *Moro v. State of Oregon* case and the second being decreased actuarial return assumptions. The *Moro* decision overturned certain PERS reforms, which limited payouts to PERS recipients, and caused a significant increase in estimated PERS liabilities. A reduction by the PERS Board in the assumed annual rate of return on PERS assets from 7.75% to 7.5% caused further increases in estimated PERS liabilities. As of the most recent valuation by the PERS Board, PERS' funded status is 71% with a total Unfunded Actuarial Liability of $21.8 billion dollars.[6] As of December 31, 2016, the Public Employee Retirement Fund's three-year return was 3.63%; its ten-year return was 3.18%.[7] The IMF Forecasts

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3 Legislative Fiscal Office. "Co-Chairs' Existing Resources Budget Framework, 2017-2019." Jan. 19, 2017. <https://www.oregonlegislature.gov/lfo/Documents/2017%20Co-Chair%20Document.pdf>

4 Department of Administrative Services. "2017-19 Governor's Budget. Dec. 1, 2016. <http://www.oregon.gov/das/Financial/Documents/2017-19_gb.pdf>

5 Medicaid and CHIP Payment and Access Commission. "State and Federal Spending Under the ACA." <https://www.macpac.gov/subtopic/state-and-federal-spending-under-the-aca/>

6 Larrabee, Matt and Scott Preppernau. Milliman. "December 31, 2015 Actuarial Valuation: Oregon Public Employees Retirement System." Jun. 27, 2016. <http://www.oregon.gov/pers/docs/actuarial_valuation-revised_7-29.pdf>

7 Oregon State Treasury. "Oregon PERS Monthly Returns – December 31, 2016." Jan. 2017. <https://www.oregon.gov/treasury/Divisions/Investment/Documents/OPERS/Monthly%20Returns/2016/OPERF%2012312016.pdf>

"persistent stagnation in advanced economies" and that "global growth [will be] subpar.[8]" This does not bode well for PERS reaching its assumed actuarial rate of return and will likely further increase the system's already large total unfunded liabilities.

Decreases in PERS funded status has triggered a significant increase in PERS contribution rates of approximately 4% of payroll. The State's actuaries anticipate that this will cause further increases of similar magnitudes during the subsequent two biennia even "[i]f actual investment returns are near assumption." The current biennial increase is estimated at $885 million in increased cost to the state, school districts and other PERS participating employers.[6] This includes public universities. Much of this will have to be made up by the state as funding for municipalities, counties and school districts are severely constrained. John Thomas, the chairman of the PERS Board recently stated that "[t]his problem is not going away. It is what it is. The math is the math... it's getting to a point now that it's difficult for people to accept what these numbers are.[9]"

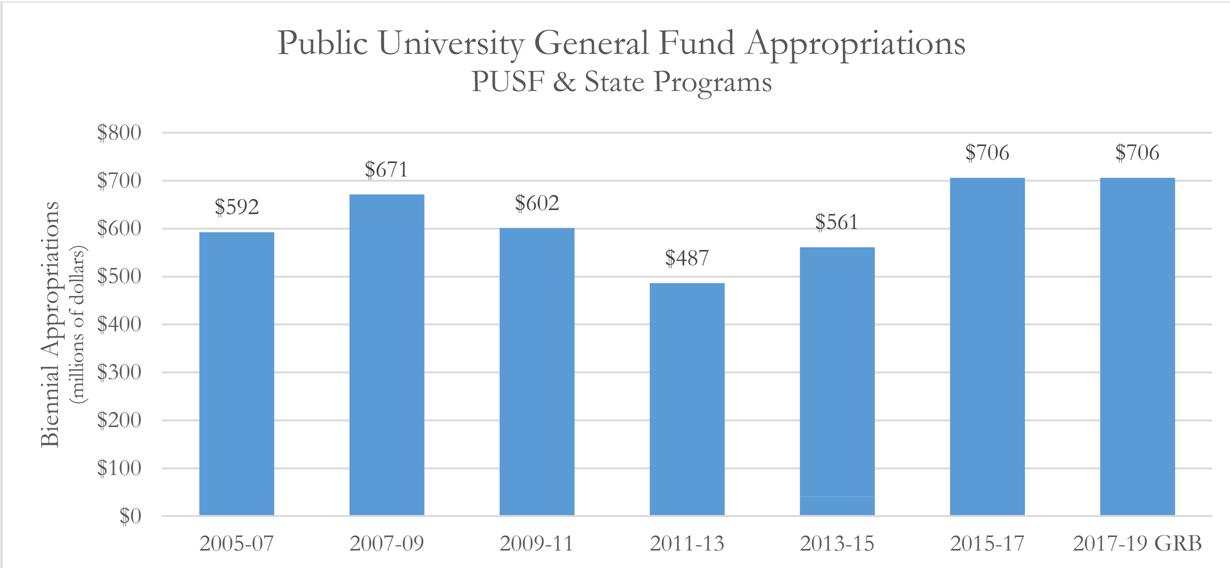
Oregon Tech Budget Development

2017-19 Biennial Budget

Governor Brown released her 2017-19 biennial budget recommendation, the Governor's Recommended Budget (GRB), on December 1, 2016.[4] The GRB recommended flat funding for the Public University Support Fund (PUSF) and State Programs as well as zero funded the Sports Action Lottery program. The Sports Action Lottery program provides direct funding for athletics and scholarship programs at each public university. These funds are particularly important for the non-Division I athletic programs, which have limited external revenue generating capacity.

[8] International Monetary Fund. "IMF Sees Subdued Global Growth, Warns Economic Stagnation Could Fuel Protectionist Calls." Oct. 4, 2016. <http://www.imf.org/en/News/Articles/2016/10/03/AM2016-NA100416-WEO>

[9] Strickinger, Ted. The Oregonian. "'This is Becoming a Moral Issue": Officials Face Truth Behind Oregon's Soaring Pension Costs." Feb. 17, 2017. <http://www.oregonlive.com/politics/index.ssf/2016/09/this_is_becoming_a_moral_issue.html>



In early January 2017, Sen. Richard Devlin and Rep. Nancy Nathanson, the Co-Chairs of the Legislature's budget writing Joint Committee on Ways and Means, released their budget framework.[3] The "Co-Chairs Budget" framework serves as a starting point for budget development. It provided the total post-secondary education funding level, but did not split it between specific program budgets or sectors. This lack of specificity does not allow for the universities to establish the exact recommended allocation to the PUSF, State Programs or Sports Action Lottery or other programs.

The budget represents a $28.8 million dollar decrease from CSL; conversely, it also represent a $135.5 million dollar increase from the 2015-17 Legislatively Approved Budget (LAB). The universities, DAS and the Legislative Fiscal Office (LFO) continue to debate the most accurate methodology for calculating university CSL, which further complicate the analysis. What can currently be established is that the Co-Chairs budget represents a moderate overall increase in funds to the post-secondary education sector, but any increase will be, at best, modest given other competing calls between the Oregon Opportunity Grant, the Oregon Promise program, the Community College Support Fund, HECC and increasing debt service for university and community college capital projects.

Oregon Tech Budget Development

Overview

The following section is designed to provide a base level understanding of Oregon Tech's current budget and tuition development cycle. This information will be used to discuss tuition rates with the Tuition Recommendation Committee and various campus constituencies and as a baseline for the President and the Executive Leadership Team's development of the 2017-18 budget for recommendation to the Board of Trustees. The development of the President's tuition recommendation to the Board is prescribed by Board and university policy as well as by state statute.

Given overall state revenue uncertainty Oregon Tech has established three budget development scenarios. These scenarios center around the most likely funding level, the PUSF funded at approximately the GRB at $667 million. The upside scenario assumes the GRB plus approximately $50 million (PUSF at $720 million), while the downside scenario assumes the GRB minus $50 million (PUSF at $616 million). Neither the upside nor the downside funding scenarios are outside the realm of the reasonable given significant state general fund shortfalls and potential for additional revenue raising tax measures during the current legislative session. The planning scenarios do not assume additional E&G budget transfers to backfill for the loss of Sports Lottery funding. Regaining Sports Lottery funding is a primary objective of the Oregon Council of President's given the significant and demonstrable harm its loss would cause to all institutions.

