

# Appendix 4

## Full Regulatory Research

- \* **This Appendix is a full listing of all regulatory findings related to sixteen OUS functional areas explored during the Fiscal Accountability Framework project. For a listing of key findings from this regulatory research and the rationale for collecting this research, refer to Section 4 of the Final Project Report.**

## **Index of Regulatory Guidance by Functional Work Group**

Auditing .....	A4.1
Auxiliary Enterprises and Other Activities .....	A4.4
Budgeting .....	A4.15
Debt Management and Financing .....	A4.18
Endowment Management .....	A4.30
Facilities Management .....	A4.50
Financial Reporting .....	A4.61
Information Technology Services .....	A4.68
Legal Issues .....	A4.73
Payroll .....	A4.76
Procurement .....	A4.80
Research and Sponsored Programs .....	A4.95
Risk Management and Insurance .....	A4.103
Student Financial Aid .....	A4.111
Taxation .....	A4.116
Treasury Management .....	A4.123

# Auditing

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Auditing*

**OREGON ADMINISTRATIVE RULES (OAR)**

**OAR 580-021-0025(2) Investigation of conflict of interest complaints**

Institution employees shall provide written reports to their president regarding potential conflicts of interest as defined under ORS 244.020(8). Other Department employees shall provide the same reports to the Chancellor. Complaints by any person regarding potential conflicts of interest may be referred for investigation to the president, Chancellor or Director of Internal Audit who shall investigate the complaint.

**OAR 580-040-0005(1) Responsibility of Vice Chancellor for F&A**

Vice Chancellor for F&A responsible (including auditing) of accounting policies & procedures

**OAR 580-040-0295 Record keeping requirements for purchases**

Record keeping requirements for purchases (to be made available to internal audit when requested)

**OAR 580-046-0040(2) Audits and financial reports of Foundations**

**OAR 580-050-004(8) Right to audit contractors for compliance with minority and women businesses policy**

**OAR 580-050-0041(9) Right to audit contractors for compliance with emerging small business policy**

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

**IMD (# to be determined) Internal Audit Division is responsible for investigating financial irregularities with assistance of institutional officials.**

**IMD 6.001(3) Vice Chancellor for finance and administration responsible for auditing/reviewing procedures and records to assure conformity with statutes**

**IMD 6.002 Institutional Responsibility**

The institutions and other department administrative units shall maintain accounting records and related documentation in such form and detail as required by the Office of Administration and may maintain additional records deemed essential to effective institutional administration.

## **OUS Fiscal Accountability Framework Project**

### Appendix 4: Full Regulatory Research

#### *Auditing*

#### **IMD 6.003 System of Accounting Records and Reports**

Department accounting records and reports shall be in conformity with generally accepted accounting principles for higher education institutions and hospitals and shall be designed to meet institutional requirements for information to facilitate effective management and to discharge the department's fiduciary responsibility to the people of the state.

#### **IAD Charter**

The IAD Charter has been approved by the Board of Higher Education. This charter identifies the purpose, authority, and responsibilities of the Oregon University System (OUS) Internal Audit Division (IAD). Purpose- IAD is an independent appraisal activity established to perform internal audits of OUS procedures and operations and to report the results of those internal audits to OUS management and/or the Oregon State Board of Higher Education (OSBHE), as appropriate

# Auxiliary Enterprises and Other Activities

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Auxiliary Enterprises and Other Activities*

**OREGON REVISED STATUTES (ORS)**

**ORS 283.310 Control and regulation of state-owned motor vehicles; statement of use; limits on use.**

- (1) The Oregon Department of Administrative Services shall control and regulate the acquisition, operation, use, maintenance and disposal of and access to motor vehicles used for:
- (3) The State Board of Higher Education shall not authorize or allow the use of any motor vehicle to transport students to an event or activity not directly related to an officially sanctioned program as established under ORS 351.277 of an institution in the State System of Higher Education.
- (4) The State Board of Higher Education, in conjunction with the Oregon Department of Administrative Services, shall establish by rule vehicle operation standards and training to promote safe vehicular travel practices in the conduct of all travel by employees, students and official volunteers at all institutions in the State System of Higher Education. [Formerly 291.704; 1993 c.335 s.2]

**ORS 351.072 Adoption of certain standards not subject to rulemaking procedures; limitations**

Adoption of fees or fee schedules relating to charges for symposiums, conferences, short courses, food, books or other retail goods, prices of admission to athletic, entertainment or cultural events or advertising rates in student or institutional publications

**ORS 351.086 State system exempt from certain laws; authority to contract with public agencies (references 25 other ORS)**

**ORS 351.087 Establishment of policies for state system; transfer of authority from Oregon Department of Administrative Services.**

- (1) The State Board of Higher Education shall establish policies for the operation of the State System of Higher Education, consistent with ORS 351.086.
- (2) For the purpose of clarifying areas of oversight and in accordance with subsection (1) of this section, wherever the Oregon Department of Administrative Services would otherwise have authority over administrative matters concerning the performance, operating policies or structure of the State System of Higher Education, that authority shall be transferred to the State Board of Higher Education. [1995 c.612 s.4]

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Auxiliary Enterprises and Other Activities*

**ORS 351.615 Higher Education Auxiliary Enterprise Building Repair and Equipment Replacement Fund. 351.072 Adoption of certain standards not subject to rulemaking procedures;**

The fund may be invested by the State Treasurer, and the earnings from such investments will be credited to the fund for distribution to the several auxiliary activities in accord with rules to be adopted by the board. The moneys in the Higher Education Auxiliary Enterprise Building Repair and Equipment Replacement Fund are continuously appropriated for the repair and alteration of auxiliary enterprise buildings and replacement of equipment as designated by the board, after hearing any recommendations by recognized student governments. [1979 c.106 s.2; 1995 c.110 s.8]

**ORS 352.045 Oregon State Museum of Anthropology.**

(1) The anthropological collections at the University of Oregon are designated and established as the Oregon State Museum of Anthropology.

**ORS 702.012 Permit required to conduct business as athlete agent; fee; expiration; renewal; suspension; revocation; nonresidents.**

(1) A person desiring to conduct business as an athlete agent in the State of Oregon shall obtain an athlete agent permit from the Department of Education.

**ORS 702.057 Civil remedies available for educational institutions.**

(1) An educational institution shall have a cause of action for damages or equitable relief against any athlete agent or student who violates the provisions of ORS 702.005 to 702.063 and 702.991.

**OREGON ADMINISTRATIVE RULES (OAR)**

***OAR Part A: Non-Intercollegiate Athletics Rules***

**OAR 580-011-0005 Student Health Services**

Describes services and who may be served; Health Service Fee to be *“adopted by the Board”*

**OAR 580-011-0015 Purposes of student housing**

The self-supporting concept to include...*“a proportional share of Board's Office accounting, overhead and administrative costs.”*

**OAR 580-011-0020 Self-supporting concept for student housing**

Same as OAR 580-011-0015: to be sufficient total income for all expenses and *“a proportional share of Board's Office accounting, overhead and administrative costs.”*

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Auxiliary Enterprises and Other Activities*

**OAR 580-011-0021 Campus housing advisory committees**

Describes housing advisory committee requirements for campuses housing more than 2,000 students.

*“... more than 2,000 students, it shall report to the Chancellor about the housing conditions and needs of the institution.”* Universities with more than 12,000 three-term average full-time equivalent regular students need to provide additional information in a report to the Chancellor. Further, 12,000+ student universities must present a financial plan to the Chancellor that is reviewed at least 60 days before by the housing advisory committee.

**OAR 580-011-0030 Rates of charge for student housing**

Housing rates for each: family housing, residence halls, co-op housing to be sufficient to pay all expenses of each. Chancellor may approve cross support in “exceptional circumstances.”

**OAR 580-011-0035 Institutionally controlled cooperative housing**

Gives three conditions to be met for “cooperative housing.” No reference to Chancellor’s Office.

**OAR 580-011-0040 Fraternities, sororities, and cooperatives**

Gives guidelines for fraternities, sororities and cooperative housing. Only one reference to Chancellor’s Office: *“Fraternities, sororities and cooperatives shall comply fully with Board anti-discrimination rules and policies.”*

**OAR 580-011-0045 Charging of admin and physical plant costs to auxiliary enterprises**

Repeats provision of OAR 580-011-0015 and 0020 to wit: *“A proportionate share of the Board's Office and institutional accounting, overhead and administrative costs are apportioned among the auxiliary enterprises in accordance with Executive Department and Board's Office policy directives.”* Rule describes how physical plant costs may be appropriately recovered as determined at the institutional level.

**OAR 580-015-0050 Housing (discrimination)**

General description of proscribed conduct in making housing assignments. No reference to Chancellor’s Office.

**OAR 580-022-0040 Student health facilities not available to staff**

**OAR 580-031-0005 Coordinated system of libraries**

Library facilities shall be closely coordinated and avoid unnecessary duplication. No reference to Chancellor’s Office.

**OAR 580-040-0010 Institutional authority to establish fees and charges**

This falls under “Division 40 - Board’s Financial Powers”

## **OUS Fiscal Accountability Framework Project**

### **Appendix 4: Full Regulatory Research** *Auxiliary Enterprises and Other Activities*

Board grants President of each institution the authority to set certain fees, usually once a year. Note: *“The fees are supplemental to required instruction fee, building fee, health service fee, incidental fee and other charges determined and established by the Board.”* Examples of delegated fee authority are listed.

Housing rates to meet the requirements of *“...debt service, and the requirements of the Board's building repair reserve and equipment replacement reserve policies”*

Also, *“Copies of all fee schedules, charges, and amendments shall be presented to the Vice Chancellor for Finance and Administration for filing in the Chancellor's Office.”*

#### **OAR 580-040-0030 Vehicle safety rule**

The Board mandates travel safety rules and requires institutional action accordingly. This is a rather lengthy rule.

#### ***OAR Part B: Intercollegiate Athletics Rules***

#### **OAR 580-015-0080 Athletics**

(1) No person shall, on a prohibited basis, be excluded from participation in or be treated differently from another person, or otherwise be discriminated against in any intercollegiate, club, recreational or intramural athletics offered by the institution, except as provided within this regulation.

#### **OAR 580-022-0045 Proscribed Conduct**

Procedures to impose applicable sanctions may be instituted against any person engaging in any of the following proscribed conduct:

(1) Violating the Board's Policy for Intercollegiate Athletics as described in **Section 8** of the **Internal Management Directives**, specifically including the subsection thereof entitled **Code of Ethics**.

#### **OAR 580-040-0230 Exemptions**

(1) Institutions need not follow, regardless of value, competitive procedures for the following:  
(n) Intercollegiate athletic programs. OSSHE and its respective institutions may specify a product by brand name or make or the products of particular manufacturers or sellers when procuring equipment and supplies used in intercollegiate or interscholastic athletic programs.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Auxiliary Enterprises and Other Activities*

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

***IMD Part A: Non-Intercollegiate Athletics Directives***

**Personnel**

In addition to the IMDs listed in the work group reference materials, one other IMD governing authority over institution employees is relevant. IMD 1.127 gives the president authority over institution employees (appointments, transfers, resignations, leaves and related matters).

**Budget and Finance**

IMD 6.051 Special budget requirements of alumni associations and auxiliary enterprises

IMD 6.057 Balances in budget accounts

IMD 6.300 Financing self-liquidating bond debt service

IMD 6.305 Bond issues for auxiliary enterprise & other self-liquidating activities

IMD 6.306 Provision for debt service reserves

IMD 6.310 Financial operating resources for auxiliary enterprise & other self-liquidating projects

IMD 6.315 Allocation of debt service responsibility for auxiliary enterprise & other self-liquidating projects

IMD 6.316 Residence hall emergency reserve fund

IMD 6.320 Budgeting for auxiliary enterprise activities

IMD 6.325 Other uses of auxiliary enterprise & other self-liquidating debt service funds

IMD 6.350 Auxiliary enterprise building repair & equipment replacement

IMD 6.380 Service department building repair & equipment replacement

Twelve IMDs relate specifically to budgeting and financing activities (see above). In particular these direct that budgeting and financing activities for auxiliaries are separate from the education and general activities and not supported by general funds. The following provisions also apply:

- There is no limitation on the institution's ability to carry over fund balances in auxiliaries and service activities from one fiscal year to the next.
- Debt financing in these areas must be fully self-supporting and self-liquidating from user fees, gifts, grants, building fees or other approved sources.
- For projects approved after 1986 debt service reserves must maintain the equivalent of a one-year reserve. Earlier projects require two-year reserves.
- Building fees are not a source of financing for auxiliary and service projects.

## **OUS Fiscal Accountability Framework Project**

### **Appendix 4: Full Regulatory Research**

#### *Auxiliary Enterprises and Other Activities*

- Institutions are responsible for interest and principal payments for debt service on residence hall and residential dining facilities, Portland State University residence halls, other housing and parking activities.
- For the years 1999-2000 through 2006-2007 institutions must fund the Residence Hall Emergency Reserve Fund at the rate of \$20 per occupant per year. In 2006 this reserve will be re-evaluated. Institutions are also required to have a business plan in place to address current and future needs in student housing operations.
- Budgets for auxiliary activities are prepared on a schedule determined by the Vice Chancellor for Finance and Administration. When over drafts occurs institutions must request Board approval for a revised budget plan to eliminate overdrafts in debt service or operations.
- Building repair reserves are normally maintained at not less than 1.5 percent of building replacement value for auxiliary enterprises, and not less than 1.0 percent or more than 2.0 percent for service organizations.
- Equipment replacement reserves for both auxiliaries and service organizations are determined by the cost and life expectancy of the equipment in each category.

#### **Land Acquisition (IMD 7.001)**

Land for use by auxiliary enterprises is purchased from self-liquidating bond funds or balances available for these enterprises.

#### ***IMD Part B: Intercollegiate Athletics Directives***

##### Section 8 - Policy for Intercollegiate Athletics (August 1993)

#### **IMD 8.001 Role of Athletics in a College or University**

Intercollegiate athletic programs are considered by the Board to assist the colleges and universities in achieving their goals.

#### **IMD 8.006 Categories of Intercollegiate Athletic Activities**

For the purposes of establishing financial policy and determining equality of opportunity, two categories of intercollegiate athletic activities are established. They are:

- (1) Major revenue-producing athletic activities.

## **OUS Fiscal Accountability Framework Project**

### **Appendix 4: Full Regulatory Research**

#### *Auxiliary Enterprises and Other Activities*

#### **IMD 8.016 Financing (1) Major Revenue-Producing Athletic Activities**

Major revenue-producing athletic activities are those which, by definition, are estimated to be self-supporting from gate receipts, television and radio income, conference income, contributions, and other revenues generated through the operation of those activities. Any incidental fees used to support major revenue-producing athletic activities will be deemed to be for the purpose of financing student admissions. No state tax funds, appropriated for education and general purposes, are to be used either for operating or capital expenditures, except as provided in (3) below. "Operating expenses" include both salaries and applicable physical plant costs.

- (3) Resources for Capital Construction and Improvements: Expenditures for capital construction and capital improvements for athletics are to be financed from resources available for auxiliary enterprises such as gifts, bond borrowings under the provisions of Article XI-F(1) of the Oregon Constitution, and excess sinking fund reserves from commingled student building fees.

#### **IMD 8.021 Levels of Competition**

Institutions should seek the highest feasible level of competition for each activity, recognizing that financial and/or ethical considerations may force reductions in the competitive levels.

#### **IMD 8.026 Cost Containment**

The presidents of Oregon State University and the University of Oregon are instructed to work with each other and to pursue within the Northwest region, the Pac-10, and the NCAA appropriate cost containment measures such as grants based only on need, fewer grants, reduced recruiting efforts, smaller coaching staffs, and other appropriate measures. If such efforts, over a five-year period, are unsuccessful, the Board will reassess its position and instruct the University of Oregon and Oregon State University whether or not to implement those cost containment policies even in the absence of Pac-10, NCAA, and regional action

#### **IMD 8.031 Academic Progress and Degree Attainment**

The presidents of institutions having intercollegiate athletics programs are instructed to establish policies and procedures that commit student athletes, counselors, coaches, and athletic program administrators to pursuing the dual student athlete goals of maintaining normal progress toward completion of the baccalaureate degree and attainment thereof, usually in not more than five years after the date of initial registration.

#### **IMD 8.036 Code of Ethics**

Each institution offering a program of intercollegiate athletics shall comply with the following code of ethics. Violation of the code of ethics shall be considered an adequate basis for sanctions for cause.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Auxiliary Enterprises and Other Activities*

**FINANCIAL ADMINISTRATION STANDARD OPERATING MANUAL (FASOM)**

***FASOM 01.11 (Designated Operating Funds)***

**[6] Designated Funds (060 Accounts)**

The 060 designated operating accounts are used to account for self-sustaining student activities related to instruction, public service and student aid activities. See Sec. 01.12, Expenditure and Operating Account Functions, for definitions of functions and sub-functions, and Sec. 01-01D, ACCOUNT CATEGORY/FUNCTION TABLE, for the account number for each.

**[7] Expenditure and Operating Account Functions**

The following functions are included:

- Instruction (field trips; international education)
- Community Education (non-credit conferences, workshops, seminars, etc., sponsored by Continuing Education)
- Public Service (non-instructional services to the general public or outside groups such as: non-credit short courses, workshops, seminars, conferences, and camps; testing and consulting services; special interest publications; theater and music activities; etc.)
- Scholarships (financial aid funds generated from fund raising activities accounted for in designated operating accounts)

**[8] Scholarship moneys**

Scholarship moneys may be generated from public service categories only. These categories are 060-6001 through 6099, 060-6150 through 6199, 060-6200 through 6224 and 060-6225 through 6299. The advertising for the activities must state that any excess funds shall be used for scholarships. The excess funds are transferred to an 060-90XX account. The funds may be expended only to provide scholarships and may not be transferred to any other fund or account for any other purpose.

**[9] Expenditures in the operating accounts**

Expenditures in the operating accounts relate to the direct and indirect costs of the activity, except for scholarships. Designated operating account direct costs include salaries, wages, OPE, supplies, etc., as applicable. Indirect costs are charged to public service operating accounts when on-campus facilities are used and physical plant costs can reasonably be determined, and where substantial general administration costs are incurred (e.g., accounting and administration as a percent of revenue, modified total direct costs, etc.). Assessed indirect costs are charged to the activity and credited to appropriate Current General Fund Budget Expense accounts as a service credit.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Auxiliary Enterprises and Other Activities*

**[10] Funds used for expenditures not related to 060 program activity**

Any funds to be used for expenditures which are not related to the 060 program activity (except scholarships - see [8] above) are transferred to account XX-030-0010 and budgeted to the appropriate 050 account, i.e., funds for faculty development, equipment etc.

**[11] Continuing Education**

The 1981 Legislature required all Continuing Education activities and short courses, conferences or workshops in the 057-XXXX, the 060-4000 through 4499 and the 060-6000 through 6099 accounts to be assessed at least an 8% “overhead” charge. See Sec.03.07, Continuing Education Overhead Charges, for cost accounting of Continuing Education activities.

**[12] Overdrafts**

Any overdrafts as of June 30, as determined after considering recorded receivables and outstanding requisitions, must be eliminated by transferring funds from other Current General Fund Operating Accounts, or by transferring charges to Current General Fund Budget Expense accounts.

**[13] Uncommitted funds**

A limited amount of uncommitted funds may be carried forward from one year to the next for continuation of the account program or for student scholarships. Uncommitted funds are account cash balances in excess of an amount to cover outstanding requisitions as of June 30. When accounts receivable or liabilities are material, it is preferred to also consider these items when determining excess uncommitted funds. Unless approved by the Controller, uncommitted funds carried forward may not exceed \$10,000 or 20% of the annual revenue credited to the account, whichever is greater. (Note: This limitation only applies at June 30<sup>th</sup> at the end of each biennium and is optional in mid-biennium.) Departmental operating expenditures are not charged to Current General Fund Operating Accounts.

**[14] Excess uncommitted funds**

Excess uncommitted funds at year-end and funds designated for departmental operating expenditures are credited to the Current General Fund-Fund Balance 030-0010 account and expended from a related 050 expense account if within the expenditure limitation, or to a Current Auxiliary Enterprises 16X operating account, if appropriate. Excess uncommitted funds transferred to 030-0010 may be returned to the source 060 account if a letter of justification is forwarded to the Office of Administration.

**[15] Revenues from services provided by students**

Revenue resulting from services provided by students as a part of the instruction and public service function of the institution is credited to 041-5XXX Current General Fund Budget Income

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Auxiliary Enterprises and Other Activities*

accounts. The funds are expended in the 05X Current General Fund Budget Expense accounts, subject to expenditure limitation provisions.

# Budgeting

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Budgeting*

**OREGON REVISED STATUTES (ORS)**

**ORS 351.090 and 351.310 Authority related to budgeting**

Administrative authority is delegated to the Chancellor to prepare and submit an annual operating budget for all institutions, departments and activities of the Board; oversee the preparation and submission to the State Board of Higher Education of the biennial budget request of these as the budget request to the Governor under ORS 351.090; and provide analyses of these (ORS 351.085 (4),(5),(6)). The Board biennially reports to the Governor the proposed budget covering in detail the purposes for which all expenditures are planned, and may allocate funds in accordance with applicable laws and programs.

**Other ORS**

Certain other Chapter 351 statutes provide authority to prorate expenses, define allowable use of moneys to cover related instructional expenses except for hobby or recreation courses, and define enrollment and incidental fees, acceptance of federal aid and authorize certain interstate tuition agreements.

**OREGON ADMINISTRATIVE RULES (OAR)**

**OAR 580-40-XXXX Board's financial powers**

Division 40 defines the Board's financial powers, delegates general supervision to the Chancellor and designated staff and directs the Vice Chancellor of Finance and Administration to execute Board policy in all areas of fiscal and administrative services. These include but are not limited to audits, budgeting, policies and procedures of gift, grant and contract funds, and development of an analytic program to provide input to budget preparation and program evaluation.

Division 40 also establishes institutional authority to establish fees and charges and board authority over academic and summer session fee books.

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

Institutions are charged to maintain accounting records and related documentation essential to effective institutional effectiveness, in compliance with GAAP, and to facilitate effective management and the discharge of the fiduciary responsibility to the people of the state. Further direction is given on the deposit of cash, cash receipts and working funds.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Budgeting*

Institutions are further charged to provide detailed descriptions of their biennial plans and programs and the resources required for them. They are also proscribed from providing education and general support for auxiliaries and alumni activities unless otherwise permitted.

**IMD 6.052 through 6.057 Budget development, adjustments and balances**

The following steps apply to budget development, adjustments and balances:

- Institutional, division and statewide service budgets are reviewed by the Chancellor before submission to the Board for approval.
- Funds are disbursed only after Board approval except as delegated.
- Transfers between funds or institutions not anticipated in the budget require Board approval unless otherwise delegated.
- The Vice Chancellor for Finance and Administration develops plans for the annual operating budget according to Board policy and the Chancellor's directives
- Presidents, division heads and statewide service executives are personally responsible for maintaining expenditures within limits established by the approved annual operating budget.
- Chancellor has discretion over unallocated reserves, reallocation of budgeted allocations, adjustments to appropriations and expenditure limitations, and reductions in budget plans.
- Non-obligated net budget balances at institutions in education and general funds at the end of each fiscal year are returned to the Board. Balances authorized as institutional funds may be carried over fiscal year end.

# Debt Management and Financing

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Debt Management and Financing*

**OREGON CONSTITUTION**

**Article XI-F(1)**

**HIGHER EDUCATION BUILDING PROJECTS**

**Summary:**

- The State is empowered to lend credit for higher education building projects
- Limits the amount of bonded debt for higher education to 3/4 of one percent of the true cash value of all taxable property in the state of Oregon
- Debt may be issued to provide funds to refund outstanding obligations, to finance the cost of buildings and other projects for higher education and to construct, improve, repair, equip, and furnish buildings and other structures for such purpose, and purchase or improve sites.
- Debt may only be used to finance projects that are self-liquidating and self-supporting.
- Debt will be paid by other revenues. If other revenues are not available, Ad valorem taxes will be levied to provide for payment of the debt.