The following table outlines forecast Oregon Tech PUSF funding at specified appropriations levels. All data was provided by the HECC through the SSCM Forecasting Tool.

Forecast Oregon Tech PUSF Appropriations							
2015-17		**$616 million**		**$660 million (GRB)**		**$720 million**	
FY 16	FY 17	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19
$23.7M	$24.6M	$21.9M	$23.1M	$23.5M	$24.8M	$25.6M	$26.9M

Expected cost increases are outlined below, on an annual basis, using the GRB baseline budget scenario:

Calls on Revenues	
Cost Driver	**Budget Impact**
PERS (+18.4%)	$1,066,000
PEBB (+5%)	$323,000
S&S & Utilities (+5%)	$544,000
Approved Faculty Hires (incl. PEBB)	$430,000
Strategic Investments	$300,000
Impact of 4% mid-year raise	$461,000
Total	**$3,124,000**

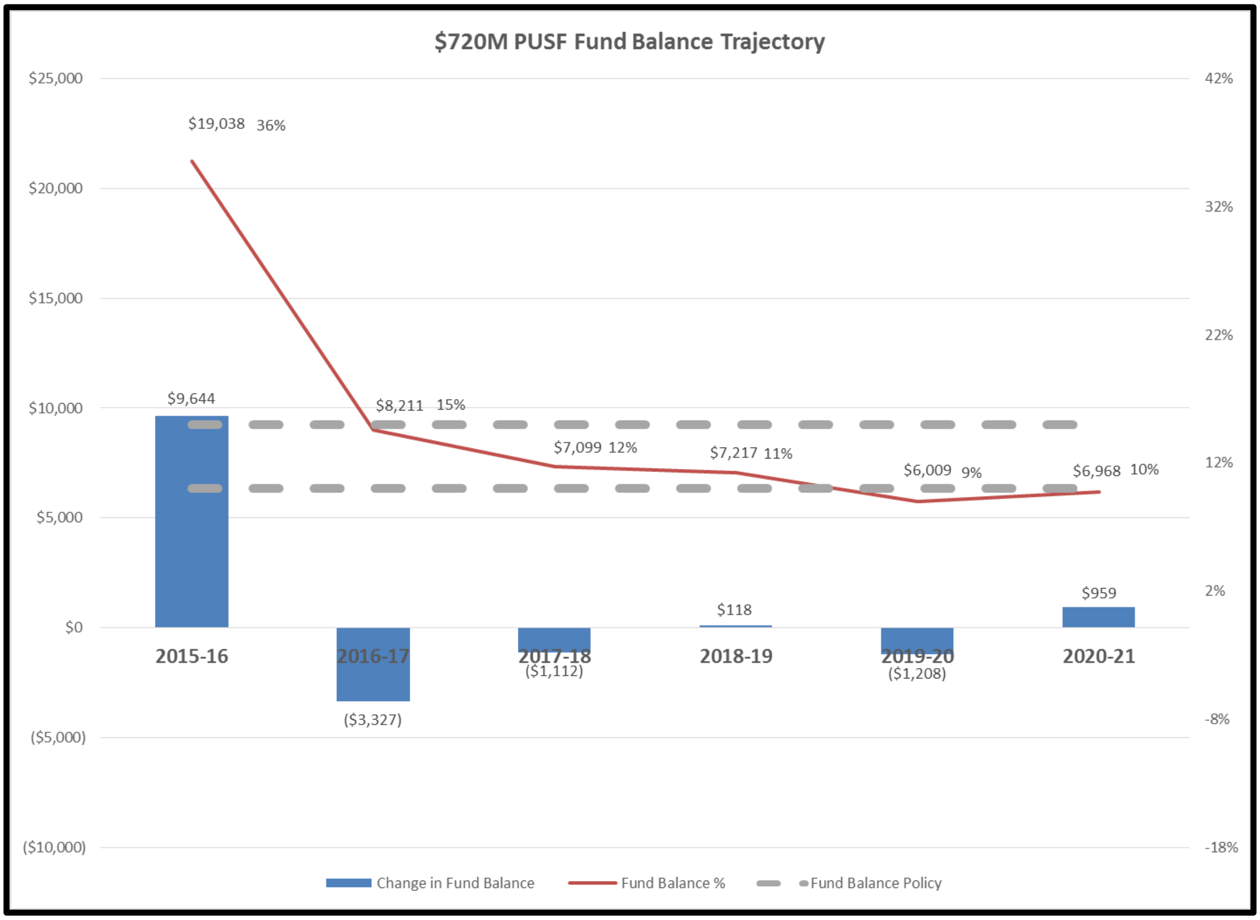
The following section provides estimated funding, tuition increase, enrollment, remission and effect on fund balance and ongoing cuts required under the three scenarios outlined above. *The following forecasts are preliminary and for planning purposes only.* Each scenario also includes the estimated impact over the next four fiscal years to gauge the long-term impact of short-term decision making. Each scenario assumes flat funding during the 2019-21 biennia and an additional increase in PERS contribution rate of approximately 4%. Enrollment is assumed to increase by 3.5% in the out years. After the 2017-18 fiscal year tuition increases in a stair step fashion with significant increases in even numbered fiscal years coinciding with PERS increases and at moderate levels in years without PERS increases. The following forecasts are preliminary and have large error bars relating to enrollment, compensation and state funding levels.

Not contemplated in this modeling is the effect of investments in enrollment, retention and completion efforts or programmatic expansion.

$720 PUSF Funding Scenario

Budget Assumptions - $720M PUSF	
State Funding	$25.6M (FY 18) $26.9M (FY 19) $52.5 M (biennial) -- $48.8 M (2015-17 biennia)
Enrollment	+3.0%
Fund Balance Used (2017-19)	-$1.0M
Investment in Programs and Student Support	$0
Tuition Range	+5-10%
Remissions	11% of Tuition Revenue

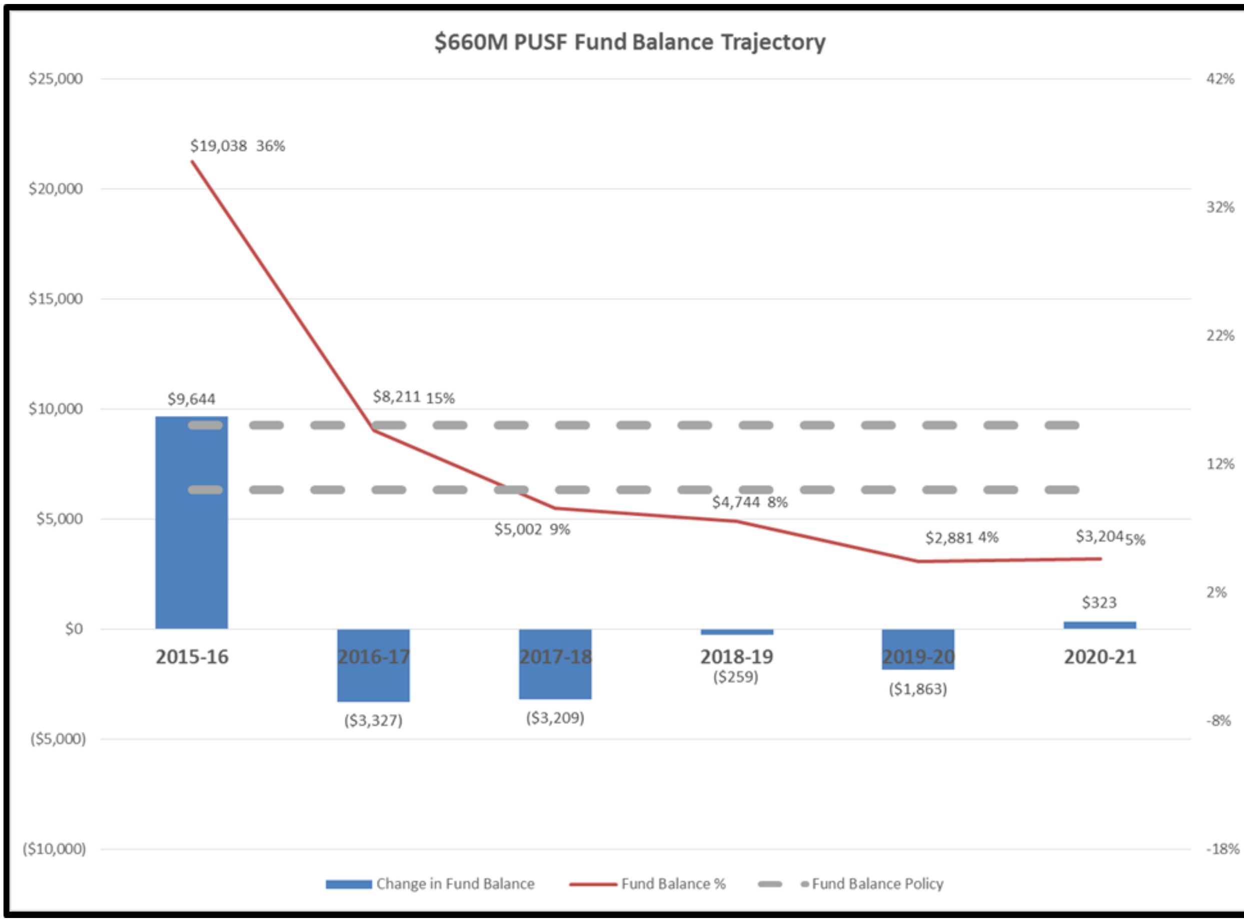
Overview:
- Optimistic state appropriation scenario
- Broadly stable budget, allowing no or limited additional hiring and increases in tuition above 5%
- Creates long-term scarcity and requires continued growth in student completion rates to maintain funding