- Sec. 1. State empowered to lend credit for higher education building projects
2. Only self-liquidating projects authorized
  3. Sources of revenue
  4. Bonds
  5. Legislation to effectuate Article

**Section 1. State empowered to lend credit for higher education building projects.**

The credit of the state may be loaned and indebtedness incurred in an amount which shall not exceed at any one time three-fourths of one percent of the true cash value of all the taxable property in the state, as determined by law to provide funds with which to redeem and refund outstanding revenue bonds issued to finance the cost of buildings and other projects for higher education, and to construct, improve, repair, equip, and furnish buildings and other structures for such purpose, and to purchase or improve sites therefore. [Created through H.J.R. 26, 1949, and adopted by the people Nov. 7, 1950; Amendment proposed by H.J.R. 12, 1959, and adopted by the people Nov. 8, 1960]

**Section 2. Only self-liquidating projects authorized.**

The buildings and structures hereafter constructed for higher education pursuant to this amendment shall be such only as conservatively shall appear to the constructing authority to be wholly self-liquidating and self-supporting from revenues, gifts, grants, or building fees. All unpledged net revenues of buildings and other projects may be pooled with the net revenues of new buildings or projects in order to render the new buildings or projects self-liquidating and self-supporting. [Created through H.J.R. 26, 1949, and adopted by the people Nov. 7, 1950]

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Debt Management and Financing*

**Section 3. Sources of revenue.**

Ad valorem taxes shall be levied annually upon all the taxable property in the state of Oregon in sufficient amount, with the aforesaid revenues, gifts, grants, or building fees, to provide for the payment of such indebtedness and the interest thereon. The legislative assembly may provide other revenues to supplement or replace such tax levies. [Created through H.J.R. 26, 1949, and adopted by the people Nov. 7, 1950]

**Section 4. Bonds**

Bonds issued pursuant to this article shall be the direct general obligations of the state, and be in such form, run for such periods of time, and bear such rates of interest, as shall be provided by statute. Such bonds may be refunded with bonds of like obligation. Unless provided by statute, no bonds shall be issued pursuant to this article for the construction of buildings or other structures for higher education until after all of the aforesaid outstanding revenue bonds shall have been redeemed or refunded. [Created through H.J.R. 26, 1949, and adopted by the people Nov. 7, 1950]

**Section 5. Legislation to effectuate Article**

The legislative assembly shall enact legislation to carry out the provisions hereof. This article shall supersede all conflicting constitutional provisions. [Created through H.J.R. 26, 1949, and adopted by the people Nov. 7, 1950]

**Article XI-G**

**HIGHER EDUCATION INSTITUTIONS AND ACTIVITIES; COMMUNITY COLLEGES**

**Summary:**

- The State is empowered to lend credit for financing higher education institutions and activities, and community colleges
- Limits the amount of bonded debt for higher education to 3/4 of one percent of the true cash value of all taxable property in the state of Oregon.
- Debt may be issued to provide funds to refund outstanding obligations, to finance the cost of buildings and other projects for higher education and to construct, improve, repair, equip, and furnish buildings and other structures for such purpose, and purchase or improve sites.
- Indebtedness issued shall not exceed the dollar amount of General Fund Appropriations for the same or similar purpose and the amount of appropriations shall be determined by the Legislative Assembly.
- Dollars available under this section may not be used to finance buildings, structures, or projects that are wholly self-liquidating and self-supporting.

## **OUS Fiscal Accountability Framework Project**

### Appendix 4: Full Regulatory Research

#### *Debt Management and Financing*

- Debt will be paid by Ad valorem taxes, which shall be levied annually upon the taxable property within the state of Oregon. The Legislative assembly may provide other revenues for this purpose.

- Sec. 1. State empowered to lend credit for financing higher education institutions and activities, and community colleges
2. Bonds
  3. Sources of revenue

#### **Section 1. State empowered to lend credit for financing higher education institutions and activities, and community colleges.**

- (1) Notwithstanding the limitations contained in section 7, Article XI of this Constitution, and in addition to other exceptions from the limitations of such section, the credit of the state may be loaned and indebtedness incurred in an amount not to exceed at any time three-fourths of one percent of the true cash value of all taxable property in the state, as determined by law.
- (2) Proceeds from any loan authorized or indebtedness incurred under this section shall be used to provide funds with which to construct, improve, repair, equip and furnish those buildings, structures and projects, or parts thereof, and to purchase or improve sites therefor, designated by the Legislative Assembly for higher education institutions and activities or for community colleges authorized by law to receive state aid.
- (3) The amount of any loan authorized or indebtedness incurred under this section by means of bonds to be issued in any biennium shall not exceed the dollar amount appropriated from the General Fund for the same or similar purposes. Any dollar amounts appropriated to meet the requirements of this subsection shall be specifically designated therefor by the Legislative Assembly.
- (4) Nothing in this section prevents the financing of buildings, structures and projects, or parts thereof, by a combination of the moneys available under this section, under Article XI-F(1) of this Constitution, and from other lawful sources. However, moneys available under this section shall not be expended on or for any buildings, structures or projects, or parts thereof, that are wholly self-liquidating and self-supporting. [Created through H.J.R. 8, 1963 (s.s.), and adopted by the people May 15, 1964; Amendment proposed by H.J.R. 2, 1967 (s.s.), and adopted by the people May 28, 1968]

#### **Section 2. Bonds.**

Bonds issued pursuant to this Article shall be the direct general obligations of the state and shall be in such form, run for such periods of time, and bear such rates of interest as the Legislative

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Debt Management and Financing*

Assembly provides. Such bonds may be refunded with bonds of like obligation. [Created through H.J.R. 8, 1963 (s.s.), and adopted by the people May 15, 1964]

**Section 3. Sources of revenue**

Ad valorem taxes shall be levied annually upon the taxable property within the State of Oregon in sufficient amount to provide for the prompt payment of bonds issued pursuant to this Article and the interest thereon. The Legislative Assembly may provide other revenues to supplement or replace, in whole or in part, such tax levies. [Created through H.J.R. 8, 1963 (s.s.), and adopted by the people May 15, 1964]

**OREGON REVISED STATUTES (ORS)**

**ORS 351.170 Charges for use of buildings; student building fee; disposition of receipts**

- Board shall establish fees to pay the debt and interest on buildings/structures constructed under ORS 351.160.
- Board is to collect a regular student building fee and is authorized to maintain adequate sinking funds to cover outstanding bonds.

**ORS 351.315 Borrowing money for purchase of real property**

Board may borrow money and notes and bonds may be issued for purchase of real property.

**ORS 351.317, 351.140 and 351.315 Not indebtedness of State or Board**

Payment is limited to the property and revenues pledged to secure its payment.

**ORS 351.345 Bond issue for Higher Ed and Community College projects**

Authority to issue XI-G Bonds.

**ORS 351.350 Bond issue for self-liquidating higher education purposes**

Authority to issue XI-F(1) Bonds.

**ORS 351.450 Higher Education Building Fund; subfunds**

Monies from sale of bonds for construction, improvements, repair, equipment and furnishings, etc shall be separate and distinct from general fund (Hi-Ed Bond Building Building fund). Within the Bond building fund, there shall be a separate subfunds for XI-F(1) bond proceeds, for XI-G bond proceeds, and for revenue bond proceeds. Temporary bond proceeds shall be credited to the appropriate subfund for which they were secured. These monies shall not be used for any other purpose (they may be invested until needed). When the purpose has been completed, any surplus shall be credited to the appropriate subfund.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Debt Management and Financing*

**ORS 351.460 Higher Education Bond Sinking Fund**

State Board of Higher Education shall maintain with the State Treasurer a Higher Education Bond Sinking Fund, separate and apart from the General Fund. This fund shall be comprised of three separate subfunds for payment of principal and interest on XI-F(1), XI-G, and revenue bonds. These funds may be invested by the State Treasurer and earnings shall be credited to the appropriate subfund. All monies received or earned by investments of the fund shall be credited to the appropriate subfund. If land/buildings are sold, or use rededicated, monies received shall be credited to the appropriate subfund. Student building fees shall be applied to the appropriate subfund until the board believes sufficient monies are accumulated to meet the full principal and interest on outstanding bonds. Except for Student Building Fees, other incomes may be transferred to other funds as the Board may designate. Student Building Fees and XI-F(1) proceeds may only be applied to projects authorized under XI-F(1) or ORS 288.855. The Sinking Fund shall not be used for anything except for what the fund was created. Any balances, after obligations have been met, may be transferred to other funds as the board may designate.

**OREGON ADMINISTRATIVE RULES (OAR)**

**OAR 580-010-0100 Student Planning and Construction Committee**

Each campus shall establish a student campus planning and construction committee. This committee shall recommend to the appropriate official(s), of the student government, a list of prioritized projects to be fund by the Student Building Fee Pool. If the project affects a facility that is funded in whole or part by incidental fee income, the committee shall seek the recommendation of the institutions incidental fee committee before making a recommendation to the campus official(s).

**OAR 580-010-0110 Incidental Fee Committee Review and Recommendation**

The campus incidental fee committee shall recommend to the student planning committee whether it believes the project should be approved, and estimate anticipated effect that the operation of the completed project would have on incidental fee amounts charged to students.

**OAR 580-010-0120 Recommendations of Appropriate Student Government Official(s)**

The student government official(s) shall make the recommendations to the institution's president of capital constructions projects to be funded by the student building fee pool.

**OAR 580-010-0130 Agreement between Student Government and Institution President**

The institution's president will review the list of capital construction projects to be funded by the student building fee pool. If the president does not agree with the list, the president and the student government official will work together to come to an agreement. If no agreement is reached, the matter shall be submitted to the Hearings Board.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Debt Management and Financing*

**OAR 580-010-0140 Capital Construction Budget Recommendations of Vice Chancellor for Finance and Administration**

- (1) The Vice Chancellor for Finance and Administration or designee shall discuss with the parties any matters of disagreement between the institution president and the appropriate student government official(s) and shall take the information provided into account in making the Chancellor's capital construction budget recommendations regarding projects to be financed from the building fee to the Board of Higher Education. If the Chancellor's recommendation includes projects on which the institution and appropriate student government official(s) have not reached agreement, the Chancellor's Office shall disclose that a disagreement exists to the Board of Higher Education at the time of its capital construction budget recommendation.
  
- (2) The Vice Chancellor for Finance and Administration shall base these recommendations on the following criteria:
  - (a) Demonstrated project need and beneficial use to students;
  - (b) Campus student support for the project;
  - (c) Protection of asset investment and compliance with code requirements;
  - (d) Co-funding availability; and
  - (e) The historical share of building fee projects at a given campus compared to the System as a whole.
  
- (3) The Vice Chancellor, within a reasonable time of receiving a request, shall provide a written report that specifies how criteria listed in subsection (2) of this rule were considered in the evaluation of a project.

Stat. Auth.: ORS 351.070 Stats. Implemented: ORS 351.070Hist.: HEB 2-1997, f. & ef. 8-1-97

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

**IMD 6.300 Financing Self-Liquidating Bond Debt Services**

(6.300-6.325 were approved by the Board in November 1997)

- (1) Auxiliary enterprise and other self-liquidating activities shall be assigned to one of the following categories for debt financing purposes:
  - (a) Residence halls and residential dining facilities (other than Portland State University).
  - (b) Portland State University residence halls.
  - (c) Other housing facilities.
  - (d) Parking facilities.
  - (e) Auxiliary enterprise facilities financed primarily from building fees.
  - (f) Other facilities that meet the requirements of Article XI-F(1) and are specifically approved by the Board of Higher Education.

## **OUS Fiscal Accountability Framework Project**

### **Appendix 4: Full Regulatory Research**

#### *Debt Management and Financing*

- (2) The projects approved in accordance with (1) above are expected to be fully self-supporting and self-liquidating from user fees, gifts, grants, building fees, or other sources as approved by the Board of Higher Education.

#### **IMD 6.305 Bond Issues for Auxiliary Enterprise and Other Self-Liquidating Activities**

When authorized pursuant to ORS 351.350 or 351.353 and Article XI-F(1) of the Oregon Constitution, bonds may be issued to finance construction of auxiliary enterprise and other self-liquidating facilities only if the Board:

- (1) Establishes and maintains for bonds so issued appropriate reserves as described below; and
- (2) Otherwise conforms to statutory and constitutional requirements.

#### **IMD 6.306 Provision for Debt Service Reserves**

- (1) The auxiliary enterprise or other activity responsible for annual debt service shall provide and maintain debt service reserves for the ensuing year except that for bonds issued prior to July 1986, a two-year debt service reserve is required.
- (2) Debt service funds are available for transfer to other funds and accounts as authorized by ORS 351.460 (4) to the extent that excess funds exist after projecting debt service fund balances taking into consideration the Board's approved capital construction project for the ensuing biennium and any other factors affecting the available funds.

#### **IMD 6.310 Financial Operating Resources for Auxiliary Enterprise and Other Self-Liquidating Projects**

- (1) The building fee, established by the Board pursuant to ORS 351.170, is a Department resource, without regard to the institution at which it is collected, and shall be applied for debt service other than for residence halls, housing, parking, clinics, or other self-supporting facilities.
- (2) Debt service for bonds issued for housing, parking, clinics, or other self-supporting facilities shall be provided primarily from fees charged to users of the facilities.
- (3) Debt service for other specifically approved facilities shall be provided from sources identified at the time of authorization and approval of the project by the Board.
- (4) Income from investment of debt service reserves, sinking funds, and building repair and equipment replacement reserves shall be credited to the institution reserve funds, except as otherwise provided.

## **OUS Fiscal Accountability Framework Project**

### **Appendix 4: Full Regulatory Research**

#### *Debt Management and Financing*

- (5) Income from investment of bond building funds shall be distributed to the sinking funds in proportion to the allocation of the unspent building funds to the respective auxiliary enterprise and other self-liquidating project categories.

#### **IMD 6.315 Allocation of Debt Service Responsibility for Auxiliary Enterprise and Other Self-Liquidating Projects**

Annual debt service on bonds issued for auxiliary enterprise or other self-liquidating projects shall be apportioned on the following bases:

- (1) Interest and principal payments for debt service on:
- bond proceeds allocated to residence hall and residential dining facilities after February 28, 1997,
  - Portland State University residence halls,
  - other housing, and
  - parking shall be the responsibility of the institution at which the facilities are located.
- (2) Interest and principal payments for debt service on bonds allocated before March 1, 1997 for residence hall and residential dining facilities at all institutions, except Portland State University, shall be allocated to each institution in proportion to the average academic year occupancy of its residence halls for a five-year period beginning 1994-95 and ending 1998-99.
- (3) Interest and principal payments for debt service on other auxiliary enterprise facilities shall be provided from building fees or other income as identified in the specific construction program.

#### **IMD 6.316 Residence Hall Emergency Reserve Fund**

The purpose of the Residence Hall Emergency Reserve Fund (Reserve) is to provide for unanticipated financial emergencies in the residence hall operations, which could otherwise affect the ability of a single institution to support the payment of its debt service obligations. The Reserve shall not be a supplemental source of funds that may be considered or relied upon when planning for the financing of construction, renovation, or repair/upgrade of projects. Each institution must have a business plan in place addressing current and future needs of its student housing operations and how it intends to fund those needs through institutionally-initiated efforts. The policy described in this section shall apply to residence hall operations referenced in section 6.300(1)(a) above.

##### (1) Specific Provisions:

- (a) The Reserve will be funded by an institutional payment equivalent to twenty dollars (\$20) per occupant, per year, based on the number of students living in the residence halls referenced in section 6.300(1)(a).

## **OUS Fiscal Accountability Framework Project**

### **Appendix 4: Full Regulatory Research**

#### *Debt Management and Financing*

- (b) The number of students for purposes of (a) shall be determined by the prior year three-term average residence hall occupancy as of the fourth week of each term. [An "occupant" is any student living in a residence hall who is not a residence hall director.]
  - (c) Institutional payments to the Reserve will be made by May of each year beginning in fiscal year 1999-2000. All payments to the Reserve will be monitored by the Chancellor's Office with a record kept of payments made by each institution.
- (2) Institutional payments to the Reserve will be made for eight (8) fiscal years, 1999-2000 through 2006-2007. In 2006, the Board will review the provisions and status of the Reserve.
  - (3) Interest earnings of the Reserve through June 30, 2007 will accrue to the Reserve. Distribution of interest earnings thereafter will be determined by the Board.
  - (4) Authorization for use of funds from the Reserve shall require a written application and comprehensive business plan from the requesting institution. The application and business plan shall be submitted to the Vice Chancellor for Finance and Administration for approval.

#### **IMD 6.320 Budgeting for Auxiliary Enterprise Activities**

Annually, at a time determined by the Vice Chancellor for Finance and Administration, each institution shall propose housing, parking, or other specified auxiliary activities budgets. The budgets shall conservatively anticipate income from user fees and other sources to provide for all operating expenses and for the establishment and maintenance of debt service reserves, including the repayment of any outstanding obligations and the elimination of operating overdrafts. If income has been or appears likely to be insufficient for these purposes, the proposed budget shall identify the sources from which needed resources are required to eliminate such deficiencies. The resources shall include an institution's debt service reserves and unencumbered balances of other auxiliary activities.

- Deficiencies in self-supporting auxiliary enterprise activities shall be carried as overdrafts. The institution must request Board approval of a revised budget plan for eliminating overdrafts either for debt service or for operations.

#### **IMD 6.325 Other Uses of Auxiliary Enterprise and Other Self-Liquidating Debt Service Funds**

- (1) Authority is delegated to the Vice Chancellor for Finance and Administration or designee, following consultation with the officials of the institution, to transfer Article XI-F(1) debt service reserve funds to other funds and accounts for the following purposes, in accordance with ORS 351.460:
  - (a) To finance architectural and/or engineering planning of proposed construction for auxiliary enterprises and other self-liquidating projects.

## **OUS Fiscal Accountability Framework Project**

### **Appendix 4: Full Regulatory Research**

#### *Debt Management and Financing*

- (b) To fund capital construction, capital improvements, or major repairs of auxiliary enterprise or other self-liquidating projects.
  - (c) To purchase new equipment or replace old equipment for auxiliary enterprise or other self-liquidating projects, if sufficient funds are not available in equipment replacement reserves.
  - (d) To establish or maintain at required levels, reserves, such as building repair reserves and equipment replacement reserves, for auxiliary enterprises.
  - (e) To eliminate overdrafts in other auxiliary enterprise operating accounts of the institution that generate funds for the debt service reserve accounts.
- (2) Plans for the usage during the following fiscal year of debt service reserve funds for purposes stated in IMD 6.325(1) shall be submitted to the Vice Chancellor for Finance and Administration by June 1 so that priorities may be established and approval granted for the use of the funds. Capital construction projects costing \$100,000 or more must also be reviewed and approved in advance by the Vice Chancellor for Finance and Administration or designee.

#### **IMD 7.010 Rededication of Physical Facilities**

The following guidelines shall be followed for establishing the amounts of adjustments to the appropriate bond sinking fund reserves for the rededication of buildings and facilities from one type of use to another:

- (1) For buildings and facilities thirty years of age or older, no adjustment is required for rededication.
- (2) For buildings and facilities less than thirty years of age which are no longer needed for the original or modified purpose prior to the proposed rededication:
  - (a) If purchased for cash, the adjustment shall be equal to the capitalized value less depreciation calculated at the rate of 2% per year for the first ten years and at the rate of 4% per year thereafter; provided, however, that for buildings and facilities other than student residence halls and food service units, for which the debt service requirements are consolidated on a Department-wide basis, the amount of the adjustment shall not be less than the balance of any bonded indebtedness incurred for that building or facility.
  - (b) If leased temporarily or sold on contract, the rental or annual payment shall be equal to the annual debt service requirement applicable to that building or facility for a period of time equal to the difference between the age of the building and thirty years.
- (3) For other desired rededications of buildings and facilities which are less than thirty years old:
  - (a) If purchased for cash, the adjustment shall be determined from the current market value of the building or facility.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Debt Management and Financing*

(b) If leased temporarily or sold on contract, the rental or annual payment shall be based upon current commercial rates for comparable space.

(4) Land rededication:

(a) If the property was purchased prior to July 1, 1963, no adjustment is required.

(b) If the property was purchased after July 1, 1963, full reimbursement will be provided plus interest at the rate prevailing at the time of original purchase.

Exceptions to subsections (1), (2), and (3) above may be necessary or desirable under those circumstances in which gift and/or grant funds were used to finance the building or facility, or a portion thereof, subject to certain conditions or obligations, or where major rehabilitation or remodeling of the building or facility has been undertaken.

**IMD 7.110 Categories of Capital Outlay Expenditures**

Construction funds for buildings or other facilities to be used for educational and general purposes shall be sought through state appropriation, including authorizations for bond borrowings under the provisions of Article XI-G of the Oregon Constitution. Construction funds for buildings or other facilities for auxiliary enterprises shall be sought from self-liquidating bond borrowings under provisions of Article XI-F(1) of the Oregon Constitution and/or from balances available for auxiliary enterprises, including commingled student building fees. If a project involves both purposes, costs shall be prorated.

**IMD 7.115 Cost Allocation of Utility Services**

In general, capital outlay costs for future central heating and other utility services, including major additions and improvements thereto, shall be allocated between state tax funds (including bond borrowings under Article XI-G of the Oregon Constitution) and other funds (self-liquidating bond borrowings and balances) in proportion to the respective total capacities required for the educational and general plant, and auxiliary enterprises such as student housing, health services, student centers, and athletic facilities.

# Endowment Management

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

**OREGON REVISED STATUTES (ORS)**

**ORS 293.790 Investment policies for donations:**

- Under authority of the Oregon Constitution, the State may hold and dispose of the stock of any entity that has been donated. {ORS 293.790 section 1 }
- The Board may invest and reinvest in the stock of any entity, any funds that: a) Are or have been donated for higher education purposes, b) Are the proceeds from the disposition of stock that has been donated, or c) Are dividends received on donated stock. {ORS 293.790 section 1 }
- Any income received from earnings or sale of stock will be kept in a separate, distinct fund from general funds. {ORS 293.790 section 2 }
- Any income received from earnings or sale of stock must be used for the same purposes as the original donation terms designate. {ORS 293.790 section 2 }

**ORS 351.060(5) Take and hold mortgages on property acquired by gift/transaction**

ORS 351.060(5) provides the Board with authority and responsibility to:

Procure and hold mortgages on real and personal property acquired by gift. {ORS 351.060 section 5 }

**ORS 351.130 Donation fund:**

- All gifts and donations must be deposited to the State Treasurer in the Higher Education Donation fund, separate from the General Fund. {ORS 351.130 section 1 }
- Gifts and donations will be invested by the State Treasurer, subject to the terms of the donor. {ORS 351.130 section 2 }

**ORS 351.320 Prorating expenses**

- Any expenses incurred by the Board which are associated with gifts and donations may be charged to the institution's general fund. {ORS 351.320 }

**ORS 351.505 Federal aid-acceptance/use**

- The Board may accept financial assistance and grants, in the form of money or labor from the US government, subject to the terms and conditions, regardless of any Oregon State laws that might conflict with the Federal government. {ORS 351.505 }
- The Board may accept gifts of money, valuable items and land from anyone. {ORS 351.505 }
- Unless prohibited by the terms of the donation, it may be converted into cash through the sale or disposal. {ORS 351.505 }

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

**ORS 352.045(2) UO-Oregon state museum of anthropology**

- Any private person may make a gift of any collection owned by the person directly to any institution of OUS. {ORS 352.045 section 2 }

**ORS 731.704 Educational institution annuity agreements – Certificate of authority required**

- Educational institutions may receive transfers of money or property with a conditional agreement to pay an annuity if the institution holds a certificate of authority. (See ORS 731.704 section 3 below.) {ORS 731.704 section 1 }
- An application for a certificate of authority must be in compliance with the rules of the Director of the Department of Consumer and Business Services. {ORS 731.704 section 2 }
- The director will issue a certificate of authority if the following items are met: a) The application is complete, b) The educational institution is eligible to receive transfers, c) The educational institution has complied with ORS 731.704 section 4 below, and d) Payment of the established fee. {ORS 731.704 section 3 }
- The educational institution must designate one of its officers to execute and issue agreements for the payment of an annuity. {ORS 731.704 section 4 }
- The director shall issue a certificate of authority only if: {ORS 731.704 section 5 }
  - The institution is accredited and has been operating for 20 years.
  - The institution is a graduate school or college that has continuously operated for 20 years and maintains a reserve fund.
  - The institution is operated by the State Board of Higher Education.
  - The institution is a community college.
  - It is a non-profit corporation that is recognized by the Board or a community college district as affiliated with.
  - The non-profit corporation is a hospital or hospital foundation, licensed by the Department of Human Services Health Division and owns real or personal property that is exempt from taxation.
  - The non-profit corporation is an existing religious organization in Oregon.
  - The non-profit corporation is a museum, engages in or promotes the performing arts, has continuously operated in the State for 20 years, maintains a reserve fund and is exempt from taxation.
  - The non-profit corporation is a national voluntary health organizations and is exempt from taxation.
  - The non-profit corporation:
    - Is a charitable corporation.
    - Is exempt from taxation.
    - Is not a private foundation.
    - Has operated continuously in Oregon for 10 years.
    - Has adequate resources to maintain a reserve fund.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

- A hospital foundation meets the following criteria: {ORS 731.704 section 6}
  - Is non-profit.
  - Is organized, operated as and performs the functions of a non-profit hospital at all times.
  - Is operated, supervised or controlled by a non-profit hospital.
  - Net earnings may not benefit an individual or private stockholder.
  - The governing instrument provides for the distribution of assets, upon dissolution, after all debts and liabilities have been satisfied.
- Assets are to be distributed to organizations granted exemption for property by reason of being a literary, religious, educational, benevolent, charitable or scientific organization or institution, a public body or a non-profit hospital.