$660MPUSF Funding Scenario (GRB)

Budget Assumptions - $660M PUSF	
State Funding	$23.5M (FY18) $24.8M (FY19) $48.3 M (biennial) -- $48.8 M (2015-17 biennia)
Enrollment	+3.0%
Fund Balance Used (2017-19)	-$3.5M
Cost Reductions	-$1.0M
Tuition Range	+10-15%
Remissions	11% of Tuition Revenue

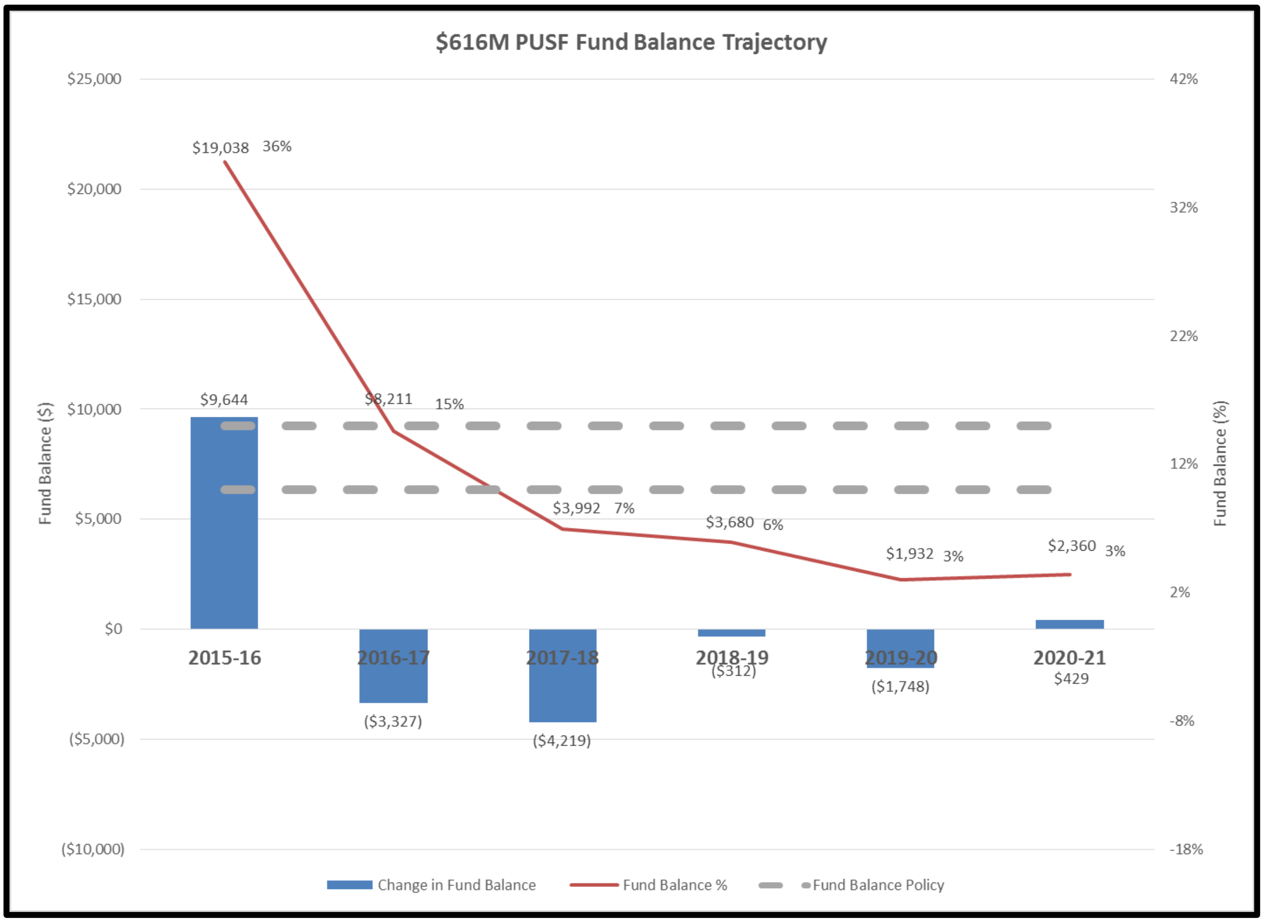
Overview:
- Governor's Recommended Budget and most likely state funding level
- Creates persistent funding scarcity, depletes reserves and requires tuition increases in 10-15% range
- Necessitates cost cutting in core services and accelerated investment in enrollment initiatives



$616M PUSF Funding Scenario

Budget Assumptions - $616M PUSF	
State Funding	$21.9M (FY18) $23.1M (FY19) $45.1 M (biennial) -- $48.8 M (2015-17 biennia)
Enrollment	+3.0%
Fund Balance Used (2017-19)	-$4.5M
Cost Reductions	-$2.0M
Tuition Range	+10-15%
Remissions	12% of Tuition Revenue

Overview:
- Significant funding cut to higher education, within range of possible outcomes
- Requires significant cut in ongoing operating costs, rapidly depletes reserves and 10-15% tuition increase
- Requires rapid focus on increasing enrollment, retention and completion, and limits investment opportunity



Budget and Tuition Development Calendar

Budget and Tuition Development Timeline

Budget Development Process

		2016		2017					
Owner	**Action**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**
Voters	Election with significant state revenue ramifications								
DAS OEA	Revenue Forecast								
VPFA	Budget Forecasting and Scenario Planning								
Governor	Governor's Recommended Budget Released								
	Strategic Initiatives and Investment Planning								
	- Aggregate and organize academic strategic plans								
ELT/PLT	- Internal budget reviews at VP level								
	- Enrollment forecast								
	- Workload and departmental demand forecasting								
Co-Chairs	Co-Chairs Budget Released								
ELT/FOAC	Develop proposed budget objectives, priorities and final calendar								
BOT	Approve budget objectives and philosophy								
VPFA, PLT	Develop draft budget for FOAC/PLT review								
ELT	Establish draft budget for open forum								
VPFA/PLT/FOAC	Campus Budget Open Forum								
ELT/President	Finalize budget recommendation to Board								
F&F	F&F Committee meets to make budget recommendation								
BOT	Board of Trustees meets to make budget adoption decision								
VPFA	Load Budget for FY 2018								

Tuition Development Process

		2016		2017					
Owner	**Action**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**
TRC	TRC Meets to establish meeting dates, process and review needs								
TRC	TRC meets for tuition review and budget information								
TRC	TRC meets to establish tuition range								
TRC	TRC hosts student forum for input								
TRC	TRC meets to establish tuition recommendation								
BOT	Board of Trustees meet and hear budget and tuition scenarios								
I Fee	Incidental Fee Committees meets to set fee recommendation								
TRC	TRC makes tuition recommendation to President								
ASOIT	ASOIT Tuition Recommendation Letter sent to Pres.								
ASOIT	ASOIT Incidental Fee Recommendation Letter sent to Pres.								
President	President makes tuition recommendation to BOT								
F&F	F&F Committee meets to make tuition recommendation								
BOT	Board of Trustees meets to make budget adoption decision								
HECC	HECC meets to consider tuition approvals in excess of 5%								

Tuition Setting Principles

The Tuition Recommendation Committee ("Committee"), composed of a group of students, faculty, staff and administrators from the Wilsonville and Klamath Falls locations, discussed the following draft charter, guiding principles and process requirements. This draft document includes input from the Committee as well as members of the executive team. It will be finalized at the Committee meeting on February 17, 2017, subsequent to the date of this docket's publication.

Charter

This Committee is responsible for recommending the tuition and mandatory fee rates to the institutional president. This Committee is comprised of six students, representing both campuses and appointed by the ASOIT president(s); and the Fiscal Operations Advisory Council (FOAC) chair, with support from senior administrators. The institutional president shall designate one member to chair the Committee.

The Committee will meet at least twice from November to 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, the budget information provided by the Vice President for Finance and Administration, tuition rates at other public and private universities in the region and such other information as it shall deem appropriate.

Guiding Principles

- Tuition levels shall have a solid rationale and justification
- Tuition shall be appropriate to ensure that quality is maintained in all academic and support programs, thus assuring an excellent return on investment for our students and their families
- The Committee shall ensure that they communicate openly and transparently with all stakeholders
- Tuition levels shall be appropriate to support the long-term financial stability of the institution and be in alignment with its mission, vision and values
- The Committee shall strive to reduce complexity in the tuition structure where possible

Process Requirements

- The Committee shall use data and comparisons to other peer institutions
- The Committee shall understand the institution's overall budget and significant cost drivers, including which expenses and revenues are within the institution's control
- The Committee shall be open to and respectful of dialogue, constructive criticism and feedback
- The Committee shall strive to create conditions for real and substantive feedback from all campus constituencies including students, faculty and staff

Principles Development

The following set of budget development priorities have been established for discussion and feedback from the Board of Trustees. The principles seek to acknowledge the revenue and cost pressures affecting Oregon Tech, and guide the administrative team in establishing a budget, which drives the long-term health of the university. These principles, when taken as a whole, establish a long-term focus, prioritize growing in-demand programs and prioritize student access and degree completion.

Recommended Budget Principles

1) Preserve and enhance the long-term fiscal stability of the institution
2) Strengthen growing and in-demand programs
3) Strategic investments focused on enrollment and degree completion

Process

The budget development process has begun and will continue as outlined in the Budget and Tuition Development Timeline above. Currently, mid-year budget meetings, finalized fiscal year forecasts and FY 2018 budget requests are being established through meetings between the Vice President of Finance and Administration and unit directors or Vice Presidents. A baseline budget will be instituted by the Budget Office for the executive team to prioritize expenses in accordance with recognized budget principles and Board direction. The FY 2018 budget recommendation will be submitted to the Board for consideration and adoption at its regularly scheduled May 2017 meeting.

Staff Recommendation

No action required. Discussion item only.

DISCUSSION
Agenda Item No. 5.4
Cornett Hall Project Update

Background

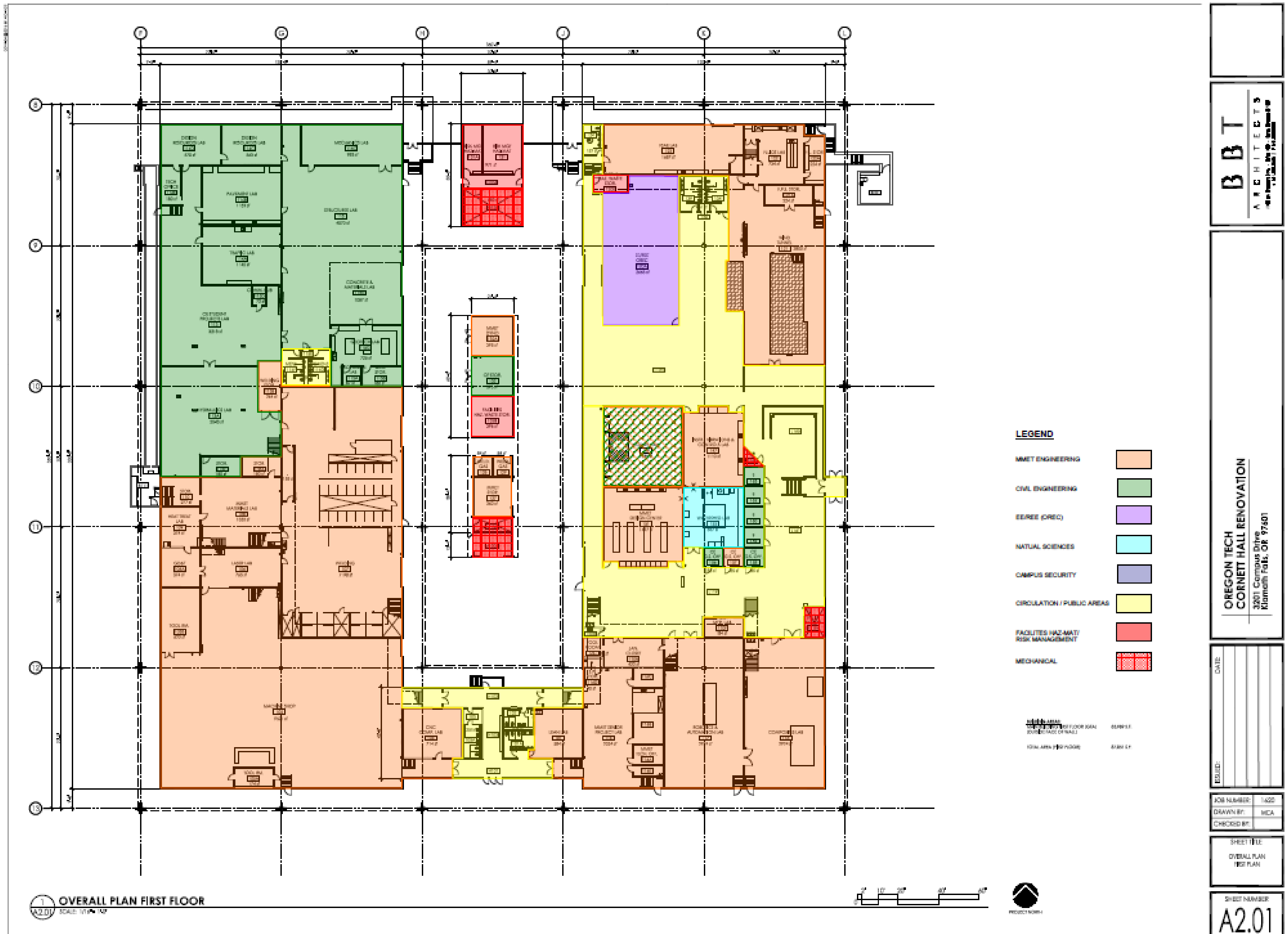
BBT Architects and Oregon Tech staff will provide a project update to the F&F Committee.

Staff Recommendation

No action required. Discussion item only.