**ORS 731.708 Educational institution annuity agreements – Contents of annuity agreement form**

Each annuity agreement form shall include the following information: {ORS 731.708}

- The value of the property to be transferred.
- The amount of the annuity to be paid.
- The manner in which and the intervals at which payment is to be made.
- The age of the person during whose life payment is to be made.
- The reasonable value of the benefits, as of the date of the agreement is created. This value shall not exceed by more than 15 percent the net single premium for the benefits.
- The following statement, on the face of the annuity agreement form: “This annuity is not issued by an insurance company, is subject only to limited regulation by the State of Oregon and is not backed or protected in any way by the State of Oregon.”

**ORS 731.712 Educational institution annuity agreements – Obtaining approval of agreement forms**

- A copy of each agreement form proposed, relating to a transfer, must be filed with the Director of the Department of Business Services. The Director will approve or disapprove the forms within 60 days. {ORS 731.712 section 1}
- Approved agreement forms may not be amended until a copy of the proposed amendment has been filed with and approved the director. {ORS 731.712 section 2}

**ORS 731.716 Educational institution annuity agreements**

- A separate and distinct reserve fund must be maintained to meet the future payments under all outstanding annuity agreements. The amount is determined by using an approved mortality table and computing interest at 2 ½ percent per year. {ORS 731.716 section 1}
- If the institution does not maintain adequate reserve funds, the certificate of authority will be revoked. {ORS 731.716 section 2}

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

**ORS 731.720 Educational institution annuity agreements – Application of other provisions**

- List of ORSs that institutions are subject to that hold a certificate of authority. {ORS 731.720 section 1}
- An annual report of its business relating to annuities for the fiscal year shall be sent to the Department of Business Services no later than 120 days after the end of the fiscal year. {ORS 731.720 section 2}
- The report must include the market value of annuity fund assets. Investment income may be reported on a cash or accrual basis. The basis may only be changed with prior approval of the Director. {ORS 731.720 section 3}
- The institution shall have an independent annual audit relating to annuities and shall file the audit report with the Director. The audited financial report of the most recent reporting year shall disclose the financial position, the results of operations, the cash flows of activities relating to annuities and a determination of compliance with the maintenance of adequate reserve funds. The audited financial statements may include all operations of the institution or may be separate. {ORS 731.720 section 4}
- The certificate of authority shall remain in force as long as the institution is entitled. The certificate is subject to continuance each year by filing the annual report and audited financial statements. The following provisions apply to a certificate of authority that is not continued. {ORS 731.720 section 5}
- A certificate that is not continued expires on the 60<sup>th</sup> day after the date on which the filings under subsections (2) and (4) are due.
- The Director will promptly notify the institution of the impending expiration of the certificate.
- Upon request of the institution, before the 90<sup>th</sup> day of the expiration, the Director may reinstate the certificate after all required filings have been completed.
- Otherwise, the institution will need to file a new application and meet all requirements for an original certificate of authority.

**ORS 731.724 Educational institution annuity agreements – Procedure if authority is revoked or suspended**

- If the certificate of authority for an institution is revoked, the Director may bring proceedings to take control of the property to guarantee payments under agreement. {ORS 731.724}

**OREGON ADMINISTRATIVE RULES (OAR)**

**OAR 580-040-0005(3) Vice Chancellor for F&A responsible for establishing policies and procedures for administration of gift, grant and contract funds**

OAR 580-040-0005 provides for the following delegation of authority from the Board to the Chancellor:

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

- The Board directs the Vice Chancellor for Finance to execute Board policy in all areas of fiscal and administrative services, including: { OAR 580-040-0005 }
- Policies and procedures for administration of gift, grant, and contract funds. { OAR 580-040-0005 section 3 }

**OAR 580-040-0005(4) Vice Chancellor for F&A responsible for custody, control, and management of the investment of department funds**

OAR 580-040-0005 provides for the following delegation of authority from the Board to the Chancellor:

- The Board directs the Vice Chancellor for Finance to execute Board policy in all areas of fiscal and administrative services, including: { OAR 580-040-0005 }
- Investment of Department funds. { OAR 580-040-0005 section 4 }

**OAR 580-040-0230(h) Purchases of investment contracts exempt from competitive purchasing procedures**

- Institutions do not need to follow competitive procedures for investment contracts regardless of value. { OAR 580-040-0230 section h }

**OAR 580-042-0005 Gift, grant, and contract management general authority**

- The Board encourages gifts by using them for the institution or program for which they were intended, subject to the terms of the gift. { OAR 580-042-0005 }

**OAR 580-042-0010 Gift, grant, and contract management delegation**

OAR 580-042-0010 provides for the following delegation of authority from the Board to the Institutions and Vice Chancellor for Finance and Administration:

- Institutions are delegated authority to accept gifts, grants and contracts within specified criteria. Defined criteria relates to the Board's approved budgets and academic mission. { OAR 580-042-0010 section 1 }
- The Vice Chancellor for Finance and Administration is delegated authority over acceptance of gifts, grants and contracts that fall outside the specified criteria for institution acceptance. { OAR 580-042-0010 section 2 }

**OAR 580-042-0015 Gift, grant, and contract management institutional responsibility**

- Institutions, divisions, or a statewide service may initiate a request for gift, grant or contract funds after considering two criteria defined within the OAR. { OAR 580-042-0015 }

**OAR 580-042-0020 Gift, grant, and contract management Board acceptance of scholarship gifts**

- Gifts made to the institution to provide scholarships selected on a competitive basis shall be reported as scholarship gifts. { OAR 580-042-0020 sections 1 and 2 }

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

- Gifts made for designated students not selected on a competitive basis shall not be reported as scholarship gifts. Instead these payments will be deposited to the credit of the student in a student safekeeping agency account and will be considered a gift to the recipient and not the institution. {OAR 580-042-0020 section 3}

**OAR 580-046-0005 Institution Foundations – Recognition of a Foundation**

- An institution president may provide recognition to an entity to serve as an institution foundation. {OAR 580-046-0005 section 1}
- Only one entity may be recognized as the foundation for each institution. The president will report the recognized entity to the Chancellor. {OAR 580-046-0005 section 2}
- All private support of an institution not made directly to the institution will be made through a recognized foundation. {OAR 580-046-0005 section 2}
- Defines criteria that must be met by an entity in order to be selected as an institution foundation. Additionally, procedures for seeking recognition as a foundation are specified. {OAR 580-0406-0005 sections 3, 4, and 5}

**OAR 580-046-0010 Institution Foundations – Privileges and Responsibilities of Recognition**

- Defines the privileges and responsibilities that are given to an entity recognized as an institution foundation. {OAR 580-046-0010}

**OAR 580-046-0020 Institution Foundations – Institution Foundation Organization, Affiliates, Relationships**

- Requires the foundation to be organized in a manner than complies with Oregon nonprofit corporation law and IRS requirements for maintaining status as a tax-exempt entity. {OAR 580-046-0020 sections 1 and 2}
- Requires the foundation’s governing documents to specify that if the foundation is dissolved, the assets will be distributed to the institution or to a subsequently recognized foundation. {OAR 580-046-0020 section 3}
- Allows foundations to include affiliates and associations. Defines procedures to be followed in the operation of these relationships. {OAR 580-046-0020 sections 4 and 5}

**OAR 580-046-0025 Institution Foundations – Foundation Independence from Institution**

- Requires a foundation to be independent of the institution. {OAR 580-046-0025 section 1}
- A foundation’s governing body, employees, and agents shall not be subject to the control of the institution or an institution employee. {OAR 580-046-0025 section 2a}
- A foundation’s governing body, employees, and agents shall not give the appearance that the institution controls the foundation or its property, including investment of gifts and endowments made to the foundation. {OAR 580-046-0025 section 2b}
- No institution employee may be a voting member of a governing body of the foundation. {OAR 580-046-0025 section 3}

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

**OAR 580-046-0030 Institution Foundations – President’s Responsibilities, Additional Rules**

OAR 580-046-0030 provides the institution presidents with the following authority and responsibility:

- The president will be a nonvoting member of a foundation’s governing body. In addition, other institution employees may also be nonvoting members. {OAR 580-046-0030 section 1}
- The president will monitor foundation activities and relationships for compliance with Board rules and provide periodic reports to the Chancellor. {OAR 580-046-0030 section 2}
- The president may establish additional written policies and guidelines for the foundation consistent with the Board’s OARs and IMDs. These policies and rules must be reported to the Chancellor and Board prior to their adoption. {OAR 580-046-0030 section 3}
- The president shall report to the Chancellor as required by specific regulations within OAR 580-046-0005 through 580-046-0045. {OAR 580-046-0030 section 4}

**OAR 580-046-0035 Institution Foundations – Foundation and Institution Operational Procedures, Gifts, Accounts, Institution Support, Contracts**

- Institution employees may encourage gifts either to the institution directly or through the foundation. {OAR 580-046-0035 section 1}
- Foundations will not accept gifts with restrictive terms and conditions without institution approval. {OAR 580-046-0035 section 2a}
- Foundations will coordinate with the institution’s development office. {OAR 580-046-0035 section 2b}
- The foundation will report to the president annually regarding gifts to the foundation and institution resulting from foundation activities. {OAR 580-046-0035 section 3}
- Institutional revenue, other than from development activities, will not be deposited with the foundation. {OAR 580-046-0035 section 4}
- Procedures must be developed to ensure than gifts will be deposited to the intended donee, whether institution or foundation. {OAR 580-046-0035 section 5}
- Defines procedures and approvals that must be followed for payments from the foundation to institution employees, with the exception of expense reimbursements. {OAR 580-046-0035 section 6}
- Allows written contracts between the institution and foundation for limited and reasonable support to the foundation, including but not limited to utilities, janitorial services and support staff. Defines specific procedures and approvals that must be followed related to these contracted support activities. {OAR 580-046-0035 section 7}

**OAR 580-046-0040 Institution Foundations – Foundation Activities**

OAR 580-046-0040 provides institutions with the following procedure:

- Financial and other activities of a foundation will be administered and reported in accordance with law, prudent business practice and GAAP. {OAR 580-046-0040 section 1}

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

- Foundations will be audited annually by a CPA. An audit report will be provided to the president who will subsequently submit it to the Chancellor. Specified information must accompany the report. Additional internal audits may be requested by the president or Chancellor. {OAR 580-046-0040 section 2}

**OAR 580-046-0045 Institution Foundations – Revocation of Recognition**

OAR 580-046-0045 provides institutions with the following procedure:

- The president may revoke recognition of a foundation if it is operating in conflict with the Board rules or the mission of the institution. The president will inform and consult with the Chancellor regarding the revocation. {580-046-0045 section 1}
- Defines specific processes that must be followed in revoking foundation recognition. {OAR 580-046-0040 section 2}

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

**IMD 4.200 Board policy on endowed chair.**

- Endowed chairs can be set up by the Institutions, the Board or the Chancellor consistent with OAR 580-042-0010(1). {IMD 4.200}
- The institution selects the occupant, establishes salary and allocates funds. {IMD 4.200}
- Funds will be paid through institutional accounts. {IMD 4.200}
- The Chancellor or Board approves exceptions to this policy in writing. {IMD 4.200}

**IMD 6.004 Accounting policies for cash funds (including gifts)**

- All funds must be entered into the accounting records. {IMD 6.004}
- The Vice Chancellor for Finance and Administration establishes the procedures for disbursement. {IMD 6.004}
- Gifts must be deposited in the State Treasury unless otherwise specified by the donor. {IMD 6.004}

**Work Group Note:** Chancellor establishes procedures for disbursement.

**IMD 6.105 Investment management responsibility**

IMD 6.105 provides the Vice Chancellor for Finance and Administration with the following authority and responsibility:

- The Vice Chancellor is authorized to purchase, sell or trade securities. {IMD 6.105}
- Prior approval of the Board President or Finance Committee Chairman is required for transactions > \$20,000. {IMD 6.105}
- No approval is required for purchase of U.S. Government securities or certificates of deposit from Oregon banks. {IMD 6.105}

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

**Work Group Note:** The Chancellor's Office has been exploring an increase in the \$20,000 limitation in IMD 6.105 to allow the Investment Committee to rebalance the OUS Pooled Endowment Fund without having to get prior approval from the Board President. At this point, the desired level for a new limitation is unclear. Potentially, it might be better to have a special IMD section giving the Vice Chancellor the authority to rebalance the endowment fund without the Board President approval.

**IMD 6.110 Investment management -voting stock ownership**

IMD 6.110 provides the Vice Chancellor for Finance and Administration with the following authority and responsibility:

- The Vice Chancellor will vote stock ownership in accordance with corporate management recommendation. {IMD 6.110}
- The Vice Chancellor will consult with Board President or Chairman of the Finance committee when there is no recommendation from corporate management or when it seems prudent to deviate from that corporate management recommendation. {IMD 6.110}

**IMD 6.115 Custody of board securities**

IMD 6.115 provides the Vice Chancellor for Finance and Administration with the following authority and responsibility:

- The Vice Chancellor for Finance and Administration is responsible for the safekeeping of the Board's securities and is authorized to obtain, deposit or release securities from banks to protect funds for the Department. {IMD 6.115}

**IMD 6.125 Delegation of investment authority**

IMD 6.125 provides for the following delegation of authority and responsibility from the Vice Chancellor for Finance and Administration to the Controller:

- The Vice Chancellor for Finance and Administration may delegate to the Controller responsibility for assuring effective investments of the Bond Building Fund, the Bond Sinking Fund and the Current Donation Fund. {IMD 6.125}

**IMD 6.130 Reports on investments**

IMD 6.130 provides the Vice Chancellor for Finance and Administration with the following authority and responsibility:

- The Vice Chancellor for Finance and Administration will report to the Board not less than semi-annually on corporate stock investment status and transactions. The report will provide information on market and book values, current dividend rate, purchases and sales, gains and losses. {IMD 6.130}
- The Vice Chancellor for Finance and Administration will report to the Board annually on all investments of all funds and make appropriate recommendations. {IMD 6.130}

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

**IMD 6.140 Endowment fund investments**

IMD 6.140 provides OUS with the following procedure:

- The investment objective is to secure returns sufficient to provide annual income to fund participants and maintain the purchasing power of the funds. The annual income to fund participants will equal a percentage of the 5-year moving average of the market value of the endowment funds. The Oregon personal income index is used to measure the maintenance of purchasing power. {IMD 6.140}
- Income in excess of the amount needed to fund the annual distribution requirements will be reinvested. Securities may be sold to provide cash for the distribution, but the book value may not be invaded. {IMD 6.140}
- Not more than 5% of the endowment fund will be invested in one corporation (equities, bonds and commercial paper). The fund will not invest in more than 5% of the securities of one corporation. {IMD 6.140}
- Gifts or bequests that stipulate that the funds not be invested in security pools will be directed by terms of the gift. {IMD 6.140}
- The Vice Chancellor for Finance and Administration is authorized to arrange through the Oregon Investment Council for the management of the investment of the Board's endowment funds. {IMD 6.140}
- Any individual donation which exceeds \$30,000 in total market value will be designated a quasi-endowment. The Office of Administration may authorize exceptions up to \$100,000. The Board may authorize exceptions greater than \$100,000. Any quasi-endowment account balance less than \$30,000 in market value may be transferred to the Current General Fund or the Current Restricted Fund (with prior approval of the Office of Administration). Any individual donation less than \$30,000 may be designated a quasi-endowment by the institution. {IMD 6.140}

**Work Group Note:** High priority. These thresholds should be raised to reflect current economies. See Issue regarding "Raising threshold for classifying non-designated donations"

**IMD 6.141 Accounting - quasi-endowment accounts**

- The Vice Chancellor for Finance and Administration will authorize expenditure of money from the quasi-endowment accounts in accordance with the budget program for the current fiscal year. {IMD 6.141}

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

**OUS POOLED ENDOWMENT FUND INVESTMENT OBJECTIVES AND POLICY GUIDELINES**

**I. Introduction:**

This statement governs the investment of the Pooled Endowment Fund (the “Fund”) of the Oregon State Board of Higher Education (the “Board”) of the Oregon University System (“OUS”).

This statement is set forth in order that the Board, the Investment Committee, its investment advisor and its investment managers and others entitled to such information may be made aware of the Policy of the Fund with regard to the investment of its assets. This statement of investment policy is set forth in order that:

- There be a clear understanding by the Board, Investment Committee and staff, of the investment goals and objectives of the portfolio.
- The Board and management have a basis for evaluation of the investment managers.
- The investment managers be given guidance and limitations on investing the funds. It is intended that these objectives be sufficiently specific to be meaningful but flexible enough to be practical. It is expected that the policy and objectives will be amended from time to time to reflect the changing needs of the endowment; however, all modifications will be in writing and approved by the Board.

***Key Points of the Policy:***

- Funds are subject to certain investment requirements, I.e. funds will be invested long term
- The responsibility of the Board is to define and to recommend to the OIC broad investment guidelines, selection of investment managers, and determination or approval of asset allocation. The Investment Committee serves as advisory to the Board and will have the responsibility and authority to oversee the investments of the Fund
- Investment manager(s) shall have full discretionary authority to direct investment, exchange and liquidation of the assets of the managed accounts. They will report to the Board.
- Investment results will be monitored by an independent consulting firm

**II. Oregon University System Pooled Endowment Fund**

The Oregon University System Pooled Endowment Fund (Fund) is a permanent fund and is expected to operate in perpetuity, so these funds will be invested long-term. It is important to follow coordinated policies regarding spending and investments to protect the principal of the funds and produce reasonable total return.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

**III. Responsibility of the Board**

The responsibility of the Board is to define and to recommend to the OIC broad investment guidelines, selection of investment managers, and determination or approval of asset allocation.

**IV. Investment Committee Responsibility**

The Investment Committee serves as advisory to the Board and will have the responsibility and authority to oversee the investments of the Fund. The Investment Committee will recommend to the Board a specific asset mix reflecting judgments as to the investment environment as well as the specific needs of the Fund. Other advisory responsibilities of the Investment Committee will include:

- Recommending professional investment managers.
- Negotiating and/or monitoring Fund investment expenses.
- Monitoring the investments on an ongoing basis.
- Assuring proper custody of the investments.
- Reporting to the Board on a quarterly basis the Fund's investment results, its composition and other information the Board may request.
- Recommend to the Board the goal for maintaining purchasing power.
- Recommend distribution per unit to the Board.
- To assist in this process, the Board may retain a registered investment advisor/consultant. The duties of this investment advisor/consultant are described in Section X.

**V. Spending Policy**

The amount of endowment return available for spending (distribution) is based on a percentage of the average unit market value of the 20 quarters preceding the current fiscal year. The distribution per unit (under Exhibit A) is determined by the Board as recommended by the Investment Committee. The distribution amount per unit is multiplied by the current number of units and any additional units added during the current year as new endowment money comes into the Fund. This shall be exclusive of investment management fees.

**VI. Investment Policy Guidelines**

The Board does not expect the Investment Committee to be reactive to short-term investment developments, recognizing that the needs for payout are long-term and that investment competence must be measured over a meaningful period of time. While the quantitative assessment of managerial competence will be measured over a complete market cycle, the Board anticipates that the Investment Committee will make interim qualitative judgments. Specific qualitative factors which will be reviewed by the Investment Committee on an ongoing basis include any fundamental changes in the manager's investment philosophy, any changes in the manager's organizational structure, financial condition and personnel, and any change, relative to their peers, in the manager's fee structure.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

A. Asset Allocation

The most important component of an investment strategy is the asset mix, or the resource allocation among the various classes of securities available to the Fund. The Investment Committee will be responsible for target and actual asset allocation for the investments that will best meet the needs of the Fund, taking into consideration the appropriate level of portfolio volatility.

The risk/return profile shall be maintained by describing a long-term “target” strategic asset allocation and is set forth in Schedule I of this Policy.

B. Investment Time Horizon

In making investment strategy decisions for the Fund, the focus shall be on a long-term investment time horizon that encompasses a complete business cycle (usually three to five years). Interim evaluation will be required if a significant change in fees, manager personnel, strategy or manager ownership occurs.

C. Statement of Derivatives Policy

A derivative is defined as a contract or security whose value is based on the performance of an underlying financial asset, index, or other investment. An investment manager shall not use derivatives to increase portfolio risk above the level that could be achieved in the portfolio using only traditional investment securities. Moreover, an investment manager will not use derivatives to acquire exposure to changes in the value of assets indices that, by themselves, would not be purchased for the portfolio. Under no circumstances will an investment manager undertake an investment that is non-covered or leveraged to the extent that it would cause portfolio duration to exceed limits specified above. The investment manager will report on the use of derivatives on a quarterly basis to the administrative manager.

**VII. Prudence, Responsibilities, and Controls**

Prudence

All participants in the investment process shall act responsibly. The standard of prudence to be applied by the Board, Investment Committee, OUS staff responsible for the management of investments, and external service providers shall be the “prudent investor” rule, which states: “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

Ethics and Conflicts of Interest

Board members, Investment Committee members, OUS staff responsible for the management of investments, managers and advisors 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.

**VIII. Investment Objectives**

The investment objective of the Fund is to seek consistency of investment return with emphasis on capital appreciation over long periods of time, since the Fund will operate in perpetuity. In keeping with the performance goals included in the Policy, achievement of this objective shall be done in a manner that maintains the purchasing power of the principal. The Investment Committee shall set the goal for maintaining the purchasing power of the principal value of the assets (under Exhibit A). Under no circumstance shall the principal, as adjusted for inflation, be diminished.

**IX. Manager(s) Responsibilities**

Legal Compliance

The investment manager(s) is responsible for strict compliance with the provisions of the prudent investor rule as it pertains to their duties and responsibilities as fiduciaries.

Evaluation Timetable

The manager(s) will be expected to provide to the OIC, State Treasurer's Office, Board, Investment Committee and their investment advisor/consultant on a timely basis each quarter such data as is required for proper monitoring. In addition, the manager(s) will provide to the investment advisor/consultant transaction registers and portfolio valuations, including cost and market data on a monthly basis.

Authority of Investment Manager(s) in the Managed Accounts

Subject to the terms and conditions of this Policy, manager(s) shall have full discretionary authority to direct investment, exchange and liquidation of the assets of the managed accounts. The Investment Committee expects that the investment manager(s) will recommend changes to this Policy when the manager(s) views any part of this Policy to be at variance with overall market, economic conditions, and relevant investment policies.

The Investment Committee directs all managers to vote proxies and to vote them in the best interest of the Fund. The managers will report to the Investment Committee and their investment advisor/consultant at least annually as to how proxies were voted.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

Each investment manager is required to meet with the Investment Committee and their investment advisor/consultant at least annually to review:

- The investment forecast for the following year.
- The effect of that outlook on the attainment of the Fund objectives.
- The manager's actual results for the preceding forecast period compared to the previously established return goal for the reporting period.
- The Investment Policy, Guidelines and Objectives of the Fund. If it is felt by the investment manager that the Policy is too restrictive or should be amended in any way, written notification must be communicated immediately.

**X. Investment Advisor/Consultant Responsibilities**

Investment results will be monitored by an independent consulting organization, under contract by the Board, on a regular basis and reported to the Investment Committee as soon as practicable after each calendar quarter. A representative of the investment advisor/consultant shall meet with the Investment Committee to review for each manager (i) its past performance, (ii) compliance with the Investment Policy, Guidelines and Objectives of the Fund, including but not limited to asset allocation, actual return, and comparative return in relation to applicable index (indices) and to a universe of comparable funds, (iii) risk profile, (iv) ability of manager to fulfill the stated objectives of the funds, and (v) any other material matter. A representative of the investment advisor/consultant shall also report investment results, or other information, to the Board, OIC and others, as requested by the Investment Committee. Any noncompliance with the Investment Policy, Guidelines and Objectives of the Fund or other section of this statement discovered by the investment advisor/consultant will be reported to the Investment Committee immediately.

**XI. Investment Guidelines**

A. The Fund shall maintain minimal cash, consistent with short-term requirements.

Short-term cash will be invested in the Oregon State Treasurer's Short-Term Investment Pool.

B. Fixed-income securities, for purposes of these guidelines, shall mean mortgage-backed securities, U.S. government securities, investment-grade corporate bonds, and other fixed income securities, such as certificates of deposit and commercial paper. The objective of this component of the Fund is to preserve capital in keeping with prudent levels of risk, through a combination of income and capital appreciation. Realization of income will be subordinate to safety, liquidity, and marketability (securities should be readily marketable). This component of the Fund will adhere to the following categories:

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

1. Average credit quality shall be A or better.
2. With the exception of U.S. Government and Agency issues, no more than 10% of the bond portfolio at market will be invested in the securities of a single issuer or 5% of the individual issue.
3. There shall be a maximum limitation on below investment grade bonds of 15% of the bond portfolio.
4. There shall be a maximum limitation on non-U.S. bonds of 20% of the bond portfolio.