Attachments

Floorplan drawings


LEGEND
MMET ENGINEERING
CIVIL ENGINEERING
EE/REE (OREC)
NATUAL SCIENCES
CAMPUS SECURITY
CIRCULATION / PUBLIC AREAS
FACILITIES HAZ-MAT/
RISK MANAGEMENT
MECHANICAL
OVERALL PLAN FIRST FLOOR
B B T
ARCHITECTS
OREGON TECH
CORNETT HALL RENOVATION
3201 Campus Drive
Klamath Falls, OR 97601
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DRAWN BY: MCA
CHECKED BY:
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OVERALL PLAN
FIRST PLAN
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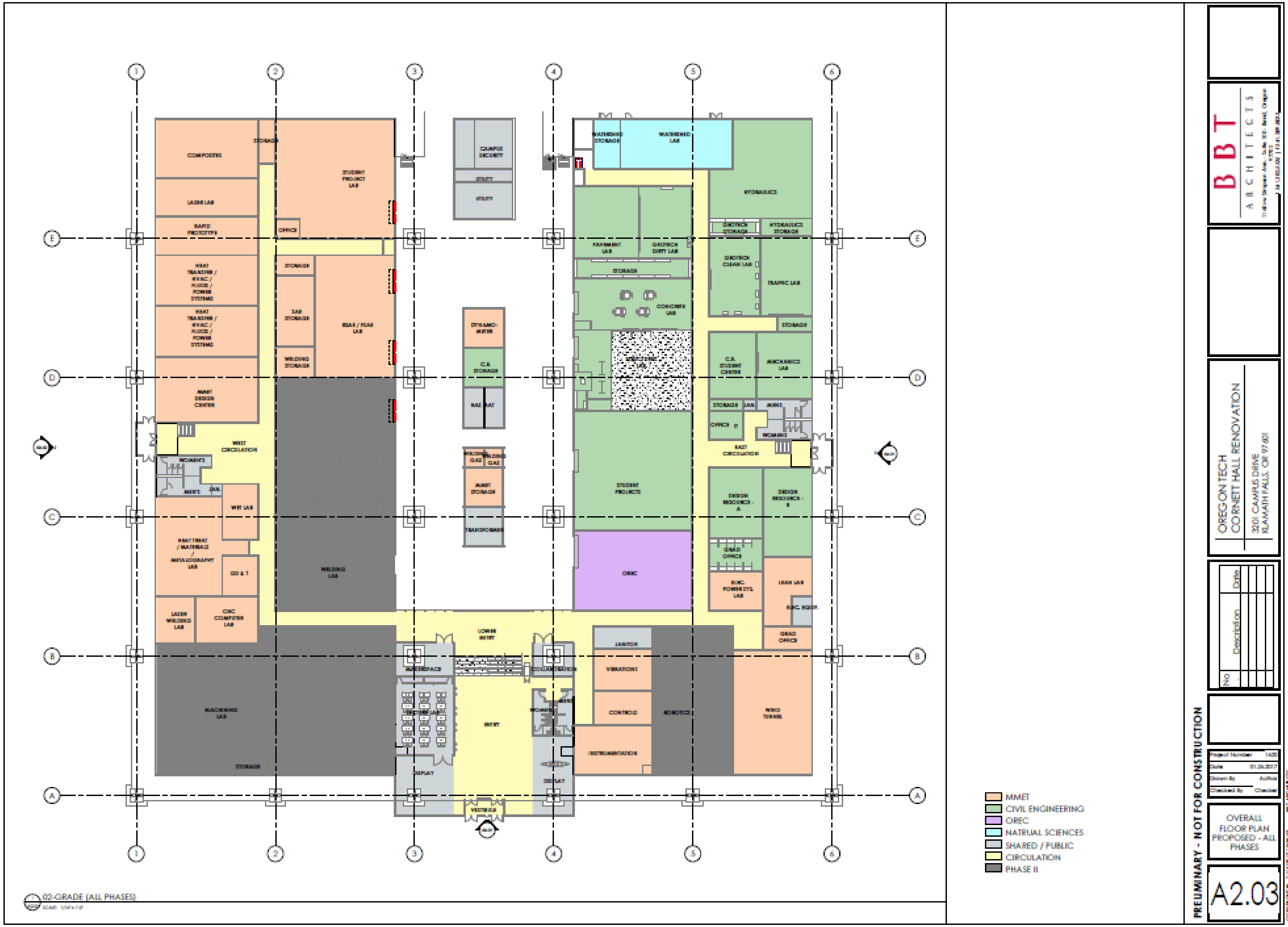
A2.01



COMPOSITES
LASER LAB
STUDENT PROJECT LAB
WELDING LAB
MACHINING LAB
WEST CIRCULATION
LOWER ENTRY
ENTRY
VESTIBULE
JANITOR
VIBRATIONS
CONTROLS
INSTRUMENTATION
ROBOTICS
WIND TUNNEL
OREC
STUDENT PROJECTS
CONCRETE LAB
HYDRAULICS
TRAFFIC LAB
MECHANICS LAB
EAST CIRCULATION
02-GRADE (ALL PHASES)
MMET
CIVIL ENGINEERING
OREC
NATRUAL SCIENCES
SHARED / PUBLIC
CIRCULATION
PHASE II
BBT ARCHITECTS
OREGON TECH
CORNETT HALL RENOVATION
3201 CAMPUS DRIVE
KLAMATH FALLS, OR 97601
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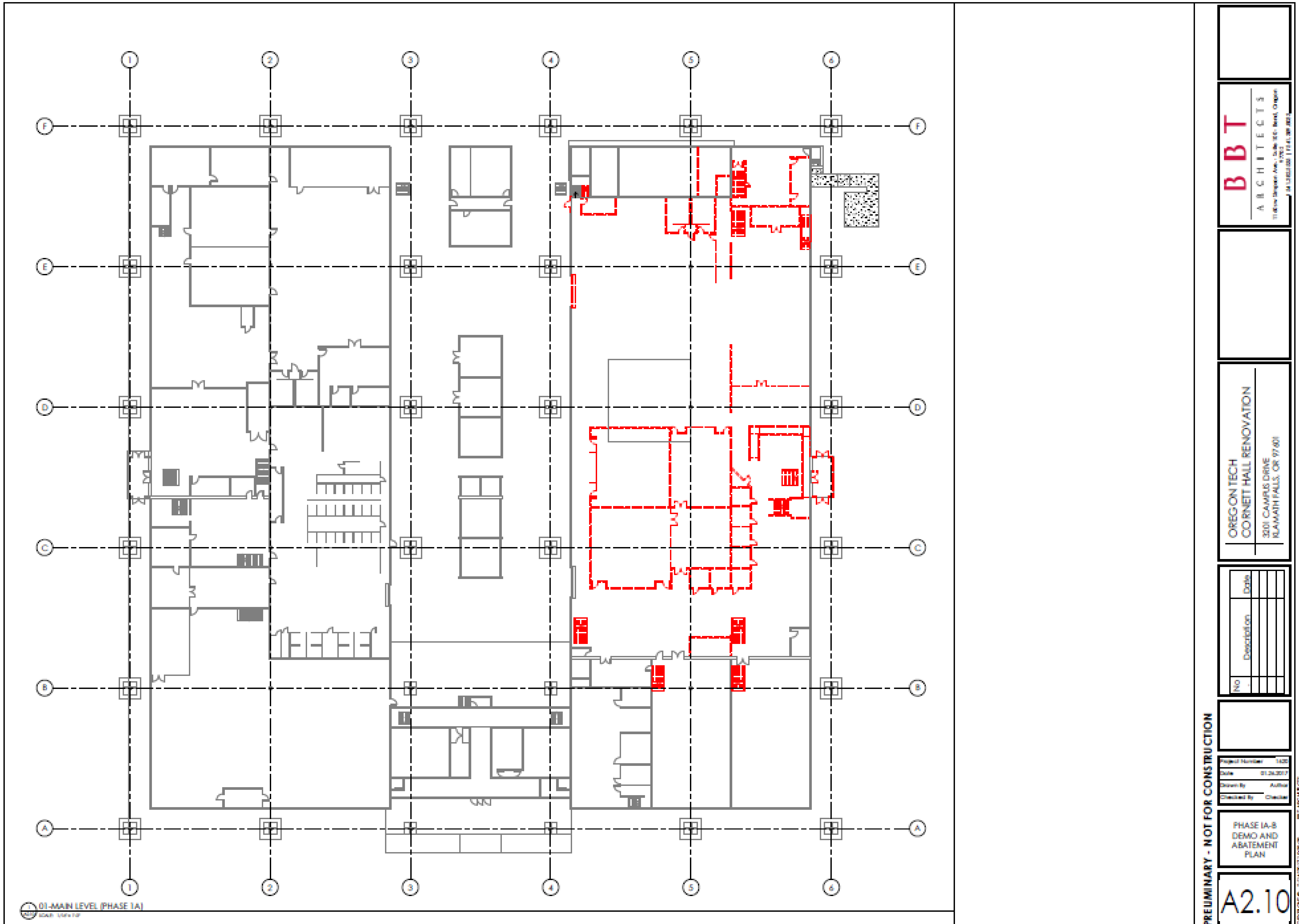
OVERALL FLOOR PLAN PROPOSED - ALL PHASES
A2.03