Fixed-income managers have full discretion over the allocation between long-term, intermediate, or cash equivalent investments.

C. Equity securities are to be made primarily in well-established, quality companies. The objective specific to this component of the Fund is to maximize long-term total return through a combination of income and capital appreciation. The restrictions pertinent to this portion of the Fund are as follows:

*Large-Cap Equity Requirements:*

Not more than ten percent of the companies invested in should have market capitalizations less than \$1 billion (subject to the large-cap equity limitations of Schedule I). Portfolios should be comprised of at least 30 security issues.

*Small/Mid Cap Equity Requirements:*

Investments in small and mid cap companies with market capitalization similar to the Russell 2500 index (subject to the small/mid cap equity limitations of Schedule I). Portfolios should be comprised of at least 30 security issues.

*International Equity Requirements:*

Investments in the equity securities of companies located outside the United States are permitted (subject to the international equity limitations of Schedule I). Portfolios should be comprised of at least 30 security issues.

D. Diversification

1. Not more than five percent of the market value of any investment fund will be invested in any single issue, property, or security. This restriction does not apply to U.S. Government-issued securities.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

2. No investment in any single issue, security, or property shall be greater than five percent of the total value of the issue, security, or property.

Performance expectation for each of the asset classes is described in Exhibit A.

**XII. Other Investments**

The Board and the Investment Committee recognize that the addition of other investment classes may reduce total fund volatility.

The Board and the Investment Committee may, with the concurrence of the OIC, place up to ten percent of the aggregate Fund assets in venture capital, real estate, distressed securities, and oil and gas partnerships. This allocation is to provide for portfolio diversification.

**XIII. Other Guidelines and Requirements**

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

**XIV. Conclusion**

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

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

**SCHEDULE I**

**ALLOCATION OF ASSETS**

The following represents target asset allocations and the ranges by asset category.  
Allocation of asset by class:

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

<u>Class</u>		Fixed Income Category	Cash	Alternative Assets
<u>Target Allocation</u>	Equity Category	25%	5%	0%
<u>Ranges</u>	70%	20%-30%	0%-10%	0%-10%
<u>Policy Benchmark</u>	60%-80%	Lehman Aggregate	90 Day T-Bill	

<u>Target Allocation</u>	Large-Cap Equity	Small/Mid Cap Equity	International Equity
<u>% of Equity</u>	65%	20%	15%
<u>Ranges</u>	55%-75%	15%-25%	10%-20%
<u>Policy Benchmark</u>	S & P 500	Russell 2500	MSCI EAFE

The Target Allocation Policy benchmark is 59.5% Russell 3000 Index, 10.5% MSCI EAFE Index, 25.0% Lehman Aggregate and 5.0% 90 Day T-Bills.

**EXHIBIT A**

**Performance Monitoring Return Expectations**

**Spending Policy**

The distribution rate for the Fund is 4.5 percent of the five-year moving average unit market value for FY 2000-01 and will decrease to 4.0 percent of the five-year moving average unit market value for FY 2001-02 and thereafter.

**Total Fund**

The total fund will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

Exceed the return of the Policy benchmark (Schedule I) by 0.50 percent (after fees) over a market cycle;

Exceed the level of inflation by 5.0 percent or more as measured by the Consumer Price Index (CPI) over a market cycle; and

Exceed the median fund in a universe of other endowments over a market cycle. A market cycle is defined as an investment period lasting three to five years.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Endowment Management*

**U.S. Equities - Large Capitalization**

Equity accounts will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Exceed the return of the S&P 500 Index by 0.25 percent (after fees) over a market cycle; and
2. Rank at or above the median of a nationally recognized universe of equity managers possessing a similar style.

**U.S. Equities - Small/Mid Capitalization**

Small/Mid capitalization accounts will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Exceed the return of the Russell 2500 (after fees) by 1.0 percent over a market cycle; and
2. Rank in the 40<sup>th</sup> percentile of a nationally recognized universe of small cap managers possessing a similar style.

**International Equities**

International equity accounts will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Exceed the Return of the EAFE Index by 1.0 percent (after fees) over a market cycle; and
2. Rank in the 40<sup>th</sup> percentile of a nationally recognized universe of equity managers possessing a similar style.

**Fixed Income**

Fixed income accounts will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Exceed the Return of the Lehman Aggregate Index 0.5% (after fees) over a market cycle; and
2. Rank in the 40<sup>th</sup> percentile of a nationally recognized universe of fixed income managers possessing a similar style.

# Facilities Management

## **OREGON ADMINISTRATIVE RULES (OAR)**

### **Building Fee Project Process**

#### **OAR 580-010-0110**

##### **Incidental Fee Committee Review and Recommendation**

Each institution's Incidental Fee Committee will be given reasonable opportunity, to be specified in the guidelines and procedures of the student government, to review any project that affects a facility whose operations are or are intended to be funded, in whole or in part, from student incidental fee income. The Incidental Fee Committee shall recommend to the student planning and construction committee whether it believes the project should be approved and estimate, based upon the project's scope and schedule, the anticipated effect that the operation of the completed project will have on incidental fee amounts charged to students.

Stat. Auth.: ORS 351.070Stats. Implemented: ORS 351.070Hist.: HEB 2-1997, f. & ef. 8-1-97

#### **OAR 580-010-0120**

##### **Recommendations of Appropriate Student Government Official(s)**

The student government of each institution shall determine which of its elected officials will be charged with making recommendations to the institution's president regarding capital construction projects proposed to be funded, in whole or in part, from student building fee income and shall so notify the institution president. Such appropriate student government official(s) shall review the recommendations of the incidental fee and student planning and construction committees. Efforts shall be made by both the appropriate student government official(s) and the representatives of the college and university administration to reach common understanding and consensus on such recommendations. However, the appropriate student government official(s) may make recommendations to the institution president even if such consensus has not been reached.

Stat. Auth.: ORS 351.070Stats. Implemented: ORS 351.070Hist.: HEB 2-1997, f. & ef. 8-1-97

#### **OAR 580-010-0130**

##### **Agreement between Student Government and Institution President**

- (1) The institution president shall review the recommendation of the appropriate student government official(s) prior to approving the institution's capital construction budget request for the upcoming biennium. If the institution president does not agree with a recommendation or priority ranking of the appropriate student government official(s), the president and the appropriate student government official(s) shall make good faith efforts to reach agreement.
- (2) If agreement is not reached, the institution president and the appropriate student government official(s) shall submit the matter to a Hearings Board in the manner described in OAR 580-

010-0090(3)(h). The hearing must be completed prior to the deadline for the president to submit the institution's request to the Chancellor's Office.

- (3) If agreement has not been reached even after a hearing, the institution's president shall submit the institution's capital construction budget request to the Chancellor's Office and disclose that agreement has not been reached with the appropriate student government official(s).

Stat. Auth.: ORS 351.070 Stats. Implemented: ORS 351.070 Hist.: HEB 2-1997, f. & ef. 8-1-97

#### **OAR 580-010-0140**

##### **Capital Construction Budget Recommendations of Vice Chancellor for Finance and Administration**

- (1) The Vice Chancellor for Finance and Administration or designee shall discuss with the parties any matters of disagreement between the institution president and the appropriate student government official(s) and shall take the information provided into account in making the Chancellor's capital construction budget recommendations regarding projects to be financed from the building fee to the Board of Higher Education. If the Chancellor's recommendation includes projects on which the institution and appropriate student government official(s) have not reached agreement, the Chancellor's Office shall disclose that a disagreement exists to the Board of Higher Education at the time of its capital construction budget recommendation.
- (2) The Vice Chancellor for Finance and Administration shall base these recommendations on the following criteria:
- (a) Demonstrated project need and beneficial use to students;
  - (b) Campus student support for the project;
  - (c) Protection of asset investment and compliance with code requirements;
  - (d) Co-funding availability; and
  - (e) The historical share of building fee projects at a given campus compared to the System as a whole.
- (3) The Vice Chancellor, within a reasonable time of receiving a request, shall provide a written report that specifies how criteria listed in subsection (2) of this rule were considered in the evaluation of a project.

Stat. Auth.: ORS 351.070 Stats. Implemented: ORS 351.070 Hist.: HEB 2-1997, f. & ef. 8-1-97

#### **OAR 580-050-0015 Purchases of Real Property**

The Vice Chancellor for Finance and Administration or designee has authority to purchase real properties, with appropriate report to be made to the Board, subject to the following conditions:

- (1) "Location." Properties shall be located within the Board-established projected campus boundaries of an institution. Property exchanges are subject to specific Board authorization.
- (2) "Sources of Funds." Properties to be used principally as sites for educational and general construction or improvements, or principally for current educational and general use, shall be financed from funds available for these purposes, usually a state appropriation or proceeds from the sale of bonds issued under the provisions of Article XI-G of the Oregon Constitution. Properties to be used principally as sites for auxiliary enterprises construction or improvements, or principally for current auxiliary enterprises use, shall be financed from funds available for these purposes, such as proceeds from the sale of bonds issued under provisions of Article XI-F(1) of the Oregon Constitution or appropriate restricted funds.
- (3) "Purchase Price." Purchases shall be made at prices based on current market values, determined by averaging two or more independent appraisals. Limit on each purchase shall be \$100,000.
- (4) "Priority of Property Acquisitions." To the extent practical, purchases shall be made in the following priority order:
  - (a) Site for building construction or other improvement projects for which funds are available;
  - (b) Unimproved property;
  - (c) Property with improvements having value materially less than the land;
  - (d) Sites intended for building or other improvement projects for which construction authorization is expected to be sought from the Legislature at its next session, with a high priority assigned to the project;
  - (e) Property for which the owner plans costly improvements or other action that would materially increase the market value and cost to the Board if acquired later;
  - (f) Property offered for sale by owner.
- (5) "Condemnation." Authorization to acquire real property by condemnation is subject to specific Board action.

**OAR 580-050-0020 Appointment of Professional Consultants**

The Vice Chancellor for Finance and Administration or designee is authorized to select and employ architects, engineers, planners and related professional consultants (collectively called "consultants" in this rule) for energy management, construction, construction management, facilities planning, improvements, repairs, deferred maintenance, technical services and related activities in accordance with the following standards and procedures:

- (1) The purposes of this rule are to assure that consultants are considered fairly for professional service contracts; that those selected will be highly qualified; and to encourage excellence and cost consciousness on the part of consultants. The following factors shall be considered in evaluating and selecting consultants:
  - (a) Experience, design talent and technical competence, including an indication of the planning process expected to be used in the work;
  - (b) Capacity and capability to perform the work, including any specialized services, within the time limitations set for the work;
  - (c) Past record of performance on contracts with governmental agencies and private owners with respect to such factors as cost control, quality of work, ability to meet schedules and contract administration;
  - (d) Availability to and familiarity with the area in which the work is located, including knowledge of design and construction techniques peculiar to the area;
  - (e) Proposed cost management techniques to be employed; and
  - (f) Ability to communicate effectively.
  
- (2) At least biennially, in a trade periodical or an Oregon newspaper of general circulation, and in at least one trade periodical or newspaper geared towards minority, women and emerging small businesses, the Vice Chancellor for Finance and Administration or designee shall publish a notice stating in substance that copies of this rule may be obtained from the Office of Finance and Administration and that consultants are invited to submit qualifications to the Vice Chancellor for Finance and Administration or designee for consideration. The Vice Chancellor for Finance and Administration or designee shall also provide a copy of the above notice to the Office of Minority, Women and Emerging Small Business. A list of the names and addresses of the institution facilities planning official(s) designated by the institution president shall be provided to any consultant upon request.
  
- (3) Retainer Agreements:
  - (a) Following the procedures set out in section (2) of this rule, the Vice Chancellor for Finance and Administration will prepare a list of potential consultants. An institution that wishes to enter into retainer agreements will convene a committee as described in paragraph (4)(d)(C) of this rule. Such committee shall review the list prepared by the Vice Chancellor for Finance and Administration and any of the consultants who have expressed an interest and will select consultants who appear to have the qualifications for and interest in performing professional services for the institution. The facilities planning official shall recommend to the Vice Chancellor for Finance and Administration or designee the selected consultants.

- (b) Each selected consultant shall be invited to enter into a retainer agreement for a two-year period with the option to extend for one additional year, utilizing a form of agreement approved by the Vice Chancellor for Finance and Administration. Such services of the selected consultants shall be available to all institutions requiring such services upon request of any institution facilities planning official. The Office of Finance and Administration, on its own initiative, selects consultants for retainer agreements. The Vice Chancellor for Finance and Administration or designee may enter into interagency agreements to permit other public agencies to utilize the services of consultants selected for retainer agreements pursuant to this subsection.
  - (c) Each institution facilities planning official will maintain a current roster of all consultants chosen for institutional retainer agreements by all institutions as well as a roster of retainer agreements entered into by the Office of Finance and Administration.
  - (d) The names of interested consultants not selected under section (3) of this rule shall be maintained on a current roster and provided to the institution facilities planning official at each institution.
- (4) Contracting for Services: The procedures to be followed when contracting for professional consulting services will depend upon a combination of factors including the total anticipated fee and whether or not the consultant has entered into a retainer agreement pursuant to section (3) of this rule.
- (a) For professional service contracts where the anticipated professional fee, including consultant fees and reimbursable expenses and all amendments and supplements, is \$25,000 or less, the Vice Chancellor for Finance and Administration or designee may authorize an appropriate institution facilities planning official to contract for such professional services with any consultant selected in subsections (3)(a) or (3)(b) of this rule or such other consultant as the institution facilities planning official may choose who appear to have the qualifications for and interest in the proposed assignment.
  - (b) For professional service contracts involving an anticipated professional fee, including consultant fees and reimbursable expenses and including amendments and supplements, between \$25,001 and \$100,000, or in an emergency situation, the Vice Chancellor for Finance and Administration or designee may authorize the institution facilities planning official to (1) select a consultant from those on retainer who appear to have the qualifications for and interest in the assignment; or (2) select at least three consultants not on a retainer agreement who appear to have the qualifications for and interest in the proposed assignment and notify each consultant selected in reasonable detail of the proposed assignment and invite each consultant to submit a written proposal;

- (c) The institution facilities planning official shall negotiate a contract with the selected consultant, and if a mutually satisfactory contract cannot be agreed to, the institution facilities planning official may select another consultant from the recommended consultants and enter into contract negotiations.
- (d) For professional service contracts with an anticipated professional fee, including consultant fees and reimbursable expenses, over \$100,000, except in emergency situations, the institution facilities planning official shall select for consideration no fewer than five consultants using the following procedure:
  - (A) Announcement: The institution facilities planning official will give notice of intent to contract for professional services in a trade periodical or newspaper of general circulation and in at least one trade periodical or newspaper geared towards minority, women and emerging small businesses. The notice shall include a description of the proposed project, the scope of the services required, and a description of special requirements, if any. The notice will invite qualified prospective consultants to apply. The notice will specify where the solicitation document may be obtained and the closing date. The institution facilities planning official shall also provide a copy of the above notice of intent to the Office of Minority, Women and Emerging Small Business.
  - B) Application: The application or consultant's qualification must include a statement that describes the prospective consultant's credentials, performance data and other information sufficient to establish the consultant's qualification for the project, as well as any other information requested in the announcement.
  - (C) Initial Screening: The institution facilities planning official shall appoint a consultant screening committee consisting of no fewer than two individuals to review, score, and rank the consultants according to the solicitation criteria. The consultant screening committee will evaluate the qualifications of all applicants and select no fewer than five prospective consultants whose applications demonstrate that the selected consultants can best fulfill the provisions of section (1) of this rule.
  - (D) The Final Selection Procedure:
    - (i) Interviews: Following screening and evaluation, the institution facilities planning official and consultant screening committee will invite to interview, in person, a minimum of five finalists selected from the initial screening.
    - (ii) Award of Contracts: The institution facilities planning official will make the final selection based on such factors as applicant capability, experience, project approach and references; recommend the consultant to the president or designee; and notify the selected consultant of such selection.

- (iii) An appropriate institution official shall then negotiate a contract with the selected consultant. In the event a mutually satisfactory contract cannot be agreed to, the consultant screening committee may select for consideration and contract negotiations another consultant from the remaining recommended consultants.
- (5) Following selection of a consultant, a report of all appointments under subsections (4)(a), (4)(b), and (4)(d) of this rule shall be made to the Board through the Vice Chancellor for Finance and Administration.
- (6) The president or designee of the institution may execute amendments, modifications or supplements to executed professional service contracts within the scope of the original contract and the limits prescribed in this rule.
- (7) Any consultant who has submitted a proposal as outlined in subsections (3)(a), (4)(a), (4)(b) or (4)(d) of this rule and claims to have been adversely affected or aggrieved by the selection of a competing consultant, and unless a different deadline is specified in the notice of intent to contract for professional services, shall:
  - (a) Have seven (7) calendar days after receiving notice of selection to submit a written protest of the selection to the institution facilities planning official. The institution facilities planning official shall not consider a selection protest submitted after the time period provided in this subsection, unless a different deadline is provided in the notice of intent to contract.
  - (b) The institution facilities planning official, in consultation with the Vice Chancellor for Finance and Administration or designee, shall have the authority to settle or resolve a written protest submitted in accordance with this rule. The institution facilities planning official shall respond to the protesting consultant within ten days of receipt of such written protest.
  - (c) Judicial review of the disposition of a written protest submitted in accordance with subsection (7)(a) of this rule may be available pursuant to the provisions of ORS183.484

**OAR 580-0210-0100 Student Planning and Construction Committee**

- (1) Each student government shall establish a student campus planning and construction committee. Each institution shall incorporate the campus planning and construction committee into the established campus planning process for projects proposed to be funded, in whole or in part, from income from the student building fee.
- (2) For projects proposed to be funded, in whole or in part, from income from the student building fee, the student planning and construction committee shall recommend to the appropriate official(s) of the student government, as described in OAR 580-010-0120,

whether each such project should be approved and the relative priority of each such project. The committee may also request consideration of additional projects or project modifications that the committee or student member(s) identifies independently.

- (3) If a project affects a facility in which operations are or will be funded, in whole or in part, from student incidental fee income, the committee will seek the recommendation of the institution's incidental fee committee before making its recommendation to the appropriate student government official(s).

Stat. Auth.: ORS 351.070 Stats. Implemented: ORS 351.070 Hist.: HEB 2-1997, f. & ef. 8-1-97

## **INTERNAL MANAGEMENT DIRECTIVES (IMD)**

### **Financing Auxiliary Enterprise and Service Department Building Repair and Equipment Replacement Reserves**

#### **IMD 6.350 Auxiliary Enterprise Building Repair and Equipment Replacement**

- (1) Auxiliary enterprises establish and maintain reserves for the purpose of funding the cost of building repairs and the replacement of equipment. Such reserves are utilized for their stated purpose before the building fee portion of the XI-F(1) Debt Service Fund may become available, either by permanent transfer or advance of the funds.
- (2) The Building Repair Reserve is normally maintained at not less than 1.5 percent of building replacement value for each category of auxiliary enterprise. Exceptions to this policy may be granted by the Office of Administration, where age or condition of facilities warrant either a greater or smaller reserve balance. Deficiencies at fiscal year-end are recovered over the following seven years.
- (3) Equipment replacement reserve requirements are determined by the cost and life expectancy (usually ten years) of the equipment in each auxiliary enterprise category. At the end of the fiscal year any deficiency in this reserve is scheduled for recovery within the following ten years. No reserve is required when the total value of equipment used in the activity is less than \$2,500.
- (4) Exception to Sections (1) and (3) may be authorized by the Office of Administration where circumstances warrant.

#### **IMD 6.380 Service Department Building Repair and Equipment Replacement**

- (1) Reserves to provide for the replacement of equipment for Service Departments are required if the total value of this equipment used in a Department is \$2,500 or greater. The reserve

level needed is based upon the original cost of the equipment and its expected life (usually ten years). Fiscal year-end deficiencies in the reserve balance are recovered over the following ten years.

- (2) Reserves to provide for the repair of buildings are maintained at a level of not less than 1% or more than 2% of the replacement value of the building or the proportionate share of the building occupied by the Service Department. Deficiencies in the reserve balance at the end of a fiscal year are to be recovered in not less than the succeeding 5 years. Building repair reserves are optional for Service Departments with activity less than the minimum established for Specialized Service facilities as defined by the Federal Office of Management and Budget in Circular A-21 and in accordance with agreement between the Department of Higher Education and the cognizant Federal Audit Agency.
- (3) Exceptions to the requirements of sections (1) and (2) may be authorized by the Office of Administration where circumstances warrant.

#### **IMD 6.390 University Hospital Building Repair and Equipment Replacement**

- (1) Reserves to provide for the replacement of equipment for the University Hospital -- Oregon Health Sciences University -- are required for all items of equipment valued at or above the Medicare threshold for capital equipment. The reserve level needed is based upon the original cost or value of the equipment and its expected life (usually ten years). Patient fee revenue not required to meet current obligations will be used for payments into such reserves. Fiscal year-end deficiencies in the reserve balance are to be recovered within the following ten years.
- (2) Reserves to provide for the repair, renovation, and replacement of buildings are maintained at a level of not more than 20 percent of the replacement value of the buildings occupied by the University Hospital

#### **Planning and Capital Construction**

##### **IMD 7.106 Authorization to Undertake Capital Construction Projects**

Before an institution undertakes to raise funds, prepare other than conceptual plans or contract for capital construction on land owned or controlled by the Board on behalf of the institution, approval of the Board shall be obtained, regardless of the source of funds or the method by which the project is to be financed. To obtain approval, the institution shall describe fully the financing plan for the design and construction and for the operation and maintenance of the proposed project. Capital construction is defined as any facilities improvement, which costs \$100,000, or more and is not considered maintenance and repair.

### **IMD 7.145 Plant Rehabilitation**

The Chancellor may allocate funds from the Board's reserve for physical plant rehabilitation and minor capital outlay. The Vice Chancellor for Finance and Administration or designee is assigned the responsibility of recommending such allocations to the Chancellor with appropriate report to the Board at the meeting following such action, subject to the following conditions:

- (1) The work to be financed from such allocations is needed and relates only to buildings or facilities owned and operated within the educational and general plant;
- (2) The allocation for any project shall not exceed the following limitations:
  - (a) For the repair, rehabilitation or minor improvement of a state-owned residence occupied by the Chancellor or President--\$5,000;
  - (b) For all other physical plant rehabilitation or minor capital improvements--\$25,000;
- (3) The work does not involve restoration of damaged areas following a fire or other casualty which is covered fully or partially by the State Restoration Fund;
- (4) The work does not involve contractual arrangements with or assessments by other units of government (e.g., improvements of streets or highways, installation of traffic signals, construction of sewer systems, etc.);
- (5) The nature of the work is such that in the judgment of the Chancellor no major policy questions would be raised by the Board concerning the use therefor of funds appropriated from the State General Fund.

# Financial Reporting

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Financial Reporting*

**OREGON REVISED STATUTES (ORS)**

**ORS 293.590 State Agency Accounting**

Provides that the Oregon Department of Administrative Services (DAS) shall direct and control the accounting for all the fiscal affairs of the state government and agencies thereof. Through the State Controllers Division, DAS exercises responsibility for the statewide development and coordination of accounting, financial reporting and fiscal management policies and procedures in accordance with GAAP, federal regulations, and state laws. They also coordinate the State's year-end closing process and prepare Oregon's CAFR. Further, under the authority of this ORS, DAS assigns Management of each state agency with the front-line responsibility for the accuracy and adequacy of its accounting and financial reporting.

**ORS 297.120 Auditing Accounts of State and State-Aided Institutions and Agencies**

Provides that the Audits Division of the Secretary of State, as State Auditor, shall be responsible for auditing the books and records of the State's agencies. This includes the CAFR and the SEFA. The Audits Division also conducts financial and operational audits of State agencies and functions; and, it is responsible for the investigation of losses of public funds under ORS 291.120.

**ORS 291.015 Fiscal Responsibilities of DAS and Delegation of Fiscal Functions**

Provides that DAS, under the direction of the Governor and as provided by law, is responsible generally for the administration and coordination of internal accounting and other affairs, controls, procedures and services of a fiscal nature of the state government and agencies thereof. Also allows DAS, except as otherwise provided by law, to authorize subject to its control the decentralized performance by state agencies of fiscal functions of DAS.

**ORS 293.595 Supervision of Data Processing Equipment for Accounting System**

Provides that DAS shall control and supervise the acquisition, installation and use of all electronic or automatic data processing equipment to be used primarily for the purposes of the accounting records and system (relates to ORS 293.590).

**ORS 291.040 State Financial Report**

Provides that within 180 days of the close of each fiscal year, DAS shall prepare a financial report for the State of Oregon and that the report shall contain financial statements which fairly present the financial condition and results of operation of the State in accordance with GAAP as sanctioned by the GASB, the AICPA or their successors.