01-MAIN LEVEL (PHASE 1A)
BBT
ARCHITECTS
OREGON TECH
CORNETT HALL RENOVATION
3201 CAMPUS DRIVE
KLAMATH FALLS, OR 97601
No
Description
Date
PRELIMINARY - NOT FOR CONSTRUCTION
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Date 01.26.2017
Drawn By Author
Checked By Checker
PHASE IA-B
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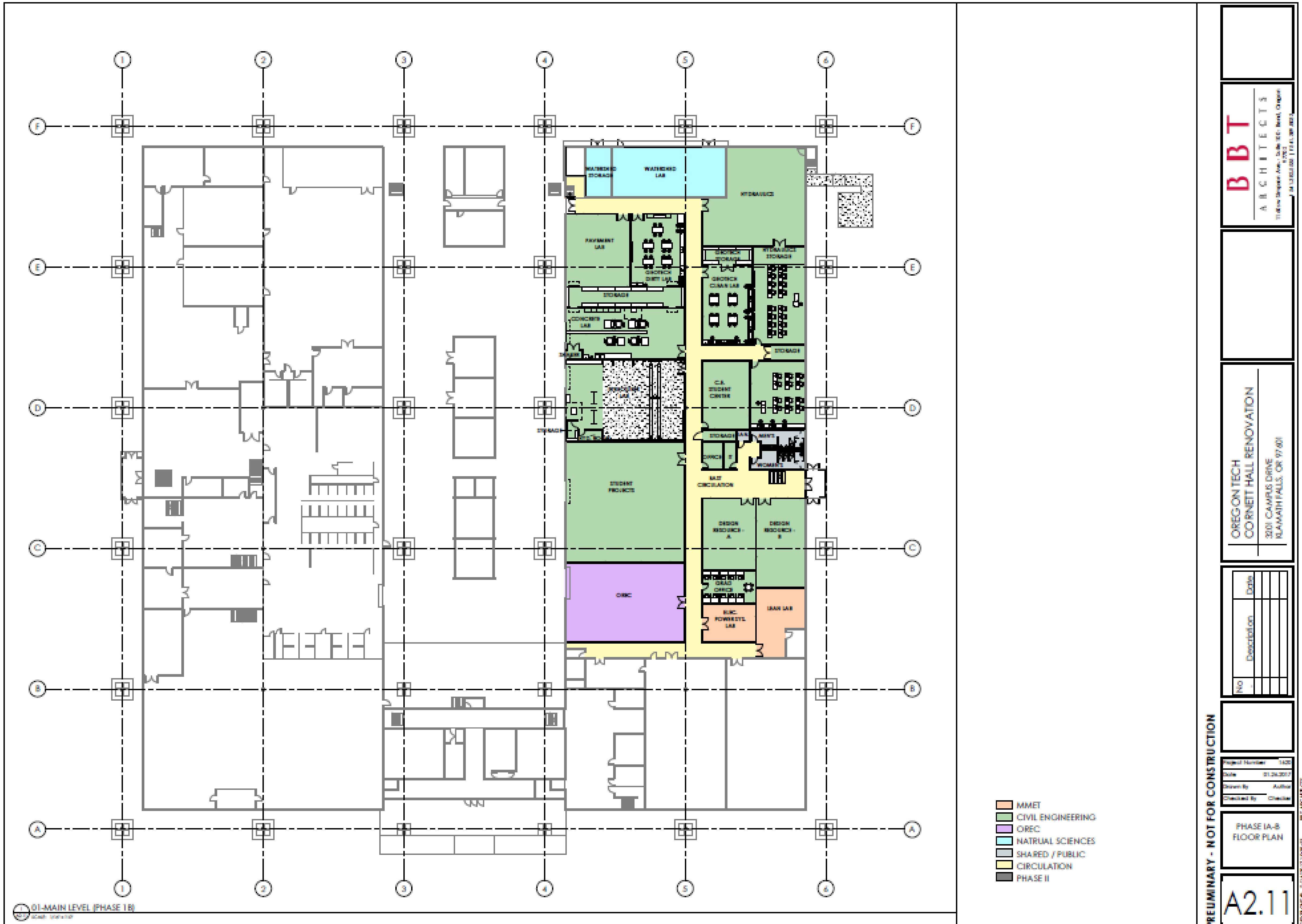
ABATEMENT
PLAN
A2.10



01-MAIN LEVEL (PHASE 1B)
MMET
CIVIL ENGINEERING
OREC
NATRUAL SCIENCES
SHARED / PUBLIC
CIRCULATION
PHASE II
PRELIMINARY - NOT FOR CONSTRUCTION
BBT ARCHITECTS
OREGON TECH
CORNETT HALL RENOVATION
3201 CAMPUS DRIVE
KLAMATH FALLS, OR 97601
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Date 01.26.2017
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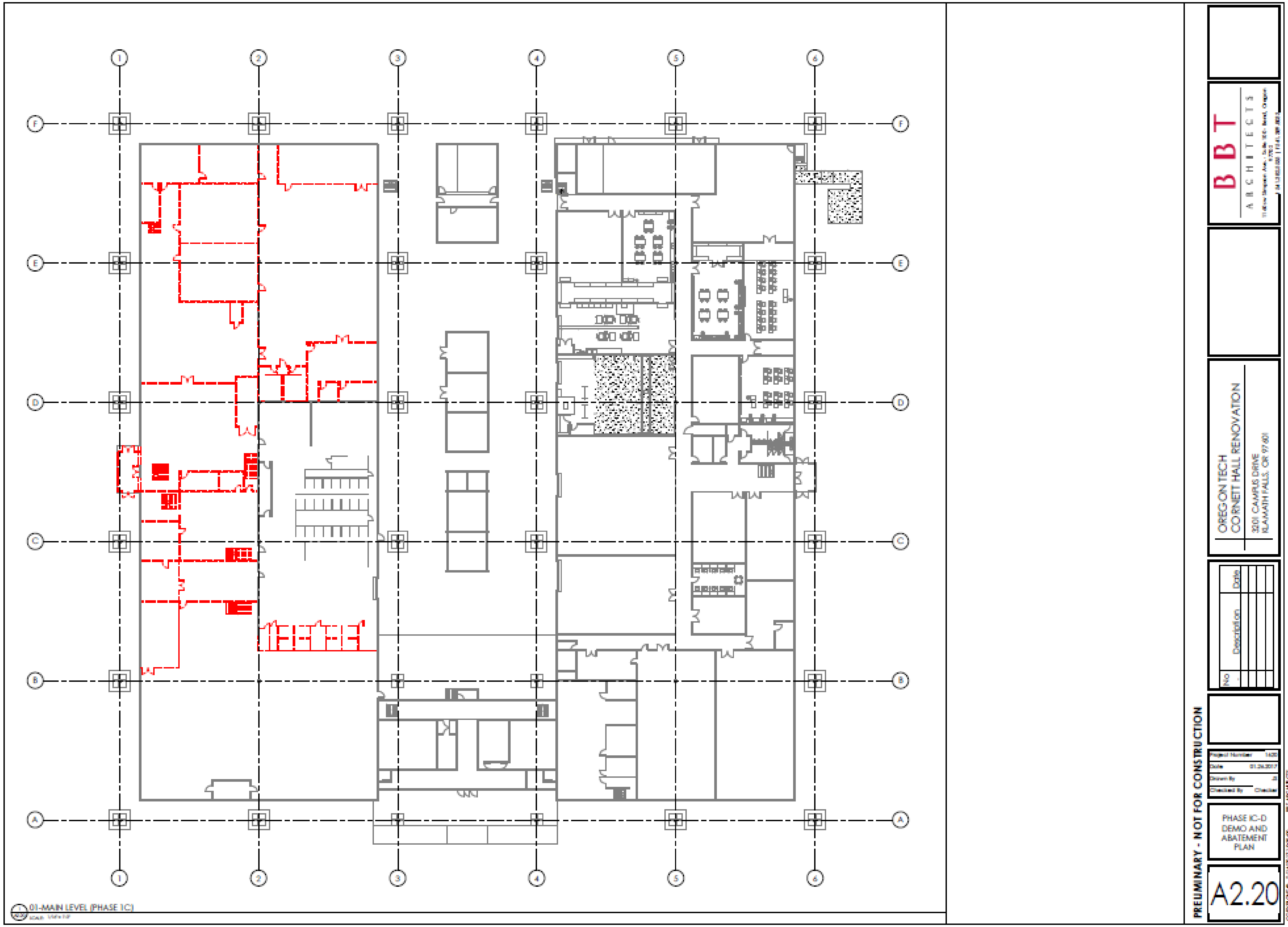
PHASE IA-B
FLOOR PLAN
A2.11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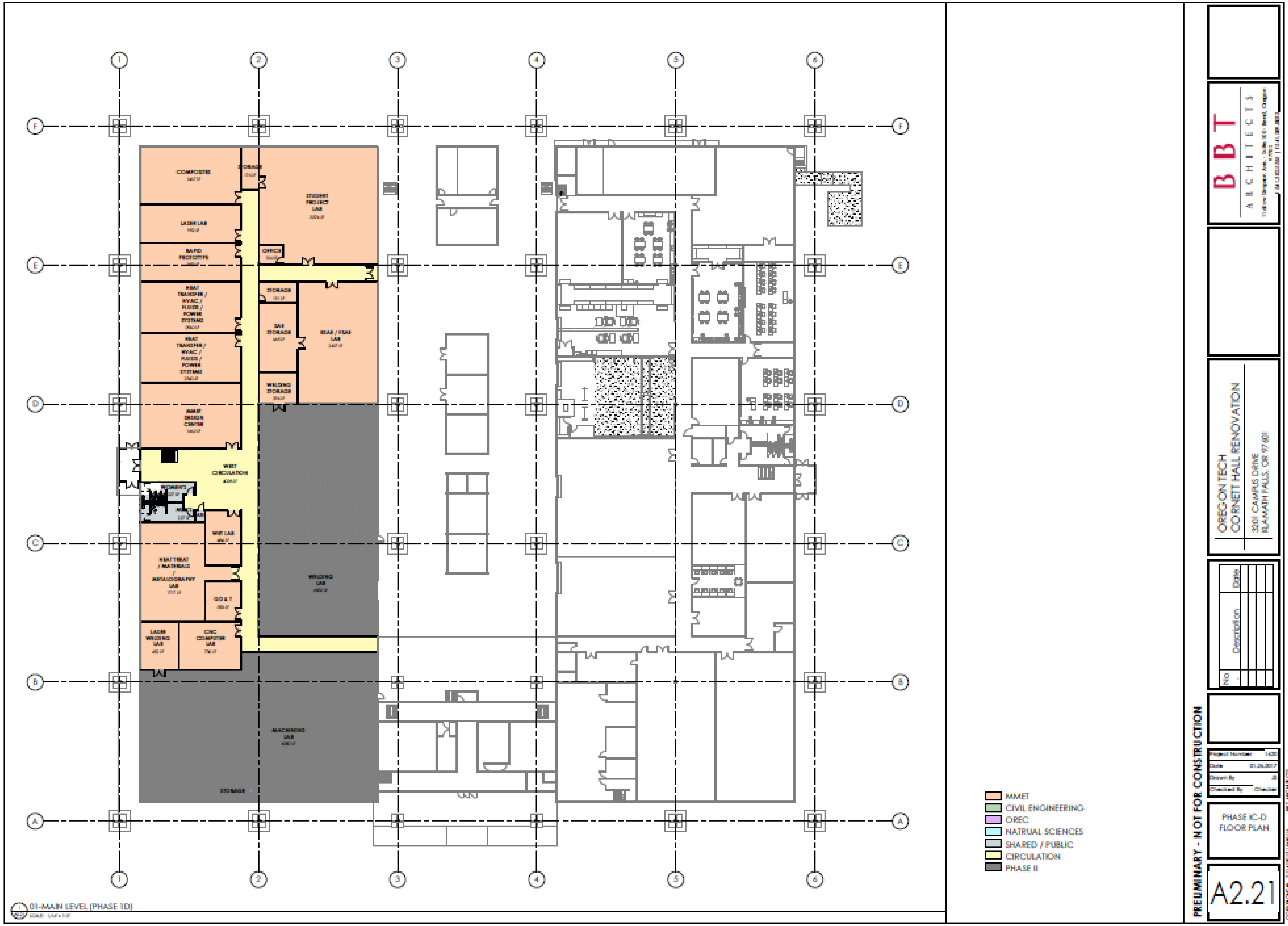
PRELIMINARY - NOT FOR CONSTRUCTION
B B T
A R C H I T E C T S
OREGON TECH
CORNETT HALL RENOVATION
3201 CAMPUS DRIVE
KLAMATH FALLS, OR 97601
No
Description
Date
Project Number 1620
Date 01.26.2017
Drawn By JJ
Checked By Checker
PHASE IC-D
DEMO AND
ABATEMENT
PLAN
A2.20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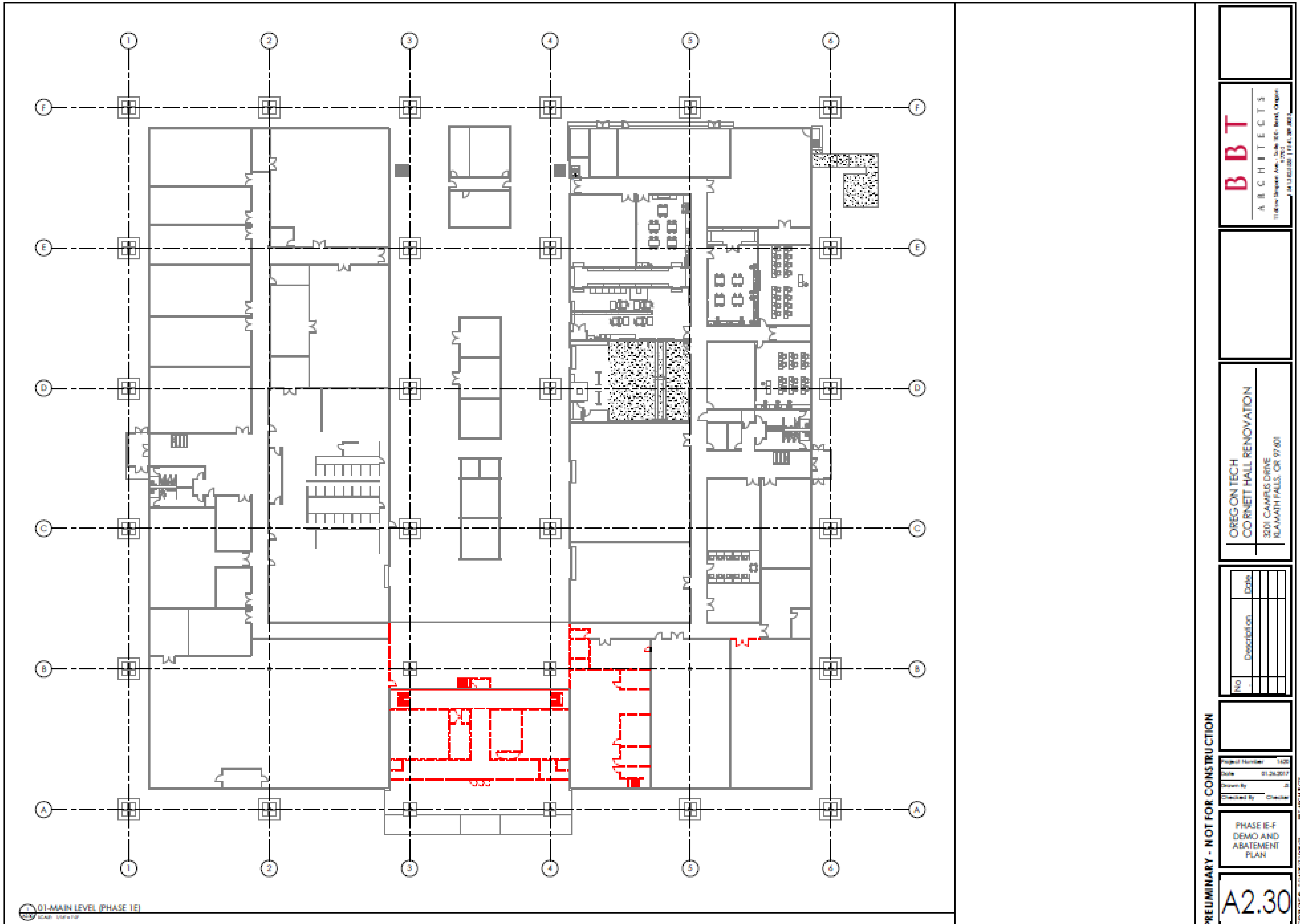
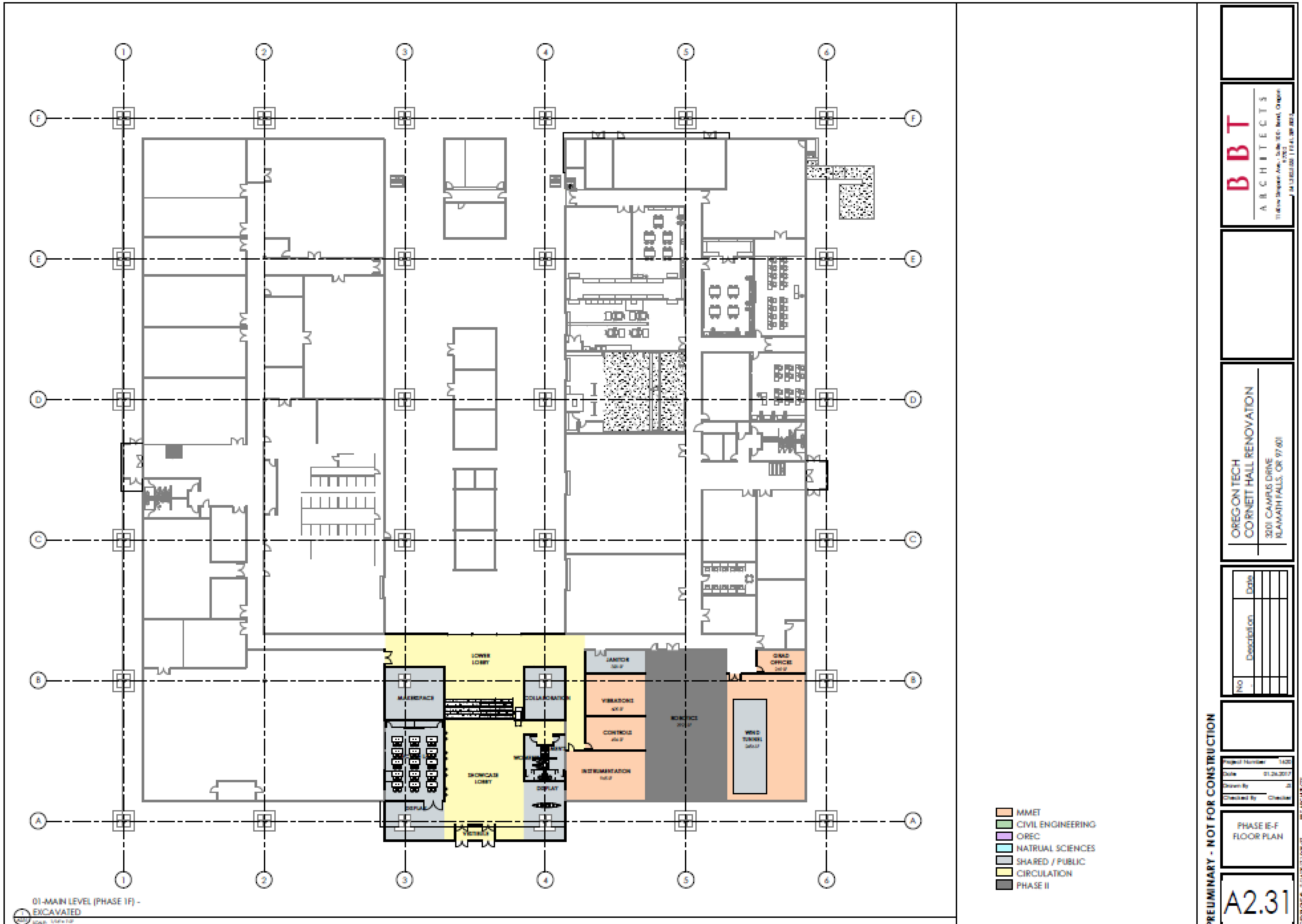
WELDING LAB
MACHINING LAB
STORAGE
MMET
CIVIL ENGINEERING
OREC
NATRUAL SCIENCES
SHARED / PUBLIC
CIRCULATION
PHASE II
BBT ARCHITECTS
OREGON TECH
CORNETT HALL RENOVATION
3201 CAMPUS DRIVE
KLAMATH FALLS, OR 97601
No
Description
Date
Project Number
Date 01.26.2017
Drawn By
Checked By Checker
PRELIMINARY - NOT FOR CONSTRUCTION
PHASE IC-D
FLOOR PLAN
A2.21