**ORS 293.600 Financial and Statistical Reports by State Agencies**

Provides that DAS may require periodic and special financial and statistical reports from all state agencies.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Financial Reporting*

**ORS 291.003 Federal Laws and Rules Govern when Federal Granted Funds Involved**

Provides that in all cases where federal granted funds are involved, the federal laws, rules and regulations applicable thereto shall govern notwithstanding any provision to the contrary in other ORSs.

**ORS 291.026 Examining Agency Records and Financial Affairs**

Provides that DAS may examine the records, files, documents, accounts and financial affairs of any state agency and shall have the right of access for that purpose.

**ORS 351.085 Duties and Powers of the Chancellor (Centralized Control)**

Provides that the Chancellor of the State Board of Higher Education shall exercise, under the direction of the State Board of Higher Education, the administrative authority necessary to carry out the policies of the board with respect to the institutions, departments or activities under the control of the board. Among other things the ORS provides that the chancellor shall act as administrative officer of the board, maintain a centralized service program for all institutions including but not limited to accounting, as well as other centralized services. The ORS also provides that the Chancellor shall prepare and submit to the State Board of Higher Education on or about December 31 of each year an annual report for the fiscal year ending June 30. The Chancellor also has custody of all books, papers, documents and other property belonging to the board.

**ORS 351.090 Standardization of Accounts and Records**

Provides that the board shall prescribe for all state-supported higher educational institutions a standardized system of accounts and records.

**ORS 351.092 Acquisition, Installation and Use of Data Processing Equipment**

Provides that, notwithstanding ORS 293.595, the Board shall control and supervise the acquisition, installation and use of all data processing equipment to be used primarily for the purposes of the accounting records and accounting system of higher education.

**OREGON ADMINISTRATIVE RULES (OAR)**

**OAR 580-040-0005(1) Delegation and Assignment of Responsibility**

Provides that the Board delegates general supervision of fiscal and administrative activities to the Chancellor and designated staff. The Board directs the Vice Chancellor for Finance and Administration to execute Board policy in all areas of fiscal and administrative services including designing, installing, supervising and auditing of fiscal and accounting policies and procedures in the Department.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Financial Reporting*

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

**IMD 6.001 Assignment of Responsibility**

Provides that the Vice Chancellor for Finance and Administration shall be responsible for developing detailed regulations applicable to creation and maintenance of accounting policies, records, and reports; providing central fiscal and accounting services; auditing and reviewing institutional and other unit accounting procedures and records to assure conformity with Statutes, Administrative Rules, Board policies, and generally accepted accounting principles and procedures; and preparing accounting and other financial reports, including a comprehensive annual report of Department assets, liabilities, reserves, income, expenditures, and balances.

**IMD 6.002 Institutional Responsibility**

Provides that the institutions and other Department administrative units shall maintain accounting records and related documentation in such form and detail as required by the Office of Administration and may maintain additional records deemed essential to effective institutional administration.

**IMD 6.003 System of Accounting Records and Reports**

Provides that Department accounting records and reports shall be in conformity with generally accepted accounting principles for higher education institutions and shall be designed to meet institutional requirements for information to facilitate effective management and to discharge the Department's fiduciary responsibility to the people of the state.

**System Financial Policy**

Implementation of the above authorities has taken the form of publication and use of the Financial Administration Standard Operating Manual (FASOM), the Financial Systems Standard Practices & Policy Manual, and the Financial Systems FIS Data Definitions Manual. Other uncodified materials may be issued in memo or letterform from time to time. Collectively, the authorities described above along with these documents and manuals contain the authority and requirements for accounting systems, the chart of accounts, and controls necessary for financial reporting.

**PROFESSIONAL STANDARDS**

***Generally Accepted Accounting Principles for State and Local Governments (GAAP)***

***Generally Accepted Auditing Standards (GAAS)***

***Generally Accepted Government Auditing Standards (GAGAS)***

Public Colleges and Universities, as distinguished from Private Colleges and Universities, are agencies or components of the governments that create them and as such are subject to the principles and standards promulgated for State and Local Governments versus the principles and

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Financial Reporting*

standards applicable to Not-for-Profit Organizations. The source for established accounting and reporting principles for Not-for-Profit Organizations, which includes private institutions, is the Financial Accounting Standards Board (FASB); the recognized standard-setting authority of GAAP for state and local governments is the Governmental Accounting Standards Board (GASB). The primary requirements issued by the GASB come in the form of “Statements” setting out accounting and reporting standards to be followed by governmental entities, which includes public institutions of higher education.

The American Institute of Certified Public Accountants (AICPA) also issues guidance on the application of GAAP and establishes generally accepted auditing standards (GAAS) to be applied in auditing and opining on the GAAP financial statements of state and local governments, including public colleges and universities. Another layer of governmental standards must be added to the list; Generally Accepted Government Auditing Standards (GAGAS) are issued by the Comptroller General of the United States. The standards issued by the Comptroller General are further coordinated with the United States General Accounting Office (GAO) and the Office of Management and Budget (OMB) which issues Circulars setting out certain financial reporting requirements for colleges and universities that receive federal funds, whether in the form of student financial aid or research monies.

The GAAP standards issued by the GASB are supplemented by FASB standards, AICPA pronouncements, and standards from industry organizations such as the National Association of College and University Business Officers (NACUBO). This structure of standard setting for colleges and universities that are part state and local governments creates a GAAP hierarchy that indicates the level of authority of various sources. The hierarchy set out in the *AICPA Audit and Accounting Guide for Audits of State and Local Governmental Units* is as follows:

- Officially established accounting principles, consists of GASB Statements and Interpretations, as well as AICPA and FASB pronouncements specifically made applicable to state and local governmental entities by GASB Statements or Interpretations. GASB Statements and Interpretations are periodically incorporated in the GASB Codification.
- GASB Technical Bulletins and, if specifically made applicable to state and local governmental entities by the AICPA and cleared by the GASB, AICPA Industry Audit and Accounting Guides, and AICPA Statements of Position.
- AICPA Accounting Standards Executive Committee (AcSEC) Practice Bulletins, if specifically made applicable to state and local governmental entities and cleared by the GASB, as well as consensus positions of a group of accountants organized by the GASB that attempt to reach consensus positions on accounting issues applicable to state and local governmental entities.
- Implementation guides (Q.s. and A.s) published by the GASB staff, as well as practices that are widely recognized and prevalent in state and local government (e.g. NACUBO Advisory Reports).

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Financial Reporting*

Thus, requirements for GAAP accounting and reporting applicable to the State of Oregon, its agencies, including Oregon University System and its member institutions come from a variety of sources:

- GASB
- FASB
- AICPA
- Comptroller General of the United States
- GAO
- OMB
- NACUBO

**Financial Reporting Entity**

*State of Oregon*  
*Oregon University System*

The financial reporting entity requires definition in order to clarify the application of the professional standards outlined above and to describe the structural relationship set out in the authority assigned by Statutes, Administrative Rules, Internal Management Directives, and System financial policy documentation.

Two levels of reporting entity exist: The State of Oregon as the primary government and the Oregon University System as an agency of the State.

It should be noted that, for financial reporting purposes, the individual institutions are not separate financial reporting entities but rather are components units of the Oregon University System financial reporting entity. Accordingly, financial information for each institution and the Chancellor's Office accompanying the System financial statements is supplemental information presented for the purpose of additional analysis but is not a required part of the basic financial statements of the System. Those supplemental schedules must be considered in relation to the System financial statements as a whole. They are not and do not purport to be GAAP financial statements.

The State of Oregon issues a Comprehensive Annual Financial Report (CAFR) and a Schedule of Expenditures of Federal Awards (SEFA). Those reports are audited by the Oregon Secretary of State, the Constitutional Auditor of the State of Oregon. The audit work is the responsibility of the Audits Division of the Secretary of State. The CAFR and the SEFA issued by the State include the Oregon University System, an agency of the State, as a component unit. The Oregon University System is responsible for its separately issued Annual Financial Statements and SEFA. The Audits Division of the Secretary of State has responsibility for auditing those

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Financial Reporting*

statements as part of their work on the full State audit. The Audits Division has chosen to engage contract auditors for the work related to the System. That role has been filled by independent firm of Deloitte & Touche LLP in recent years.

All the aforementioned audited financial statements and reports for the State and the System are subject to the Single Audit Act of 1984 issued by the Federal Government. The standards to comply with the Act, as issued by the GAO, are commonly referred to as the “Yellow Book Standards” and additional detail is provided in OMB Circular A-133.

**Future Requirements**

***GASB Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments***

***GASB Statement No. 35, Basic Financial Statements—and Management’s Discussion and Analysis for Public Colleges and Universities—an amendment of GASB Statement No. 34***

***GASB Statement No. 37, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus***

***GASB Statement No. 38, Certain Financial Statements and Note Disclosures***

Effective with the year ending June 30, 2002, the State of Oregon and the Oregon University System will be required to adopt the collective statements noted above and produce financial statements in a new format using a new model that seeks to make the reports of public institutions more on a par with those of private institutions and other not-for-profit entities and businesses.

***GASB Exposure Draft for The Reporting Entity—Affiliated Organizations***

If finalized and issued in its present form by the GASB, the resulting Statement would require inclusion in the financial statements of OUS “certain affiliated organizations for which the primary government is not financially accountable nevertheless warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government and its other component units.” Entities such as foundations related to the institutions would fall under this requirement. Additionally, alumni associations and sports booster clubs may be subject to the requirement as well. The GASB received numerous comments in opposition during the open comment period for the draft; however, they are expected to issue the statement as is within the next few months. The effective date would be for periods beginning after June 15, 2003; that would make it effective for the year ending June 30, 2004.

# Information Technology Services

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Information Technology Services*

**OREGON REVISED STATUTES (ORS)**

**ORS 351.085 Duties and Powers of Chancellor**

The Chancellor of the State Board of Higher Education shall exercise, under the direction of the State Board of Higher Education, the administrative authority necessary to carry out the policies of the Board with respect to the institutions, departments or activities under the control of the Board. In carrying out the duties of the Chancellor, the Chancellor shall:

1. Act as administrative officer of the State Board of Higher Education.
2. Maintain a centralized service program for all institutions, departments and activities
3. Collect and compile information and statistics relative to the operation of the institutions, departments and activities of the State Board of Higher Education.
4. Prepare and submit to the State Board of Higher Education an annual operating budget for all institutions, departments and activities of the Board.
5. Oversee the preparation and submission to the State Board of Higher Education of the biennial budget requests of the institutions, departments and activities. The chancellor shall also provide analyses of these budget requests.
6. Appoint, subject to the State Personnel Relations Law, and with the approval of the State Board of Higher Education, such personnel as may be necessary for the performance of the duties of the Chancellor.
7. Designate, if the Chancellor wishes, one or more suitable persons to sign or countersign warrants, vouchers, certificates, or other papers and documents requiring the signature of the Chancellor.
8. Prepare the agendas for State Board of Higher Education meetings and provide an analysis of proposals made to the Board
9. Prepare and submit to the State Board of Higher Education a detailed annual report in which the Chancellor describes the principal activities of the Department of Higher Education during the fiscal year.
10. Keep a record of the transactions of the State Board of Higher Education.
11. Have the custody of all books, papers, documents and other property belonging to the State Board of Higher Education.
12. Give such instructions as may be necessary to carry out the directives of the State Board of Higher Education and forward them to the various institution presidents and heads of departments and activities.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Information Technology Services*

13. Provide for meetings of the presidents and principal executives of the institutions, departments and activities. At such meetings, the executives of the Department of Higher Education may propose policies or policy changes or statements for consideration by the Board and develop recommendations concerning allocations of funds.
14. Perform such other administrative assistance and consider other administrative matters as the State Board of Higher Education may require.

**ORS 351.092 Acquisition, installation and use of data processing equipment.**

The State Board of Higher Education shall control and supervise the acquisition, installation and use of all data processing equipment to be used primarily for the purposes of the accounting records and accounting system of the State System of Higher Education. The board may authorize use of that equipment for other purposes to the extent that use for those other purposes does not conflict with use for the primary purpose of the State System of Higher Education's accounting records and accounting system.

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

**IMD 4.022 Use of Computers**

Personal use of computing facilities, internet connections, and e-mail is acceptable as long as it does not interfere with an employee's ability to perform job duties or with the ability of other users to carry out their job duties or does not violate the other provisions of acceptable use contained in institution or Chancellor's Office policy.

**FINANCIAL ADMINISTRATION STANDARD OPERATING MANUAL (FASOM)**

**FASOM Section 1: Configuration Management**

**Installation of FIS and HRIS OUS Baseline Changes in Production--Interim Procedure**

Each institution will provide the Chancellor's Office with positive confirmation that the most recent version of FIS and HRIS OUS Baseline software has been received and installed in their production environment. Until these comprehensive procedures have been finalized to address this issue, this interim procedure will be followed.

OUS Baseline is used for all production processing and consists of SCT Baseline with OUS approved modifications. When a change to OUS Baseline has been approved for installation in production the following will be performed:

1. ITS will notify each institution, via e-mail, when an OUS Baseline change has been approved for installation in production. This notice will include a short description of the change and

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Information Technology Services*

inform the institution when the change is to be installed in production. Concurrent with this notice, ITS will make the OUS Baseline change available to each institution.

2. Each institution will complete the installation and inform ITS, via e-mail, of the date and time the change was installed in their production environment. The institutions will have at least five (5) working days to install the change unless an imminent and critical need necessitates a shorter time period.

***Beyond the recommended citations listed above, the FAF ITS work group also noted the following references that may be applicable to a full examination of the authoritative references relative to Information Technology and Services within OUS:***

**Oregon Revised Statutes**

-- <http://www.leg.state.or.us/ors/279.html> generally, including 279.712(2)(i) vis-a-vis 291.038(3) (see below) and 279.727 and 279.748.

-- <http://www.leg.state.or.us/ors/291.html> including specifically:  
291.038(3): "The State Board of Higher Education shall be responsible for the fair and competitive procurement of information technology for the State System of Higher Education consistent with rules of the Oregon Department of Administrative Services."

291.047(1): "The Attorney General shall approve for legal sufficiency ... all information technology contracts calling for payment in excess of \$75,000 entered into by a state agency before any such contract becomes binding on the State of Oregon and before any service may be performed or payment may be made under the contract."

-- <http://www.leg.state.or.us/ors/283.html> (e.g., 283.500 et. seq.)

-- Other agencies are affected by <http://www.leg.state.or.us/ors/461.html> (e.g., 461.055)

**Oregon Authoritative Rules**

-- [http://arcweb.sos.state.or.us/rules/OARS\\_100/OAR\\_125/125\\_310.html](http://arcweb.sos.state.or.us/rules/OARS_100/OAR_125/125_310.html) (including particularly 125-310-0012, 125-310-0044, and 125-310-0060)

-- [http://arcweb.sos.state.or.us/rules/OARS\\_100/OAR\\_125/125\\_320.html](http://arcweb.sos.state.or.us/rules/OARS_100/OAR_125/125_320.html)

-- [http://arcweb.sos.state.or.us/rules/OARS\\_100/OAR\\_125/125\\_400.html](http://arcweb.sos.state.or.us/rules/OARS_100/OAR_125/125_400.html)

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Information Technology Services*

- [http://arcweb.sos.state.or.us/rules/OARS\\_100/OAR\\_125/125\\_500.html](http://arcweb.sos.state.or.us/rules/OARS_100/OAR_125/125_500.html)
- [http://arcweb.sos.state.or.us/rules/OARS\\_500/OAR\\_580/580\\_040.html](http://arcweb.sos.state.or.us/rules/OARS_500/OAR_580/580_040.html)  
(including particularly 580-040-0228)
- [http://arcweb.sos.state.or.us/rules/OARS\\_500/OAR\\_571/571\\_040.html](http://arcweb.sos.state.or.us/rules/OARS_500/OAR_571/571_040.html)  
(including particularly 571-040-0253)
- [http://arcweb.sos.state.or.us/rules/OARS\\_500/OAR\\_576/576\\_008.html](http://arcweb.sos.state.or.us/rules/OARS_500/OAR_576/576_008.html)  
(including particularly 576-008-0228)

**Governor's Executive Orders**

- <http://www.governor.state.or.us/governor/legal/execords/eo01-25.pdf>  
("Electronic Government")
- <http://www.governor.state.or.us/governor/legal/execords/eo00-30.pdf>  
("Electronic Government")
- <http://www.governor.state.or.us/governor/legal/execords/eo00-02.pdf>  
("Oregon Geographic Information Council")
- <http://www.governor.state.or.us/governor/legal/execords/eo99-05.pdf>  
("Enterprise Information Technology Strategy"), particularly 2.d
- <http://www.governor.state.or.us/governor/legal/execords/eo98-05.pdf>  
("Statewide Strategic Planning for Information Technology")
- <http://www.governor.state.or.us/governor/legal/execords/eo96-40.pdf>  
("Oregon Geographic Information Council")
- <http://www.governor.state.or.us/governor/legal/execords/eo95-15.pdf>  
("Oregon Telecommunications Forum Council")  
(there may be additional applicable executive orders, but the online copies  
of the state's executive orders only begin in 1995)

**Senate Bill 994 (1995)**

<http://www.leg.state.or.us/95reg/asures/sb0900.dir/sb0994.en.html>

# Legal Issues

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Legal Issues*

**OREGON REVISED STATUTES (ORS)**

**ORS 180.220 Role and authority of the Attorney General**

The Attorney General is the sole source of legal advice and representative for all state agencies.

**ORS 180.230 External legal counsel**

State agencies are prohibited from employing or compensating attorneys for legal advice and representation.

**ORS 180.140 (5) Special Assistant Attorney Generals**

The Attorney General is authorized to appoint special assistant attorney general; these SAAGs are subject to the direction and control of the Attorney General (AG, as the AG is responsible for the actions of attorneys directly employed by the Department of Justice

**ORS 351.060(6) Board general powers as to control and management of property; power as to litigation**

The Board has authority to institute, maintain and participate in lawsuits

**ORS 351.085 Authority of the Chancellor**

The Chancellor of the State Board of Higher Education shall exercise, under the direction of the State Board of Higher Education, the administrative authority necessary to carry out the policies of the board with respect to the institutions, departments or activities under the control of the board. In carrying out the duties of the chancellor, the chancellor shall:

(2) Maintain a centralized service program for all institutions, departments and activities, including but not limited to, accounting, statistical services, capital construction, management analysis, legal services, academic affairs and educational research.

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

**IMD 1.028 Legal Services**

(1) The Chancellor may designate those who, in addition to the Board or its members, shall be authorized to request legal services on behalf of the System. The Chancellor shall seek the advice of institution presidents in designating institution staff authorized to seek services. Any requests for formal opinions of the Attorney General must be approved by the Chancellor.

(2) The Chancellor or designee shall be responsible for coordinating provision of legal services for the System.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Legal Issues*

**SAAG APPOINTMENT LETTER**

Annual Appointment Letter for Special Assistant Attorney Generals (SAAGs) by Attorney General:

- Conveys the appointment of Caroline Kerl as a SAAG at Oregon State University, Melinda Grier as the SAAG at the University of Oregon, and Ben Rawlins as the SAAG in the Office of the Chancellor
- Each SAAG is responsible for complying with Department of Justice legal policies which are provided to them
- The Department of Justice remains responsible for all litigation involving the OUS and its institutions, as well as for all legal advice to OUS institutions except as specifically provided above
- SAAGs may not file pleadings or appear as attorney or record in any litigation or administrative proceedings involving OUS or its institutions; this limitation does not apply to appearance by a SAAG in student conduct administrative proceedings, or in administrative proceedings involving faculty hiring, tenure or discipline
- SAAGs continue to be subject at all times to the direction and control of the Attorney General's designated representatives in the Department of Justice with respect to any advice which they render
- SAAGs must provide the Education Section Attorney in Charge with a copy of all written legal advice with which they render, and with regular reports summarizing their legal work under this appointment

# Payroll

## **OREGON REVISED STATUTES (ORSs)**

### **ORS 291.015 (1) Fiscal responsibilities of DAS; delegation of fiscal functions**

The Oregon Department of Administrative Services (DAS) is responsible for the administration of internal accounting, controls, procedures and services of a fiscal nature of the state government and agencies. Except as otherwise provided by law, the department may authorize the decentralized performance by state agencies of fiscal functions of the department.

### **ORS 292.042 Paying employees by single checks to designated financial institutions**

OUS may issue single check to a financial institution covering total direct deposits for payroll for its employees. OUS provides the financial institution with written instructions of the amount to be credited in each employee's account. Financial institutions permitted to participate in the payroll program must qualify as state depositories

### **ORS 293.590 Accounting systems/records for state agencies**

DAS shall (1) direct and control the accounting for all the fiscal affairs of the state government and agencies; (2) maintain accounting records in summary or in detail. The department is responsible for establishing and maintaining systems of accounting for state government and agencies .

### **ORS 351.070 (1) Board's general powers as to higher education and institutions**

The Board shall implement a personnel system and may engage in collective bargaining with its employees. All collective bargaining shall be under the direction and supervision of the Chancellor. The State System of Higher Education shall have payroll authority.

### **ORS 351.085 (2) Centralized accounting**

The Chancellor shall maintain a centralized service program for all institutions, including but not limited to, accounting, statistical services, capital construction, management analysis, legal services, academic affairs and educational research.

### **ORS 351.087 (2) Establishment of policies; transfer of authority from DAS**

DAS shall transfer authority over administrative matters concerning the performance, operating policies or structure of the State System of Higher Education to the Board.

### **ORS 351.090 Standardization of accounts and records**

The Board shall prescribe for all state-supported higher educational institutions a standardized system of accounts and records. The board shall prepare biennial budget to the Governor containing details of expenditures and allocate funds available to the respective institutions in support of higher educational program.

**ORS 351.097 (3) Payment of salaries or compensation**

The Board may authorize the Chancellor to designate a person employed at each institution to implement and administer the payroll system. The person shall be under bond to the State of Oregon.

**ORS 351.310 (1) Board's general financial power**

The Board shall control the use, distribution and disbursement of all funds, appropriations and taxes for the use and benefit of institution of higher education, including the authorization of individuals to sign vouchers for the disbursement of funds for the various institutions.

**ORS 351.320 Prorating Expenses**

The Board of Higher Education may prorate all expenses not otherwise provided for, incurred under authority of ORS 351.040, 351.050, 351.090 to 351.110, 351.130 and 351.310 to the institutions under its control, and pay the same from the funds available for the general expenses of those institutions.

**ORS 351.340 Use of Moneys**

All sums of money provided by law for the support and maintenance of activities of higher learning may be used for the payment of salaries of instructors and employees, current expenses, construction of additional buildings, purchase of lands, purchase of equipment, purchase of library books and periodicals, purchase of laboratory supplies and apparatus, and making necessary repairs. However, such money in the instruction budget of the board shall not be used to support hobby or recreation courses.

**ORS 352.004 Presidents of Universities and Colleges**

The president of each university and college is also president of the faculty. The president is also the executive and governing officer of the school, except as otherwise provided by statute. Subject to the supervision of the board, the president of the university has authority to control and give general directions to the practical affairs of the school.

**OREGON ADMINISTRATIVE RULES (OARs)**

**OAR 580-040-0005 (1) Vice Chancellor for Finance and Administration**

The Board directs the Vice Chancellor for Finance and Administration to execute Board policy in all areas of fiscal and administrative services including designing, installing, supervising and auditing of fiscal and accounting policies and procedures in the Department.

## **INTERNAL MANAGEMENT DIRECTIVES (IMDs)**

### **IMD 1.120 General responsibilities of institution presidents**

The President is delegated full authority and responsibility to administer the affairs of the institution in accordance with Board policies, plans, budgets, and standards, including management and expenditure of all institution funds. The President has full authority for determining the organizational structure of the institution.

### **IMD 6.001 Vice Chancellor for Finance and Administration accounting responsibilities**

The Vice Chancellor for Finance and Administration shall be responsible for:

- (1) Creating and maintaining accounting policies, records, and reports.
- (2) Providing central fiscal and accounting services, including payroll accounting, property accounting, and disbursement of state, federal, and all other funds under Board control.
- (3) Auditing and reviewing institutional accounting procedures and records to assure conformity with statutes, Administrative Rules, Board policies, and accepted accounting principles and procedures.
- (4) Preparing accounting and other financial reports, including a comprehensive annual report of Department assets, liabilities, reserves, income, expenditures, and balances.

# Procurement

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

**OREGON REVISED STATUTES (ORS)**

**ORS 351.310 The Board’s general financial power**

- (1) The State Board of Higher Education shall control the use, distribution and disbursement of all funds, appropriations and taxes now or hereafter in possession, levied and collected, received or appropriated for the use, benefit, support and maintenance of institutions, departments or activities of higher education, including the authorization of individuals to sign vouchers for disbursement of funds for the various institutions, departments and activities.....