01-MAIN LEVEL (PHASE 1E)
BBT
ARCHITECTS
OREGON TECH
CORNETT HALL RENOVATION
3201 CAMPUS DRIVE
KLAMATH FALLS, OR 97601
No
Description
Date
Project Number 1620
Date 01.26.2017
Checked By Checker
PHASE IE-F
DEMO AND
ABATEMENT
PLAN
A2.30
PRELIMINARY - NOT FOR CONSTRUCTION


LOWER LOBBY
JANITOR
GRAD OFFICES
MAKERSPACE
COLLABORATION
VIBRATIONS
CONTROLS
ROBOTICS
WIND TUNNEL
SHOWCASE LOBBY
INSTRUMENTATION
DISPLAY
VESTIBULE
01-MAIN LEVEL (PHASE 1F) - EXCAVATED
MMET
CIVIL ENGINEERING
OREC
NATRUAL SCIENCES
SHARED / PUBLIC
CIRCULATION
PHASE II
B B T
A R C H I T E C T S
OREGON TECH
CORNETT HALL RENOVATION
3201 CAMPUS DRIVE
KLAMATH FALLS, OR 97601
No
Description
Date
PRELIMINARY - NOT FOR CONSTRUCTION
Project Number
Date 01.26.2017
Drawn By
Checked By Checker
PHASE IE-F
FLOOR PLAN
A2.31

DISCUSSION
Agenda Item No. 5.5
Academic Equipment Update

Background

The intent of this agenda item is to provide an update on the Academic Equipment funds awarded fall 2016. During this most recent round of funding, $709,430 was allocated to academic departments. Departments submitted long-range academic plans in October, which included 2016-2017 equipment requests. Requests were evaluated by the Provost Leadership Team using an Academic Investment rubric developed by department chairs summer 2016, which was largely based on strategic directions.

Staff Recommendation

No action required. Item is for discussion only.

Attachments

Equipment Award List, Fall 2016

Equipment Award List
Fall 2016

Department	Campus Location	Award Item	$$ Award
College of ETM			
MMET	Wilsonville	Lab Equipment	$109,500
MMET	Klamath Falls	Lab Equipment	$19,000
Civil	Klamath Falls	Lab Equipment/UTM	$42,050
CSET	Klamath Falls	Lab Equipment	$41,650
EERE	Wilsonville	solar simulation	$60,000(match)
EERE	Klamath Falls	Lab Equipment	$80,000
GME	Klamath Falls	UAS	$20,000
College of HAS			
MIT	Klamath Falls	DMS Phantoms	$12,000
MIT	Klamath Falls	RDSC C-arm & phantoms	$95,000
RCP	Klamath Falls	lab equipment	$31,200
MLS	Wilsonville	microscopes	$100,000*
EMS	Wilsonville	sim monitors/supplies	$9,930
COM	Klamath Falls	recording equipment	$3,500
NSC	Klamath Falls/Wilsonville	A & P models	$22,000
NSC	Klamath Falls/Wilsonville	Physics lab equip	$4,400
NSC	Klamath Falls/Wilsonville	Chem Lab Equip	$5,600
NSC	Klamath Falls	GPS/water quality meter	$27,600(match)
HSS/COM	Klamath Falls	Purvine renovation	$26,000
Total funding			$709,430

* from outside funding source