**ORS 351.087 Establishing policies for the state system of higher education and transfer of authority from the Department of Administrative Services.**

- (1) The State Board of Higher Education shall establish policies for the operation of the State System of Higher Education consistent with ORS 351.086. (2) For the purposes of clarifying areas of oversight and in accordance with subsection (1) of this section, wherever the Oregon Department of Administrative Services would otherwise have authority over administrative matters concerning the performance, operating policies or structure of the State System of Higher Education, that authority shall be transferred to the State Board of Higher Education.

**ORS 351.086 Exemptions from portions of the state’s standard public purchasing requirements contained in ORS 279.**

- (1) Except as otherwise provided in this chapter and ORS chapter 352, the provisions of ORS chapters 240, 279, 282, and 292 do not apply to the State System of Higher Education. (2) Notwithstanding subsection (1) of this section, ORS 240.167, 240.185, 279.029 (4) and (5), 279.321, 279.348, 279.350, 279.353, 279.354, 279.365, 279.370, 279.375, 279.526 to 279.542, 279.835 to 279.855 and 292.043 shall apply to the State System of Higher Education...”
- (4) In carrying out the duties, functions and powers imposed by law upon the State System of Higher Education, the State Board of Higher Education or the Chancellor of the State System of Higher Education may contract with any public agency for the performance of such duties, functions and powers as the State System of Higher Education considers appropriate.”

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

**ORS 291.038 (3) The authority of OUS to procure information technology consistent with DAS rules.**

- (3) Rules, plans and specifications shall be formulated to insure that information resources fit together in a statewide system capable of providing ready access to information, computing or telecommunication resources. Rules, plans and specifications shall be based on industry standards for open systems to the greatest extent possible. Prior to adoption of rules referred to in subsection (2) of this section, the Oregon Department of Administrative Services shall present the proposed rules to the appropriate legislative committee. The Oregon Department of Administrative Services shall have the review and oversight responsibility for insuring that agencies' planning, acquisition and implementation activities support the statewide information resources management plan. The department shall be responsible for the fair and competitive procurement of information technology consistent with the rules of the department. The State Board of Higher Education shall be responsible for the fair and competitive procurement of information technology for the State System of Higher Education consistent with rules of the Oregon Department of Administrative Services.

**OREGON ADMINISTRATIVE RULES (OAR)**

***Part A: The Board's established rules for purchasing:***

**OAR 580-040-0005 Delegation and Assignment of Responsibility.**

“The Board delegates general supervision of fiscal and administrative activities to the Chancellor and designated staff. Major changes in organization or procedures in such activities shall be reported to the Board for approval. The Board directs the Vice Chancellor for Finance and Administration to execute Board policy in all areas of fiscal and administrative services. Among these are:

- (1) Designing, installing, supervising and auditing of fiscal and accounting policies and procedures in the Department;
- (2) Designing budget systems and procedures describing Department goals, program proposals to achieve these goals and the level and type of financial support necessary to implement approved programs during prescribed time periods. The Office of Finance and Administration is also responsible for budget execution review to assure conformance with the adopted budget;
- (3) Establishing policies and procedures for administration of gift, grant and contract funds;

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

- (4) Custody, control, and management of the investment of Department funds;
- (5) Coordinated administration of policies relating to procurement, receipt and management of tangible personal property of the Department;
- (6) Development of an analytic program, founded on recognized institutional research techniques, providing input to the Department's budget preparation and program evaluation efforts;
- (7) Development of a program to analyze Department administrative policies and practices and recommend specific actions to improve services and minimize costs;
- (8) Sign claims on behalf of the Board, sign payrolls and sign checks on bank accounts with the State Treasurer or commercial banks.

Stat. Auth.: ORS 351.070

Stats. Implemented: ORS 351.070

**Part B: The Board's OAR pertaining to various acquisitions**

**OAR 580-040-0100 Personal Services Contracts**

Screening and Selection for Personal Services Contracts

- (1) The Department of Higher Education periodically requires the services of an individual or firm to perform personal or professional services. These rules set forth the screening and selection process to be used for all such contracts, except where a State System institution has adopted its own screening and selection rules, and except for contracts covered by OAR 580-050-0020 (Architectural and Engineering Services).

“(10) State System institutions using this rule will maintain a file on the selection process for all Personal Services Contracts entered on behalf of the institution and notify Director of location of the files required in this section. Such files will contain: ...”

(Stat. Auth.: ORS 279.051 & ORS 351

Stats. Implemented: ORS 351.070

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

**OAR 580-040-0200 Procedures for the Purchasing, Procurement, and Contracting of Goods and Services**

The purpose of the rules outlined in Oregon Administrative Rules Chapter 580, Division 40, rules 580-040-0200 through 580-040-0295, is to:

- (1) Establish competitive procedures that are flexible enough to allow campuses to purchase and contract in a way that most suits their institutional organization;
- (2) Reduce prior approvals and ensure accountability through auditing;
- (3) Generate and retain only necessary documentation;
- (4) Develop procedures that will allow campuses to use the most appropriate procurement methods and encourage innovation;
- (5) Allow campuses to work cooperatively with each other and other governmental units; and
- (6) Allow institutions to do business more easily with local and regional vendors.

Stat. Auth.: ORS 351

Stats. Implemented: ORS 351.070

Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

**OAR 580-040-0210 Delegation of Authority**

- (1) Institutions of OSSHE may follow the procedures in OAR 580-040-0223 to 580-040-0295 or may develop and promulgate their own procedures by Administrative Rule for purchasing and contracting provided that such procedures ensure competitive practices. Procedures developed by the campuses must be approved by the OSSHE Vice Chancellor for Finance and Administration prior to adoption.
- (2) Notwithstanding section (1) of this rule, institutions shall be subject to:
  - (a) OAR 580-040-0223
  - (b) OAR 580-040-0228
  - (c) OAR 580-040-0290
  - (d) OAR 580-040-0292
  - (e) OAR 580-040-0295
- (3) For those institutions following OAR 580-040-0223 to 580-040-0295, the Oregon State Board of Higher Education delegates authority to each OSSHE president to develop guidelines and oversee practices regarding the purchasing and procurement of, and

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

contracting for, goods and services at each respective campus consistent with these rules.

(4) OAR 580-040-0223 to 580-040-0295 provide procedures to be used for purchasing and contracting except for:

(a) Contracts covered under the following Oregon Administrative Rules:

(A) OAR 580-040-0100 -- Screening and Selection for Personal Services Contracts; or

(B) OAR 580-050-0032 to 580-050-0042 -- Facilities contracting; or

(b) Where an OSSHE institution has adopted its own rules, consistent with OAR 580-040-0223 to 580-040-0295, to cover purchasing and contracting.

Stat. Auth.: ORS 351

Stats. Implemented: ORS 351.070

Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

**OAR 580-040-0220 - Designation of Purchasing Agents and Contract Officers**

“Each institution president shall designate staff authorized to enter into purchasing and contracting agreements for the institution. Such staff, referred to as authorized personnel, shall be the only individuals who may procure supplies, equipment, and services and enter into contracts.

(1) The chief administrative officer of each institution shall keep a list, either by name or by title, of those designated authorized personnel along with a description of the types and amounts of procurements and contracts they are authorized to enter into.

(2) Purchasing and contracting agreements issued by individuals not designated as authorized personnel shall be void.

(3) Authorized personnel shall be responsible for ensuring that the proper procedures, as detailed in OAR 580-040-0223 to 580-040-0295, are followed for all institutional procurement. Institutions may take appropriate action in response to expenditures authorized contrary to OAR 580-040-0223 to 580-040-0295. Such actions include, but are not limited to, providing educational guidance, imposing disciplinary measures, and holding individuals personally liable for such expenditures.”

Stat. Auth.: ORS 351

Stats. Implemented: ORS 351.070

Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

**OAR 580-040-0223 Applicable Attorney General’s Model Public Contract Rules**

“The following provisions of the Attorney General’s Model Public Contract Rules shall be applicable to the bidding, awarding and administration of public contracts of OSSHE and any of its institutions:

**OAR 137-030-0010(5) Compliance and exceptions to terms and conditions of solicitation documents**

**OAR 137-030-0012 Bids or Proposals Are Offers**

**OAR 137-030-0030(2) and (3) Identification and Receipt of bids or proposals**

**OAR 137-030-0050 Request for Change or Protest of Solicitation Specifications or Contract Provisions**

**OAR 137-030-0055 Addenda to Solicitation Documents**

**OAR 137-030-0060 Pre-Opening Modification or Withdrawal of Bids or Proposals**

**OAR 137-030-0065 -- Receipt, Opening, and Recording of Bids and Proposals**

**OAR 137-030-0070 -- Late Bids and Proposals, Late Withdrawals, and Late Modifications**

**OAR 137-030-0075 -- Mistakes in Bids or Proposals**

**OAR 137-030-0080 -- Time for Acceptance**

**OAR 137-030-0085 -- Extension of Time for Acceptance of Bid or Proposal**

**OAR 137-030-0102 -- Rejection of all Bids or Proposals**

**OAR 137-030-0104 -- Protest of Contractor Selection, Contract Award**

**OAR 137-030-0115(1) -- Cancellation of invitations to bid or requests for proposals in the public interest**

**OAR 137-030-0120 -- Disposition of Bids or Proposals if Solicitation Cancelled**

**OAR 137-030-0130 -- Foreign Contractor**

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

**OAR 137-030-0150 Right to Inspect Plant.**

Stat. Auth.: ORS 351

Stats. Implemented: ORS 351.070

Hist.: HEB 6-1995, f. & cert. ef. 11-2-95; HEB 5-1996, f. & cert. ef. 12-18-96

**OAR 580-040-0225 Outlines the “Processes for Procurement of Goods and Services”**

Stat. Auth.: ORS 351

Stats. Implemented: ORS 351.070

Hist.: HEB 6-1995, f. & cert. ef. 11-2-95; HEB 5-1996, f. & cert. ef. 12-18-96

**OAR 580-040-0228 Procurement of Telecommunications Equipment and Services reads:**

“The procurement of telecommunications equipment and services shall be in accordance with the provisions of Oregon Laws 1995, Chapter 634, and any delegations or other agreements made between OSSHE and the Department of Administrative Services. These delegations and agreements shall include, but not be limited to, the following:

- (1) Implementation of Oregon Laws 1995, Chapter 634, will not impede cooperative efforts using local expertise and infrastructure to enhance local and regional economic development.
- (2) With regard to OSSHE, the following matters are exempt from the Department of Administrative Services' authority under Oregon Laws, Chapter 634:
  - (a) Broadcasting licensed by the Federal Communications Commission or its successor;
  - (b) Two-way radio systems operated as part of campus security;
  - (c) Local Area Networks except to the extent that they must be able to communicate with other networks outside OSSHE and its institutions;
  - (d) On-campus networks except for the replacement and/or major enhancement of the telephone system;
  - (e) Contracts or grants for projects in which the contracting or granting entity requires use of a certain type of communication, equipment, or application;
  - (f) Research into telecommunications that expands or extends knowledge rather than the commercial application of that knowledge; and
  - (g) Development and offering of courses intended to be promulgated by electronic distance education technology, including the Internet.

Stat. Auth.: ORS 351

Stats. Implemented: ORS 351.070

Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

**OAR 580-040-0230 Exemptions from competitive procedures and gives the following powers to the institution presidents or chief financial officers:**

“...(2) Exemptions from competitive procedures may be granted for a particular contract or

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

contracts not otherwise exempted under these rules by the president or chief financial officer of the institution. Sufficient documentation must be retained regarding the need for such exemptions.”

Stat. Auth.: ORS 351

Stats. Implemented: ORS 351.070

Hist.: HEB 6-1995, f. & cert. ef. 11-2-95; HEB 5-1996, f. & cert. ef. 12-18-96

**OAR 580-040-0240 Authority to set contract language**

Determination of Contractual Terms and Conditions:

"Except to the extent OSSHE has established mandatory contract provisions, OSSHE and any of its institutions are authorized to determine the terms and conditions of solicitations and contracts, provided such terms and conditions are not contrary to statutory or regulatory requirements applicable to OSSHE”.

Stat. Auth.: ORS 351

Stats. Implemented: ORS 351.070

Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

**OAR 580-040-0290 Addressing statutory requirement to purchase from QRF’s:**

“OSSHE and its institutions shall purchase goods and services from Qualified Rehabilitation Facilities in accordance with the provisions of ORS 279.835 to 279.855 and applicable Administrative Rules.”

Stat. Auth.: ORS 351

Stats. Implemented: ORS 351.070

Hist.: HEB 6-1995, f. & cert. ef. 11-2-95

**OAR 580-040-0292 Addressing Minority and Women’s Business Enterprise Requirements**

“(1) The general policy of OSSHE and its institutions shall be to expand economic opportunities for Minority Business Enterprises, Women Business Enterprises and Emerging Small Businesses by offering the contracting and subcontracting opportunities available through OSSHE and institution contracts. Notice of all contract and bid request solicitations using the formal process outlined in OAR 580-040-0225 shall be provided to the Advocate for Minority, Women and Emerging Small Business and the Oregon Department of Administrative Services for the Oregon Opportunity Register and Clearinghouse when any other solicitation is sent.”....

Stat. Auth.: ORS 351

Stats. Implemented: ORS 351.070

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

Hist.: HEB 6-1995, f. & cert. ef. 11-2-95; HEB 5-1996, f. & cert. ef. 12-18-96

**OAR 580-040-0295 Record Keeping Requirements**

- (1) Documentation of all purchasing and contracting transactions will be made available for inspection by OSSHE Internal Audit Division upon request.
- (2) Authorized personnel shall maintain documentation, whether written or electronic, regarding all purchasing and contracting transactions.
  - (a) For purchases not exceeding \$5,000, only a vendor invoice must be retained.
  - (b) For purchases where the cost exceeds \$5,000 but does not exceed \$50,000, the following must be retained:
    - (A) The method of procurement;
    - (B) The names of firms/individuals and cost estimates considered;
    - (C) The basis for selection or awarding of contract;
    - (D) Other information pertinent to the solicitation; and
    - (E) Any other documentation required by these rules.
  - (c) For purchases where the estimated cost exceeds \$50,000, the following must be retained:
    - (A) The method of procurement;
    - (B) A copy of the announcement requesting bids or proposals;
    - (C) The names of firms/individuals and cost estimates considered;
    - (D) The basis for selection or awarding of contract;
    - (E) A copy of the resulting contract and any subsequent amendments;
    - (F) Other information pertinent to the solicitation; and
    - (G) Any other documentation required by this rule.”

Stat. Auth.: ORS 351

Stats. Implemented: ORS 351.070

Hist.: HEB 6-1995, f. & cert. ef. 11-2-95; HEB 5-1996, f. & cert. ef. 12-18-96

**OAR 580-050-0005 Conveyances of real property**

Authorized conveyances of all real property shall be approved by the Assistant Attorney General serving as chief counsel to the Department, or a designee, and executed by the Board President and Board Secretary pursuant to ORS 351.150.

Stat. Auth.: ORS 351

Stats. Implemented:

Hist.: HEB 3-1978, f. & ef. 6-5-78

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

**OAR 580-050-0020 Regarding Capital Construction**

Appointment of Professional Consultants

"The Vice Chancellor for Finance and Administration or designee is authorized to select and employ architects, engineers, planners and related professional consultants (collectively called "consultants" in this rule) for energy management, construction, construction management, facilities planning, improvements, repairs, deferred maintenance, technical services and related activities in accordance with the following standards and procedures:..."

**OAR 580-050-0032 Regarding Contracting for Repairs and Public Improvements**

- (1) The Vice Chancellor for Finance and Administration, or designee, shall be the contracting officer. All contracts for the repair of facilities or for public improvements shall be awarded and executed by the contracting officer unless delegated by the contracting officer.
- (2) The contracting officer may delegate, through the institution president, to a specific person at each college and university the authority to execute contracts for the repair and improvement of facilities, provided that all applicable laws and rules are fulfilled. The institution president may, by written agreement with the president of another institution, subject to this rule, transfer such delegation to a person at such other institution. A copy of each such contract must be filed with the contracting officer or designee who may audit the project and the contracting process.
- (3) The contracting officer or designee shall award contracts valued at \$25,000 or more for the repair and improvement of facilities to the best bidder or proposer pursuant to appropriate competitive processes, including competitive bids, design/build competitions and negotiated procurements utilizing requests for proposals, including agreements for construction manager/general contractor. Criteria for award shall include price and any other factors as the contracting officer or designee deems appropriate, including, but not limited to, past performance of the contractor, experience of the contractor and the contractor's management team on projects of similar size and scope, the contractor's reputation for quality and timely completion of projects, the contractor's business and project management practices, the contractor's demonstrated commitment to affirmative action, the contractor's willingness to agree to the contract terms proposed by the contracting officer or designee and the contractor's ability to post an appropriate bond. The contracting officer or designee shall maintain appropriate records of the competitive process utilized for each contract. The president of each college and university shall determine the procedures to be used for the award of contracts valued at less than \$25,000 for the repair and improvement of facilities."

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

**OAR 122-070-0000 Regarding Financing Agreements - ORS 283.085 reserves authority to DAS.**

The Director of the Department of Administrative Services is authorized by ORS 283 .085 to 283.092 to enter into financing agreements to acquire real property or personal property for state agencies. ORS 283 .060 authorizes the Department of Administrative Services, with the approval of the Governor, to make reasonable rules and regulations that are necessary or proper for the administration of the law that the Department is charged with administering.

Stat. Auth.: ORS 184.340

Stats. Implemented: ORS 283 .085 - ORS 283 .092

Hist.: GS 15-1992, f. & cert. ef. 7-24-92; BMD 1-1996, f. 4-11-96, cert. ef. 4-15-96;

Renumbered from 125-023-0000

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

**E. Relationship of Presidents to Chancellor and the Board**

**IMD 1.102 Presidents Responsible to the Chancellor**

- (1) The President is the chief executive officer of the institution and a member of the Chancellor's executive staff. The President is responsible to the Chancellor for all matters concerning the institution and is an advisor the Chancellor in matters of inter-institutional policy and administration. The President will participate in meetings called by the Chancellor to seek advice regarding System operations and policy. The president will implement policies, plans, budgets and guidelines approved by the Chancellor.
- (2) The President shall develop and implement, in consultation with appropriate committees or members of the institution, the policies, plans, budget, and guidelines affecting the institution as deemed necessary and/or advisable so long as they are in conformance with those policies, plans, budget, and guidelines adopted by the Board or Chancellor. The President shall advise the Chancellor of any institution events that substantially affect the well being of the institution or the System or any major proposed changes of institution policies, plans, budget, or standards.

**IMD 1.103 Duty of Presidents**

- (3) The relationship of the President to the Board is through the Chancellor as the chief executive officer of the Board.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

**F. Authority and Responsibility of Institution Presidents**

**IMD 1.120 General Responsibilities**

The President is delegated full authority and responsibility to administer the affairs of the institution in accordance with Board policies, plans, budgets, and standards, including management and expenditure of all institution funds, within budgetary and other limitations imposed by the Board. The President is delegated full authority for determining the organizational structure of the institution, except where otherwise provide by law, rule, directive, policy, or guideline.

**OTHER AGENCY OVERSIGHT AND RELATIONSHIPS**

**DEPARTMENT OF JUSTICE REVIEWS:**

**ORS 291.045 Assignment of rulemaking authority to the Attorney General**

This includes authority to adopt rules implementing the legal sufficiency review requirements in ORS 291.047(1) and (2) and (3). It reads in part:

**ORS 291.047 Public contract approval by Attorney General; exemptions.**

- (1) The Attorney General shall approve for legal sufficiency all personal services contracts, all architectural and engineering services contracts and all information technology contracts calling for payment in excess of \$75,000 entered into by a state agency before any such contract becomes binding on the State of Oregon and before any service may be performed or payment may be made under the contract.
- (2) The Attorney General shall approve for legal sufficiency all public contracts not subject to subsection (1) of this section that are entered into by a state agency and that provide for payment in excess of \$100,000 before any such contract becomes binding on the State of Oregon and before any service may be performed or payment may be made under the contract.
- (3) The Attorney General shall impose by rule requirements necessary to carry out the provisions of this section. Such rules shall include, but are not limited to, a requirement that state agencies submit to the Attorney General procurement and other contract documents for review of the anticipated contract before a procurement of goods or services is publicly advertised if the anticipated contract is reasonably expected to require review for legal sufficiency. A state agency may request that the Attorney General assist the agency in developing requests for proposals, invitations to bid and requests for qualifications or information that are suitable to the needs of the agency.
- (4) The Attorney General may exempt by rule classes of contracts from the requirements of this section if the Attorney General determines that the degree of risk assumed by state agencies

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

under such contracts is not materially reduced by legal review of individual contracts within the class.

- (5) The Attorney General may, by rule, set forth a process to exempt contracts or classes of contracts from the requirements of this section when:
  - (a) The contract is substantially composed of forms, terms or conditions that have been preapproved by the Attorney General; or
  - (b) Circumstances exist that create a substantial risk of loss, damage, interruption of services or threat to public health or safety and that require prompt execution of a contract to deal with the risk.
- (6) Notwithstanding subsections (1) and (2) of this section, the Attorney General may authorize services to be performed under a contract described in subsection (1) or (2) of this section before approval for legal sufficiency if the Attorney General determines that the authorization will not result in undue risk to this state. An authorization under this subsection shall be limited to specific classes of contracts or to contracts for specific agency programs. The Attorney General may condition an authorization on a finding by the Director of the Oregon Department of Administrative Services, or a designee of the director, and by any other agency with a role in approving such contracts that the contract administration practices of the requesting agency are adequate to manage the proposed contract and that the mission of the agency will be significantly impaired without such authorization.” [1997 c.869 s.2; 1999 c.264 s.1]

**ORS 190.420 and 190.430 Regarding Interstate Agreements**

ORS 190.420 grants state agencies authority to contract with agencies of other states. ORS 190.430 gives Attorney General review authority on these agreements. It reads, in part:

Attorney General to review agreements; exceptions.

- (1) Every agreement made under ORS 190.420 shall be submitted to the Attorney General before taking effect. The Attorney General shall determine whether the agreement is in proper form and compatible with the laws of this state. If the Attorney General determines that the agreement is in some instance improper, the Attorney General shall give written notice to the governing body of the public agency in this state concerning the specific respects in which the agreement fails to comply with law. Failure to give such notice within 30 days of submission of the agreement to the Attorney General shall constitute approval of the agreement.
- (2) The Attorney General may exempt research agreements or student faculty exchanges from the requirements of subsection (1) of this section.” [1969 c.390 s.3; 1993 c.72 s.1]

**ORS 190.485 and 190.490 Regarding International Agreements**

ORS 190.485 grants state agencies authority to contract with nations. ORS 190.490 gives Attorney General review authority on said agreements. It reads, in part:

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Procurement*

Approval of agreement by Attorney General; filing of agreement; exceptions.

- (1) Every agreement entered into under ORS 190.485 shall be submitted to the Attorney General before taking effect. The Attorney General shall determine whether the agreement is in proper form and compatible with the laws of this state. If the Attorney General determines that the agreement is improper in some respect, the Attorney General shall give written notice to the state agency concerning the specific respects in which the agreement fails to comply with law. Failure of the Attorney General to give such notice to the state agency within 30 days of submission of the agreement to the Attorney General's office shall constitute approval of the agreement. The Attorney General may exempt certain agreements, classes of agreements or form agreements from the requirement that the agreement be approved by the Attorney General before taking effect.
- (2) The state agency shall file any agreement made under ORS 190.485 with the Oregon Department of Administrative Services within 30 days of the effective date of the agreement. The department may adopt rules necessary for the administration of this subsection.
- (3) This section does not apply to the Legislative Assembly, the courts and their officers and committees, the Secretary of State and the State Treasurer in the performance of the duties of their constitutional offices.

[1991 c.137 s.3]

**ORS 190.110 Regarding Intergovernmental Agreements**

ORS 190.110 grants state agencies authority to contract with units of local government, other state agencies and American Indian Tribes.

**ORS 190.115 Regarding International, Interstate, Interagency and Intergovernmental Agreements**

ORS 190.115 requires a summary of the agreement be provided to DAS within 30 days after the effective date of the agreement. DAS, however, has no review authority.

# Research and Sponsored Programs

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Research and Sponsored Programs*

**OREGON REVISED STATUTES (ORS)**

**ORS 326.520 N/A not higher ed.**

No current issues; if cash management for Research and Sponsored Programs was decentralized, there could be and these would all need to be rewritten.

**ORS 351.155 Authority to sell forest products on institution realty.**

The State Board of Higher Education may, in the management of all forestlands under its control and supervision, sell the forest products...including experimental or research projects in the field of forestland management or for forest product utilization on forestlands under its control as the State.

**ORS 351.220 Acquisition of intellectual property.**

The State Board of Higher Education may acquire by gift or by purchase interests in intellectual property of any kind, whether patentable or copyrightable or not, including patents, copyrights, inventions, discoveries, processes and ideas. ...aid in the development of property acquired .... pay an assignor of any interest in intellectual property a share of any moneys ....received on account of the board's ownership or management of the property.

**ORS 351.230 Management, development and disposition of intellectual property.**

The State Board of Higher Education may manage, develop or dispose of by assignment, sale, lease, license or other action ...contract with any person or agency, board, commission or department of this or any other state or with the federal government ...make gratuitous assignments of such property to any trust or fund, the sole beneficiary of which is the State Board of Higher Education or any of the institutions or activities under its control.... The board may reassign such property to the inventor, author or discoverer.

**ORS 351.240 Terms and conditions of transactions in intellectual property; dissemination of information.**

The State Board of Higher Education may determine the terms and conditions of any transactions and need not require competitive bids in connection therewith. No formal publicity or advertising is required.... but the board shall make reasonable efforts the disseminate such information in appropriate research and industrial circles.

**ORS 351.250 Disposition of revenue; Higher Education Invention Fund.**

Moneys received by the board as a result of ownership or management of property.... transactions regarding such property shall be credited to a special fund in the State Treasury,.... to be designated "Higher Education Invention Fund" and shall only be applied by the State Board of Higher Education to **payment of the agreed share**, if any, to assignors, and for the

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Research and Sponsored Programs*

advancement of research or for the acquisition and development of intellectual property, or both. **Interest earned** by the fund shall be credited to the fund.

**\*\*\*Comments on the Research Policies under the 351.8XX series. Dated 1983.**

The ORSs stating the Research Policies are primarily dated 1983. We may want to discuss a possible revision, redefinition and/or update. Interpretations and comments: Statutes were written at a time when the general fund helped support basic research, this may still be true, but I would guess that it is a small proportion compared to the sponsored research funds. It may lack the attention needed for the Research and Sponsored programs to function freely. The Basic Research Policy was written to fully support research—it does not discriminate against the type of funding provided for the research. The Tax ID issue may be stifling the institutions from maximizing potential research dollars. OUS is not receiving additional general fund moneys for research, though it can be considered to be part of the base budget. The impact of general fund reductions may warrant the justification needed to rewrite these statutes to support the Research and Sponsored process.

**ORS 351.870 Findings and policy**

- (1) The Legislative Assembly finds and declares that basic research is fundamental to the continuation and expansion of applied research and is thus a necessary ingredient in economic growth. .... that basic research is itself an important activity which should be promoted.
- (2) It is the policy of this state that basic research is an appropriate and necessary activity of our public universities. Further, the State of Oregon has an obligation with other states and the federal government to encourage and finance basic research .....
- (3) ..... no defined result can be guaranteed and asserts that only through scholarly investigation can knowledge be advanced to be later developed and applied.
- (4) The Legislative Assembly believes that moneys for basic research should be regularly appropriated .....
- (5) The Legislative Assembly intends that in implementing the policy on basic research or any other research policy, the State Board of Higher Education, in keeping with the principle of academic freedom, shall insure open and free inquiry and publication in all institutions under its jurisdiction.

**ORS 351.875 Basic Research Fund; uses.**

The fund shall be administered by the State Board of Higher Education according to policies and procedures.....(3) Expenditures from the fund shall take the form of grants for a time certain and

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Research and Sponsored Programs*

may extend beyond the biennium in which the expenditure is made. Grants may not be used for capital construction.

**Work Group Note:** Does this fund still exist? Suggestion, definition of fund as it is now and institution's role in administering grant funds.

**ORS 351.880 Council for Research Policy Recommendations.**

For the purpose of recommending policies and procedures for the administration of the fund, the board shall establish a Council for Research Policy Recommendations.

**Work Group Note:** Does this council exist? An equivalent could be set up for Sponsored Research ( Issue 2). Rewrite if applicable.

**ORS 351.885 Administration of fund.**

- (1) With the advice and recommendations of the council, the board shall adopt policies and procedures for the administration of the fund.
- (2) The policies and procedures shall give consideration to:
  - (a) The promotion of basic research of the highest caliber within our public universities;
  - (c) The capacity of each university to decide where basic research moneys could best be spent within that university;

**ORS 351.890 Short title.**

ORS 351.865 to 351.890 shall be known and cited as the "Research Policy Act of 1983."

**OREGON ADMINISTRATIVE RULES (OAR)**

**OAR 580-013-0045 Availability of student records for research purposes**

Relates to the release of student information, and the need for maintaining confidentiality.

**OAR 580-020-0005(1 &2a,2d) Academic rank (of research staff)**

Relates to the ranks certain position will carry.

**OAR 580-021-0045 Conditions of employment on gift, grant, and contract funds**

Institutions have the authority to extend the same terms of employment (vacation, sick leave, and etc.), to unclassified individuals, whose positions are predominantly funded by restricted funds. If such terms of employment are not being extended, they must be specified in the employment contract.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Research and Sponsored Programs*

**OAR 580-040-0230(g) Purchases of copyrighted materials exempt from competitive purchasing procedures**

Institutions have the authority to purchase copyrighted materials without competitive bid and regardless of dollar amount.

**OAR 580-042-0005 through 580-042-0020 Gift, grant, and contract management**

Institutions have to authority to accept gifts, approve applications for grants, and to negotiate contracts that will not result in:

- (a) Enrollments in excess of those on which budgets have been based;
- (b) Commitment of funds beyond those available in budgets approved by the Board, or the normal continuation thereof; (Grant/contract performance periods can potentially extend beyond the biennium. This also ties directly to the inability to encumber funds beyond the fiscal year).
- (c) Creating a commitment for the institution or the state to continue support of a program funded through gifts, grants or contracts, in the event such funds are discontinued; (I would interpret this to mean an outside requirement to continue the program funding, as opposed to the institution simply electing to continue with institutional funding beyond the contract period. Any request obligating the Board to increase an allocation of state appropriations or seek additional state funds where the gift, grant or contract to be discontinued requires Board approval).
- (d) Development or support of activities inconsistent with the approved mission of the department and/or institution; (Limits institution authority)
- (e) Launching of new curricular programs that have not received prior Board approval;
- (f) Purchase of land or improvements thereof requiring an outlay of \$10,000 or more; (Limits institution authority)
- (g) Establishing or significantly expanding a clientele for services of an essentially non-research or non-instructional nature. (Limits institution authority)

Stat. Auth.: ORS 351.070

Stats. Implemented: ORS 351.070

**OAR 580-043-0006 through 580-043-0026: Inventions, license agreements, educational and professional materials development, patents, and copyrights**

Institutions have the authority to pursue such activities, within certain Board approved policies relating to the development, ownership, compensation and release of such information to the general public.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Research and Sponsored Programs*

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

**IMD 6.058 Mechanism for funding depreciation for the replacement of equipment for the Agricultural Experiment Station**

Pertains to Agricultural Experiment Station only; mechanism for funding depreciation for the replacement of equipment over \$2,000.

**IMD 6.100 Review of policy issues on grants and contracts**

Policy issues on grants and contracts to be reviewed or reported to Board. For grants and contracts requires budgets which cover all recoverable direct costs and institution's full indirect cost rate. Allow less than full indirect costs if approved by institution's president or designee. Requires annual report on those grants and contracts with less than full indirects or amount sponsor allows.

**IMD 6.160 Purchase of books and periodicals on grants and contracts**

Limits purchase of books and periodicals on grants and contracts to those used as laboratory or office manuals.

**IMD 6.205 Policies for licensing, patents, educational and professional materials development and registration of copyrights**

States that policies for licensing, patents, educational and professional materials development and registration of copyrights apply to all Department of Higher Education employees whose work assignments enable them to develop new knowledge. Also applies to other persons using institutional resources.

**IMD 6.210 Definitions and Examples**

Definitions and examples for the terms: inventions, educational and professional materials, inventor(s), author(s), public domain, publication, owner, board- and institution-assisted effort. States that sponsored effort is institution-assisted effort.

**IMD 6.215 Institutional work-related inventions and educational and professional materials developed with institutional resources**

Board reserves ownership to all institutional work-related inventions, and educational and professional materials developed with institutional resources. States exceptions. Sponsored work administered and controlled by the institution are considered as funds and facilities provided by or through the institution and Board. Outlines basis for waivers on Board ownership.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Research and Sponsored Programs*

**IMD 6.220 Licensing, patent policies and ownership of copyrightable materials conceived and developed under the grant and research agreement**

In accepting grant and research funds, researcher and institution agree to conditions in the agreement pertain to licensing, patent policies and ownership of copyrightable materials conceived and developed under the agreement. Such agreements should normally include provisions enabling the institution to publish the findings and rights to take title to patentable inventions, discoveries and educational and professional materials. In absence of agreement or terms, the products are property of institution and Board. Institutional staff are to be advised of such agreements. Designee may grant rights to sponsor. Sponsor may be granted a non-exclusive license for its own use and if appropriate, an option to acquire a limited term, royalty-bearing, exclusive license to invention.

**IMD 6.225 Disclosure of inventions and copyrightable materials on standard form.**

If determined that the Board and institution have vested interest and claim, the inventor shall enter into standard licensing and patent assignment agreement.

**IMD 6.230 Notice of Appointment**

States employee has agreed to assign rights by wither accepting a Notice of Appointment for academic employee or where a Notice of Appointment is not used, executing a standard agreement form.

**IMD 6.235 Outlines roles of OUS and institutional administrators in making agreements and establishing procedures.**

**IMD 6.240 Guidelines for determining equities to ownership rights in an invention or material.**

Limits total net royalty paid to all parties to maximum allowed to be distributed to single inventor or author (royalty amounts in IMD 6.250)

**IMD 6.245 Institutional help in commercializing inventions.**

Lists provisions that licensing and sponsored research agreements shall include (6d--receiving or examining accounting records maintained by licensee and any sub-licensees.).

**IMD 6.250 Distribution of royalties.**

Discusses distribution of royalties. Defines gross and net royalty income. Sets limitations on distribution of net royalties.

**IMD 6.255 Guidelines for establishing copyright registration procedures.**

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Research and Sponsored Programs*

**FINANCIAL ADMINISTRATION STANDARD OPERATIONS MANUAL (FASOM)**

**FASOM 5 Grants and contracts**

Outside of references to the specific passages noted in the other FASOM sections pulled out separately below, FASOM 5 reiterates some of the federal guidance provided in OMB circular A-21.

Institutions are responsible for maintaining accounting accuracy in each of these areas:

- Handling of clerical and administrative staff time.
- Handling of graduate fee remissions
- Handling of Building & Equipment Use / Depreciation Allowances.
- Handling of Time & Effort Reporting (some of the data is outdated since it references the CO as being responsible for producing the reports for distribution to the institutions; institutions are now responsible for all phases of the process).

**FASOM 5.01.(B3) Indirect costs**

Primarily provides general definitions of the types of indirect costs.

**FASOM 5.01(C2-5) Indirect cost rates**

Controller's Division establishes the indirect cost rates through negotiations with the DHHS.

Rates negotiated with DHHS apply to agreements with other agencies, except for other Oregon state agencies (where a minimum of 26% of total direct costs is to be used: doesn't apply to inter-institution OUS agreements). The Controller's Division establishes the percentages to be used when distributing the collected indirect cost resources between institutional building fund, the Chancellor's Office IC Recovery account, and the remaining amount that can be retained by the institution to cover non-building expenses.

**FASOM 5.03 (B2) Indirect cost recovery specialized service facilities**

Refers to the three indirect-cost pools that are to be used for such facilities. The operating costs of such facilities may be classified as either direct or indirect depending on the materiality of the amounts involved. The determination of materiality is to be determined by the institutions. When deemed immaterial, the arrangements for handling them as indirect costs must be approved by the institution and DHHS.

# Risk Management and Insurance

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Risk Management and Insurance*

**OREGON REVISED STATUTES (ORS)**

**ORS 278.405 Department to manage risk management and insurance programs; conditions.**

The Oregon Department of Administrative Services shall direct and manage all risk management and insurance programs of state government except for employee benefit insurance programs as otherwise provided in ORS chapter 243. Authority granted the department in this section includes but is not limited to the following authority:

- To provide all insurance coverages including coverage of related legal expenses required by law, requisitioned by individual agencies, or which the department determines necessary or desirable for the efficient operation of state government, including but not limited to casualty insurance, property insurance, workers' compensation insurance and surety insurance.
- To purchase insurance policies, develop and administer self-insurance programs, or any combinations thereof, as may be in the best interest of the state in carrying out the authorities granted in subsection (1) of this section.
- To consolidate and combine state insurance coverages.
- To purchase such risk management, actuarial and other professional services as may be required.
- To provide technical services in risk management and insurance to state agencies.
- To adopt rules and policies governing the administration of the state's insurance and risk management activities and to carry into full force and effect the provisions of this chapter, ORS 30.260 to 30.290, 30.880 and 655.505 to 655.555. The department, by rule or policy, may determine the Insurance Fund's contribution to the cost of defense, settlements and judgments in actions or proceedings. The department may condition payment of all or part of any loss covered by the Insurance Fund on compliance with the rules and policies adopted under this chapter.

**ORS 351.180 Building insurance**

The Board has the ability to insure buildings owned by OUS for the appropriate amount of coverage.

**ORS 743.550 Student Health Insurance**

Student Health Insurance is established under other Statutes with the following exceptions:

- Student Health Insurance may be voluntary, mandatory for some, or mandatory for all based on institutional policies.
- If the student insurance policy is mandatory, institutions have the right to waive the policy if a student has equivalent insurance
- Student health policy may provide that students purchase supplemental coverage.

## **OUS Fiscal Accountability Framework Project**

### **Appendix 4: Full Regulatory Research**

#### *Risk Management and Insurance*

- Student health insurance for athletic injuries may exclude coverage if student has not obtained medical release for a similar injury and may be provided in addition to any other coverage.
- Student health policy may provide that coverage is secondary to any other health insurance.
- Insurance payments should not exceed the value of the expenses.
- An insurer providing student health insurance as primary coverage may negotiate and enter into contracts for alternative rates of payment with providers. These alternative rates may be offered to students or other insureds who wish to participate in this plan.
- Payments made under subsection 8 shall discharge the insurer's obligation with respect to the amount of insurance paid.
- An insurer shall provide each student health insurance policy holder with a current roster of institutional and professional providers under contract to provide services at alternative rates under the group policy.
- Definition of Student Health insurance

### **OREGON ADMINISTRATIVE RULES (OAR)**

#### **OAR 580-015-0070 Health and Insurance Benefits and Services**

- An institution or constituents may not offer students any plans or coverage that unreasonably discriminates on a prohibitive basis.
- Institutions may offer a benefit or service even though it is not used by the same proportion of students of one group as of another.
- A health service should not establish limits that differentiate unreasonably among individuals on a prohibitive basis.

### **INTERNAL MANAGEMENT DIRECTIVES (IMD)**

#### **IMD 6.150 (4) Assignment of Responsibility—Personal Property**

The Vice Chancellor for Finance and Administration or a designee shall develop and coordinate procedures used by the institutions and other administrative units for protecting against hazards of loss by fire, theft, or otherwise.

### **FASOM**

#### **Section 8.04 Fixed Assets—Expendable Property**

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Risk Management and Insurance*

**Summary**

This policy defines the characteristics of the various types of storerooms and establishes inventory schedules for each of these types.

**A. Value**

The value of expendable property on hand in all storerooms is reported annually for Insurance Fund Coverage. A physical inventory is taken every year or every fifth year based on guidelines. Expendable property includes minor equipment valued less than \$5,000; books, periodicals, and reference materials outside of the reference library and audio visual department; animals used for research; property held for resale.

**B. References for Further Information on Expendable Property**

**C. Definitions**

**Organized Storeroom:** A segregated and controlled store for property that will eventually be distributed to users outside the department. The cost of property is redistributed to related FOAPALs when withdrawn for use, sold or incorporated into a product. Such stores must be managed as organized storerooms if the inventory is valued at \$50,000 or more at any time or if annual purchases equal or exceed \$150,000.

**Departmental Storeroom or Organized Departmental Inventory:** A departmental store room or organized departmental inventory is a segregated and controlled store of expendable property intended primarily for department use. The property is not normally intended for resale. Such stores must be managed as departmental storerooms if the inventory is valued at \$50,000 or more at any time or if annual purchases equal or exceed \$150,000.

**Departmental supplies:** Departmental supplies include expendable property normally considered to be put into use when received. Such property is acquired for use by the department, not for resale. Stores with inventories valued at less than \$50,000 and with annual purchases less than \$150,000 that are not managed as organized or departmental storerooms may treat their inventories as departmental supplies.

**Perpetual inventory:** Perpetual inventory is a system of maintaining property records that reflect the balance of property on hand. Such records may also show the value of such property. A record is kept for each item or group of items inventoried. The current balance is maintained by adding goods received and deducting goods used or issued. A perpetual inventory system is required for organized storerooms and recommended for departmental storerooms.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Risk Management and Insurance*

**D. Organized Storeroom Records**

1. Accounting Treatment:

Purchases are charged to the inventory fund for the storeroom. When goods are to be sold or distributed, the charges are considered to be merchandise for resale or redistribution; when they are to be incorporated into a product, the charges are considered to be cost of goods sold. When goods are withdrawn for use or sale, the inventory fund is credited and the related FOAPAL is charged. Records must be kept on a perpetual inventory basis with full accrual. When breakage or spoilage occurs, or goods are obsolete or surplus, the items should be removed from inventory promptly. Adjustments are made as described in FASOM 01.31H.

2. Insurance Fund Report

The value of supplies on hand as of April 1 is reported for Insurance Fund coverage. The value is based on the perpetual inventory records.

3. Physical Inventory

A physical inventory is required at least annually (see FASOM 08.04G).

The physical count is reconciled to the inventory fund. Adjustments for shortages or overages are made as described in FASOM 01.31E. The reconciled and corrected inventory balance is compared to the related reserve. Reserves must at least equal the physical inventory and may not exceed the physical inventory by more than 15%. Reserves that do not meet these criteria are adjusted as described in FASOM 01.31F.

**E. Departmental Storeroom Records**

See FASOM 08.04D if a perpetual inventory is maintained for the storeroom. If a perpetual inventory is not maintained, use the following procedures:

- Accounting Treatment: Charge purchases to the appropriate unrestricted budget operating FOAPAL. At fiscal year end, adjust the inventory and expense with a journal entry.
- Insurance Fund Report: The value of supplies on hand as of April 1 is reported for Insurance Fund coverage. The value is based on the recent physical inventory.
- Physical Inventory: A physical inventory is required at least annually (see FASOM 08.04H).

**F. Departmental Supplies Records**

- Accounting Treatment: Purchases are charged to the appropriate departmental unrestricted budgeted operating FOAPAL. The supplies are not recorded as an asset at year-end.
- Insurance Fund Report: The value of supplies on hand as of April 1 is reported for Insurance Fund coverage. The value is based on the fifth year physical inventory and estimated adjustments for intervening years.
- Physical Inventory: A physical inventory is taken every fifth year.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Risk Management and Insurance*

**G. Physical Inventory**

A physical inventory of expendable assets in organized storerooms and departmental storerooms is taken at least once each year. Departmental expendables are inventoried every fifth year.

- Physical Inventory - Organized and Departmental Storerooms: A Supplies Inventory form (Form CO-340A), is used to take physical inventories. Prepare the form as described in FASOM 08.04H.
- Year-End Inventory Report - Organized and Departmental Storerooms: The value of expendable assets in organized and departmental storerooms as of June 30 is reported to the institution's Business Office for closing of the books. Use one of the following procedures to complete the journal voucher, depending upon when physical inventory is taken:
  - When a physical inventory is taken as of June 30, use the physical inventory amount.
  - When the physical inventory is taken earlier, use the perpetual inventory amount as of June 30.

**H. Supplies Inventory Form (Form CO-340A)**

Supplies Inventory forms are used to list expendables when taking a physical inventory. Request the forms from the Controller's Division Business Services and complete them as follows:

- Heading: Enter all heading information on page 1. The date and location may be omitted from other pages.
- Item Description: Enter the Description, Unit, Number of Units, Unit Cost and Amount for each item whenever practical. Small, low-cost items in a range of sizes and shapes (e.g., glass tubing, test tubes, small drill bits, etc.) can be grouped in one lot with only the Description, Unit and Amount entered.
- Total: Enter the total of the amount column on the last page only.

**Other Regulations Applicable to Risk Management**

Environmental Health Regulations

*Federal Regulations*

**49 Code of Federal (CFR) Regulations - Department of Transportation**

Subchapter A - Hazardous Materials Transportation

Subchapter C- Hazardous Materials Regulations

**40 CFR - Protection of Environment**

Chapter 1 - Environmental Regulations (waste disposal, stormwater discharge, air discharge, community-right-to-know, etc)

**21 CFR - Food and Drugs**

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Risk Management and Insurance*

*State Regulations*

**ORS 453 -Radiation Sources**

**ORS 448 - Pool Facilities**

**ORS 468 - Air Quality/Water Quality**

**ORS 624 - Food Service Facilities**

**ORS 634 - Pesticide Control**

**ORS 464/466 - Hazardous Waste and Hazardous Materials**

**ORS 433 - Indoor Air/Mass Gathering**

Worker's Compensation

**ORS 654 - Occupational Safety and Health**

**ORS 656 - Workers' Compensation**

**ORS 659 - Civil Rights; Unlawful Employment Practices (659.410 -  
Prohibition from discrimination against injured worker, 659.415-.420 -  
Reinstatement/Reemployment of injured workers, and 659.450-.460  
Continuation of Benefits for injured workers)**

**OAR 436, Department of Consumer and Business Services (DCBS), Workers'  
Compensation Division**

- 001 - Procedural rules governing rule making and hearings
- 009 - Oregon medical fee and relative value schedule
- 010 - Medical services
- 015 - Managed Care Organizations
- 030 - Claims evaluation, determination and reconsideration
- 035 - Disability rating standards
- 040 - Handicapped workers' reserve
- 045 - Reopened claims reserve reimbursement
- 050 - Employer/insurer coverage responsibility
- 055 - Certification of claims examiners
- 060 - Claims administration
- 070 - Funding and reserves
- 075 - Retroactive reserve
- 080 - Non-complying employers
- 085 - Premium assessment
- 100 - Workers' compensation benefits offset
- 105 - Employer-at-Injury Program
- 110 - Preferred Workers Program
- 120 - Vocational assistance to injured workers
- 130 - Rehabilitation facilities

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Risk Management and Insurance*

**OAR 437, DCBS, Oregon Occupation Safety and Health Division**

**OAR 438, DCBS, Workers' Compensation Board**

# Student Financial Aid

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Student Financial Aid*

**OREGON REVISED STATUTES (ORS)**

**ORS 348.005 Policy on student financial aid.**

Pertains to the Legislative Assembly commitment to establish financial assistance programs to enable qualified Oregonians who need student aid to obtain post-secondary education in Oregon's community colleges, state institutions or independent not-for-profit institutions of higher education.

**ORS 348.010 Student Loan Fund**

Establishes that the Dept. of Higher Education will maintain with the State Treasurer a fund separate and distinct from the General Fund known as the Higher Education Student Loan Fund.  
N/A for our purposes

**ORS 348.010-.135 Loans Generally**

General description relating to loans such as terms, conditions, definitions, exceptions relating to the Oregon Student Assistance Commission (OSAC).  
N/A for our purposes

**ORS 348.180-186 Oregon achievement grants (OA grant)**

General descriptions of the OA grant including legislative intent and recipient qualifications. OA grants to be awarded by OSAC.  
N/A for our purposes

**ORS 348.205-.305 Scholarships and grants**

Relates to the intention of the Legislative Assembly to establish two types of student aid programs for those enrolled in community colleges and institutions of higher education. Establishes the Oregon Opportunity Grant program and other scholastic grants to be awarded by OSAC.  
N/A for our purposes

**ORS 348.301-.390 Rural Medical Education Loans**

Authorizes OSAC to make loans to qualified applicants pursuing a program of study leading to the degree of Doctor of Medicine or Doctor of Osteopathic Medicine.  
N/A for our purposes

**ORS 348.393-.399 Student Loan Default**

Declares that OSAC may declare a person in default in repayment on a student loan guaranteed or insured by OSAC if the person does not pay in a satisfactory manner according to the repayment requirements of the US dept. of Education.  
N/A for our purposes

**ORS 348.405-.425 Volunteers in service to Oregon vouchers (VISTO)**

Establishes a post-secondary education voucher program within the OSAC known as Volunteers

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Student Financial Aid*

in Service to Oregon. N/A for our purposes

**ORS 348.427-460 Community Service Voucher Program**

Establishes a higher education community service voucher program within OSAC.

N/A for our purposes

**ORS 348.470 Cooperation with community colleges**

Establishes cooperation between the State System of Higher Education and the community colleges on issues affecting students who transfer between the two segments.

N/A for our purposes

**ORS 348.505-.695 Oregon Student Assistance Commission (OSAC)**

Establishes OSAC... terms of appointment, duties, and scope of authority for members.

Also establishes the Oregon Student Assistance Fund and the Alternative Student Loan Program Fund.

Authorizes OSAC to enter into agreement with community foundations in Oregon to assume the management of the privately funded student aid programs of the commission.

N/A for our purposes

**ORS 348.599 Office of degree authorization within student assistance commission (OSAC).**

Establishes the Office of Degree Authorization within OSAC.

N/A for our purposes

**ORS 348.701-710 Oregon Growth Account**

N/A for our purposes Pertains to the creation and powers given to the Oregon Growth Account Board and their management of the Oregon Growth Account within the Education Endowment Fund.

**ORS 348.716 Oregon Education Fund**

N/A for our purposes Pertains to the separation of the Oregon Education Fund from the General Fund, and the ability of the funds to pay education related bonds.

**ORS 348.841-873 Oregon Qualified Tuition Savings Program**

N/A for our purposes Pertains to the establishment of The Oregon Qualified Tuition Savings Board, and guidelines surrounding the program where private citizens can save money towards a child's future educational costs.

**ORS 348.890 Coordination of State Agencies**

N/A for our purposes Pertains to the Joint Boards of Education, and their ability to provide incentives encourage shared use of facilities, programs and other resources of state institutions of higher education and community colleges.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Student Financial Aid*

**ORS 348.950 Education Commission of the States**

Pertains to the membership on this committee, and who has the ability to make appointments to the committee (Governor, President of the Senate, and Speaker of the House of Representatives).

**ORS 348.992 Penalties**

Pertains to the criminal penalties associated with violating any one of the provisions in ORS 348.594 to 348.615

**ORS 351.070(3c) Award Student Aid from Non-General Fund**

Pertains to the Board's general powers as to higher education, in particular regarding the ability to award student aid from any fund other than the General Fund

**ORS 352.672 State Financial Aid for Students of Independent Institutions**

Reiterates the importance of accessibility to state financial aid programs for individuals looking to attend state institutions.

**OREGON ADMINISTRATIVE RULES (OAR)**

**OAR 580-010-0083 Scholarships Funded by Sports Lottery Revenue**

N/A for our purposes Identifies that the Office of Academic Affairs will allocate scholarship funds funded from the Sports Lottery Account, and some of the initial definitions to provide guidance when identifying potential recipients.

**OAR 580-015-0060 Financial Assistance (discriminations)**

N/A for our purposes. Reiterates the discrimination policy.

**OAR 580-040-0041 Revolving Charge Accounts Policy**

N/A for our purposes Relates to the ability for institutions to offer payment plans, and the rules governing what the institutions are expected to do when they provide such a plan. .

**OAR 580-042-0020 Board Acceptance of Scholarships Gifts**

N/A for our purposes Relates to when outside contributions to student financial assistance should be reported as a scholarship donation, verses pass-through money that should not be reflected as a scholarship on the institution's books ("Gifts made by individuals, or by partnerships and corporations operated for profit, for designated students not selected on some competitive basis ordinarily used in selecting scholarship recipients, shall not be accepted as scholarship gifts to the institution... These contributions or payments shall be considered gifts to the recipient and not to the institution and will not be reported to the Board" [to be run through Agency funds rather than Current Operations]).

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Student Financial Aid*

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

**IMD 3.010 Encouragement of Financial Assistance**

Reiterates the expectation that institutions should ensure maximum student access by providing financial assistance to students to the extent possible by encouraging gifts and grants for scholarships, loans, and other financial, ...and by developing and maintaining tuition remission scholarship programs from tuition revenues generated.

**IMD 3.015 Assistance for Out-of State Study**

Reiterates the expectation that the Chancellor's Office shall assist Oregon students to avail themselves of special study and student exchange programs out of state in accordance with provisions of agreements with the Western Interstate Commission on Higher Education (WICHE) and other applicable student exchange agreements.

# Taxation

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Taxation*

**OREGON REVISED STATUTES (ORS)**

**ORS 291.015 (1) Fiscal responsibilities of DAS; delegation of fiscal functions**

The Oregon Department of Administrative Services (DAS) is responsible for the administration of internal accounting, controls, procedures and services of a fiscal nature of the state government and agencies. Except as otherwise provided by law, the department may authorize the decentralized performance by state agencies of fiscal functions of the department.

**ORS 293.590 Accounting systems/records for state agencies**

DAS shall

- (1) direct and control the accounting for all the fiscal affairs of the state government and agencies;
- (2) maintain accounting records in summary or in detail. The department is responsible for establishing and maintaining systems of accounting for state government and agencies .

**ORS 351.070 (1) & (3) Board's general powers as to higher education and institutions**

- (1) The Board shall implement a personnel system and may engage in collective bargaining with its employees. All collective bargaining shall be under the direction and supervision of the Chancellor. The State System of Higher Education shall have payroll authority.
- (3) The Board may:
  - (a) Appoint and employ a president, faculty and staff, and prescribe their compensation and tenure of office or employment.
  - (b) Demand and receive the interest accruing to the institutions for admission and tuition.
  - (c) Prescribe fees for enrollment. Such enrollment fees shall include tuition for education and general services and such other charges found by the board to be necessary to carry out its educational programs. The board may award student aid from any fund other than the General Fund.
  - (d) Prescribe incidental fees for programs, or upon recommendation of the recognized student government of the institution. Fees in excess of amounts allocated and exceeding required reserves shall be considered surplus incidental fees and shall be allocated for programs under the control of the board.
  - (e) Upon recommendation of the recognized student government, collect optional fees for student activities not included in paragraph (c) or (d) of this subsection. The payment of such optional fees shall be not be a prerequisite of enrollment.
  - (f) Confer degrees as usually are conferred by such institutions.
  - (g) Prescribe the qualifications for admission into such institutions.

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Taxation*

**ORS 351.085 (2) Centralized accounting**

The Chancellor shall maintain a centralized service program for all institutions, including but not limited to, accounting, statistical services, capital construction, management analysis, legal services, academic affairs and educational research.

**ORS 351.087 (2) Establishment of policies; transfer of authority from DAS**

DAS shall transfer authority over administrative matters concerning the performance, operating policies or structure of the State System of Higher Education to the Board.

**ORS 351.090 Standardization of accounts and records**

The Board shall prescribe for all state-supported higher educational institutions a standardized system of accounts and records. The board shall prepare biennial budget to the Governor containing details of expenditures and allocate funds available to the respective institutions in support of higher educational program.

**ORS 351.310 (1) Board's general financial power**

The Board shall control the use, distribution and disbursement of all funds, appropriations and taxes for the use and benefit of institution of higher education, including the authorization of individuals to sign vouchers for the disbursement of funds for the various institutions.

**OREGON ADMINISTRATIVE RULES (OAR)**

**OAR 580-040-0005 (1) Vice Chancellor for finance and administration**

The Board directs the Vice Chancellor for Finance and Administration to execute Board policy in all areas of fiscal and administrative services including designing, installing, supervising and auditing of fiscal and accounting policies and procedures in the Department.

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

**IMD 1.120 General responsibilities of institution presidents**

The President is delegated full authority and responsibility to administer the affairs of the institution in accordance with Board policies, plans, budgets, and standards, including management and expenditure of all institution funds. The President has full authority for determining the organizational structure of the institution.

**IMD 6.001 Vice Chancellor for Finance and Administration accounting responsibilities**

The Vice Chancellor for Finance and Administration shall be responsible for:

- (1) Creating and maintaining accounting policies, records, and reports.

## **OUS Fiscal Accountability Framework Project**

### **Appendix 4: Full Regulatory Research**

#### *Taxation*

- (2) Providing central fiscal and accounting services, including payroll accounting, property accounting, and disbursement of state, federal, and all other funds under Board control.
- (3) Auditing and reviewing institutional accounting procedures and records to assure conformity with statutes, Administrative Rules, Board policies, and accepted accounting principles and procedures.
- (4) Preparing accounting and other financial reports, including a comprehensive annual report of Department assets, liabilities, reserves, income, expenditures, and balances.

### **FEDERAL LAWS**

#### **Cafeteria Plans (62 Fed. Reg. (November 7, 1997))**

Temporary regulations that clarify when an employer may permit a cafeteria plan participant to revoke a benefit election and make a new election during a period of coverage. Applies to accident or health coverage or group term life insurance. Revocation may be made due to certain changes in family status such as: marriage, divorce, death of spouse or child, birth or adoption of child, and termination of employment of spouse.

#### **Certain Fringe Benefits (I.R.C. 132)**

Certain fringe benefits will not be included in gross income. They are: no-additional-cost service, qualified employee discount, working condition fringe, and de minimis fringe.

Employer can offer its employees the qualified parking benefit up to \$175 a month. The cash employee received is excludable from income for tax purposes. Employees may use pre-tax dollars to pay for parking.

#### **Deferred Compensation Arrangements**

IRC 403 (b) Deferred Compensation Arrangement

Characteristics of deferred compensation arrangement: Salary reduction contribution; annual contribution limit (starting 1998 is 10,000); non-discrimination rules; withdrawal restrictions. Elective deferrals are subject to FICA withholding.

IRC 457 Non-Qualified Deferred Compensation Plan established by state and local government. Amount deferred must be set aside in a trust for the benefit of plan participants.

## **OUS Fiscal Accountability Framework Project**

### **Appendix 4: Full Regulatory Research**

#### *Taxation*

#### **The Federal Unemployment Tax Act (FUTA)**

Unemployment compensation taxes are to be paid through the states. Exempted from coverage are regularly enrolled students who are employed by the institutions they attend, students who work in cooperative work-study programs, and the services of certain student nurses and medical interns.

#### **The Social Security Act (FICA)**

The Rev. Proc. 98-16 - half-time undergraduate and graduate students who are non-career employees at the institution are eligible for the student FICA exemption. Nonresident aliens are exempted from FICA withholding.

#### **Withholding**

Employers are required to obtain a signed withholding exemption certificate relating to employee's marital status and the number of withholding exemptions on or before the date the employee begins his employment. If the employee fails to furnish such certificate, that employee is considered a single person claiming no withholding.

On or before December 1 of each year, every employer should request of each employee a newly completed withholding exemption certificate for the ensuing calendar year.

Employers are required to keep records of employee payments, taxes withheld, and payments to state unemployment compensation funds for four years from date the tax return is due or paid, whichever is later.

#### **I.R.C. 127 Educational Assistance Programs -Tax Refunds to employees and employers**

Both employees and employers who participated in employer-provided educational assistance plans in 1995 or 1996 could be entitled to refunds.

- Annual exclusion from income of up to \$5,250 of educational assistance benefits, retroactive to January 1, 1995. However, the new law does not extend the tax benefit to graduate-level courses that begin after June 30, 1996.
- Employees who previously paid taxes on employer-provided educational assistance can now get refunds of federal income, social security, and Medicare taxes paid in 1995 and social security and Medicare taxes paid in 1996. Employers can obtain refunds for social security, Medicare and unemployment taxes that they withheld and paid on benefits that are now eligible for exclusion.
- Employees will usually get the social security and Medicare tax refunds from the employer that provided the educational assistance.

#### **I.R.C. 117 Scholarships & Fellowships & Qualified Tuition Reduction**

In general, an institution is not required to withhold income tax or file information returns

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Taxation*

relating to taxable scholarship fellowship grants. Two criteria must be met:

- 1) grant recipient must be a U.S. citizen or a U.S. resident alien for tax purposes; and
- 2) payments must be a true scholarship/fellowship, and not compensation for services.

A scholarship or fellowship grant is excluded from the recipient's taxable income if the following conditions are met:

- 1) The award is a qualified scholarship. The scholarship is used for tuition and fees required for enrollment at the university or fees, books and supplies required for courses of instruction. Room, board, and living expenses are not excludable from gross income.
- 2) Recipient must be a candidate for a degree. The individual must pursue academic studies or conduct research to meet the requirement for a professional degree.
- 3) The award must be for studying or conducting research at an educational organization.

If the scholarship or fellowship grant or tuition reduction is compensation for services, the university must file a return of information, withhold income taxes, and report wages to employees.

If the scholarship or fellowship grant or tuition reduction is partly a scholarship and partly compensation, the grantor must determine what should be reported as income.

**Hope Scholarship Credit & Lifetime Learning Credit**

Hope Scholarship Credit:

Effective January 1, 1998, taxpayers may be able to claim a nonrefundable Hope Scholarship Credit against their federal income taxes. The Credit may be claimed for qualified tuition and related expenses of each student in the taxpayer's family (i.e. spouse, taxpayer, or eligible dependent) who is enrolled at least half-time in one of the first two years of postsecondary education and who is enrolled in a program leading to a degree.

The amount may be claimed is:

1. 100% of the first \$1,000 of out-of-pocket expense for each student's qualified tuition and expenses; plus
2. 50% of the next \$1,000 of qualified tuition and related expenses.

Thus the maximum credit is \$1,500 for each student in the taxpayer's family who meets the above enrollment criteria.

The Hope Scholarship Credit is gradually reduced for taxpayers who have modified adjusted gross income between \$40,000 (\$80,000 for married filing jointly) and \$50,000 (\$100,000 for married filing jointly). Taxpayers with modified adjusted gross income over \$50,000 ((\$100,000 for married filing jointly) may not claim the credit.

## **OUS Fiscal Accountability Framework Project**

### Appendix 4: Full Regulatory Research

#### *Taxation*

U.S. citizens and resident aliens may claim the Hope Scholarship credit. Generally, nonresident aliens may not claim the credit.

#### Lifetime Learning Credit:

Taxpayers may be able to claim a nonrefundable lifetime learning credit of up to \$1,000 for qualified tuition and related expenses for all students enrolled in a program leading to a degree.

Characteristics of lifetime learning credits are:

- Not based on student workload; is allowed for one or more courses.
- Available for undergraduate and graduate students.
- No maximum period for which credit can be claimed for each eligible student.
- The amount of credit claim does not increase based on the number of eligible students for whom taxpayers pay educational expenses.
- Taxpayers must elect either Hope Scholarship or lifetime learning credit for *each* student in a given year. But they may claim the Hope credit for one student and the lifetime credit for another student in the same year.

The lifetime learning credit is gradually reduced for taxpayers who have modified adjusted gross income between \$40,000 (\$80,000 for married filing jointly) and \$50,000 (\$100,000 for married filing jointly). Taxpayers with modified adjusted gross income over \$50,000 ((\$100,000 for married filing jointly) may not claim the credit

U.S. citizens and resident aliens may claim the Hope Scholarship credit. Generally, non-resident aliens may not claim the credit.

#### **Scholarships and Fellowships Paid to Foreign Students**

Generally, qualified scholarship and fellowship grants to students/scholars are excluded from gross income if the students/scholars are U.S. citizens or U.S. resident aliens (see I.R.C. 117 above). If the students are nonresident aliens, scholarships and fellowship payments are subject to withholding unless the payment qualifies as nontaxable scholarship/fellowship under the Code or is excludable under a tax treaty.

For tax purposes, residence aliens are persons having the alien registration card issued by the INS or who met the “substantial presence test”. Foreign persons classified as non-resident aliens either do not have the alien registration card or meet the “substantial presence test”.

Taxable and nontaxable scholarship and fellowship payments are reported on either form 1042S or form W-2. Beginning in 2001, nontaxable portion of scholarships and fellowships will no longer have to be reported.

# Treasury Management

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Treasury Management*

**OREGON REVISED STATUTES (ORS)**

**ORS 291.238 Expenditures without allotment prohibited in certain cases**

ORS 291.238 provides OUS with the following procedure:

- Prohibits obligations or expenditures without authorization by an allotment. {ORS 291.238 section 1}
- Expenditures from dedicated funds, revolving funds and trust funds may be made without appropriation or allotment. {ORS 291.238 section 2}

Expenditures from revolving funds and trust funds are limited to the amounts available in the funds and for the lawful purposes of those funds. {ORS 291.238 section 3}

**ORS 348.010 Student Loan Fund**

ORS 348.010 provides OUS with the following procedure:

- OUS will maintain a Higher Education Student Loan Fund with the State Treasurer, which will be separate from the general fund. The fund shall consist of: a) moneys made available to the Board for student loans from state appropriations and from the federal government; b) repayment of student loans; c) interest earned on student loans; and d) earnings from investments of the Higher Education Student Loan Fund. {ORS 348.010 section 1}
- All moneys in the fund are continuously appropriated for granting student loans under the terms established by the federal government. {ORS 348.010 section 2}
- Repayment of any student loans made under the provisions of the federal government programs shall be made based on the provisions of the applicable federal statutes. Repayment of funds to the Higher Education Student Loan Fund shall be made based on the provisions of the applicable federal statutes. {ORS 348.010 section 3}

Money in the Higher Education Student Loan Fund not needed for student loans may be invested by the State Treasurer. Interest or other income from investments shall be credited to the fund. {ORS 348.010 section 4}

**ORS 293.265 Money turned over to state treasurer**

ORS 293.265 provides the Board, Chancellor, and Institutions with the following procedure:

- Entities must deposit with the State Treasurer any funds received by OUS within one business day of their receipt. A longer period for deposit of funds may be requested from the Secretary of State's Audit Division if there is a valid business reason. {ORS 293.265 section 1}
- The deposit of a check marked "paid in full", or words of similar meaning, does not bind the state or prevent the collection of any remaining amounts owed. An exception exists if an officer with authority to settle claims has agreed in writing to accept the check as full payment of a disputed obligation. {ORS 293.265 section 2}
- Checks or money orders that have not yet been deposited may be returned under the following conditions: a) if they are incomplete; b) if the report or record being requested is not available or releasable; or c) if the payment is not owed. A record of returned checks and money orders

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Treasury Management*

must be kept in the format specified by DAS. The institution must adopt a rule specifying a limit on the dollar amount of checks and money orders that may be returned. {ORS 293.265 sections 3 and 4}

**ORS 293.875 State Treasurer as state cash management officer**

ORS 293.875 provides OUS with the following procedure:

- The State Treasurer is designated the cash management officer for the state and may establish and modify procedures for the efficient handling of cash and cash equivalents under the control of state agencies. {ORS 293.875 section 1}
- The State Treasurer shall continuously review the effectiveness of cash management of state agencies, and when the State Treasurer considers it appropriate, shall report in writing to the agency the findings of this review, along with any recommendations. A copy of the report shall be provided to the Legislative Fiscal Officer and to the Secretary of State. {ORS 293.875 section 2}
- State agencies shall employ the principles, standards, and related requirements for cash management, including the use of secure disbursing and receiving documents and systems, prescribed by the State Treasurer. {ORS 293.875 section 3}

**ORS 293.880 Accounts and funds established to comply with federal legislation relating to state and federal cash management reform**

ORS 293.880 provides OUS with the following procedure:

- The State Treasurer may establish accounts, and DAS may establish funds, to comply with the requirements of federal legislation relating to the state and federal cash management reform. These accounts shall be distinct and separate from the General fund. Any interest earned shall benefit the account or fund. {ORS 293.880}
- Defines purposes for which the funds are continuously appropriated. Includes definition of circumstances in which interest will be transferred between the federal government and the state general fund. {ORS 293.880 sections 1 and 2}

**ORS 351.540 Board checking account**

ORS 351.540 provides OUS with the following procedure:

- The Board, with the approval of the State Treasurer, may deposit with the State Treasurer any moneys received by OUS. These moneys shall be credited to a special checking account. Exceptions may exist related to federal funds. {ORS 351.540 section 1}
- The special checking account may be used for clearing items subject to subsequent debit or credit to state funds. {ORS 351.540 sect 2}
- Disbursements may be made by check or by request from the Board to the State Treasurer, and signed by the officer designated by the Board. {ORS 351.540 section 3}

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Treasury Management*

- Disbursements shall be made only in payment of claims authorized for the ordinary expenditures of the Board for the operation of OUS. {ORS 351.540 section 3}
- Money in the accounts established may be held as petty cash or carried with the State Treasurer in segregated sub-accounts. With the approval of the State Treasurer, petty cash funds may be deposited in banks and be disbursed by authorized employees. The petty cash accounts or sub-accounts shall be periodically reimbursed based on documentation of disbursements. {ORS 351.540 section 4}

**ORS 351.590 Student Activities Fund**

ORS 351.590 provides OUS with the following procedure:

- OUS will maintain a Higher Education Student Activities Fund with the State Treasurer, which will be separate from the general fund. The fund shall consist of deposits of all revenue from incidental fees, optional fees, health service fees and all operating revenue from intercollegiate athletics, student unions and educational activities. {ORS 351.590 section 1}
- Defines student activities related expenditures that may be made from the fund. {ORS 351.590 section 2}

The State Treasurer may invest money in the Student Activities Fund. Earnings from investments shall be credited to the fund. The board shall distribute the interest earnings proportionally to the institutions on an annual basis. {ORS 351.590 section 3}

**ORS 351.615 Building Repair/equipment replacement fund**

ORS 351.615 provides OUS with the following procedure:

- OUS will maintain a Higher Education Auxiliary Enterprise Building Repair and Equipment Replacement Fund, which will be separate from the general fund. {ORS 351.615}
- The State Treasurer may invest money in the fund. Earnings from investments will be credited to the fund for distribution to the institutions based on rules adopted by the Board. {ORS 351.615}
- Defines expenditures that may be made from the fund and procedures that must be followed. {ORS 351.615}

**ORS 351.627 Capital Construction Fund**

ORS 351.627 provides OUS with the following procedure:

- OUS will maintain a Higher Education Capital Construction Fund, which will be separate from the general fund. {ORS 351.627}
- Interest earned by the fund will be credited to the fund. {ORS 351.627}
- The fund is continuously appropriated for the purpose of capital construction. {ORS 351.627}
- Limits expenditures that may be made prior to approval by the OUS Board and the Emergency Board. {ORS 351.627}

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Treasury Management*

**ORS 351.666-.668 Oregon Engineering Investment Fund, uses; investment goal**

ORS 351.666 and 351.668 provides OUS with the following procedure:

- OUS will maintain an Oregon Engineering Investment Fund, which will be separate from the general fund. {ORS 351.666 section 1 }
- Interest earned by the fund will be credited to the fund. {ORS 351.666 section 1 }
- Money in the fund is appropriated for the purpose of investments in engineering education. {ORS 351.666 section 2 }
- Established goal for funding to be invested in engineering education. {ORS 351.666 section3 }
- Defines uses that shall be made of the fund and the criteria that will be followed in allocating funds. {ORS 351.668 }

**OREGON ADMINISTRATIVE RULES (OAR)**

**OAR 580-040-0005(8) Vice Chancellor for F&A may sign claims, checks and payrolls**

OAR 580-040-0005(8) provides for the following delegation of authority from the Board to the Chancellor:

- The Board directs the Vice Chancellor for Finance to execute Board policy in all areas of fiscal and administrative services, including: {OAR 580-040-0005 }
- Signing claims, payrolls and checks. {OAR 580-040-0005 section 8 }

**OAR 580-041-0010 Receivables accounting policies**

OAR 580-041-0010 provides OUS with the following procedure:

- OUS institutional business offices will diligently collect accounts and notes receivables. Procedures shall conform to federal and state laws and regulations. Institutional procedures will be formally adopted as Oregon Administrative Rules. {OAR 580-041-0010 }

**INTERNAL MANAGEMENT DIRECTIVES (IMD)**

**IMD 6.004 Accounting policies for cash funds (including gifts)**

- IMD 6.004 provides the Vice Chancellor for Finance and Administration authority to:
- Establish procedures for recording and disbursing cash funds. {IMD 6.004 }
- Gifts should be deposited with the State treasury unless otherwise designated by the donor to an affiliated organization. {IMD 6.004 }

**IMD 6.005 Cash receipts deposited promptly**

IMD 6.005 provides the Vice Chancellor for Finance and Administration authority and responsibility to:

**OUS Fiscal Accountability Framework Project**  
Appendix 4: Full Regulatory Research  
*Treasury Management*

- Establish requirements for the prompt deposit of cash receipts. {IMD 6.005}

**IMD 6.006 Working funds (revolving and petty cash) for department activities**

IMD 6.006 provides the Vice Chancellor for Finance and Administration authority and responsibility to:

- Approve revolving funds and petty cash funds for departmental activities. {IMD 6.006}
- Approve the deposit of revolving or petty cash funds in commercial banks. {IMD 6.006}

**IMD 6.008 Disbursements only for lawful purposes in accordance with Board policy**

IMD 6.008 provides the Vice Chancellor for Finance and Administration authority and responsibility to:

Establish procedures to assure departmental funds are only paid out for lawful purposes and in accordance with Board policies. {IMD 6.008}

**FINANCIAL ADMINISTRATION STANDARD OPERATING MANUAL (FASOM)**

**FASOM 13.03 Purchasing -replacement & returned checks**

FASOM 13.03 provides for the following procedures:

- Replacement of lost, stolen, or destroyed check upon completion of a Lost Check Statement sent to the institution's business office. Lost, Stolen, or destroyed checks payable to a government agency use a Governmental Agency Certificate. {FASOM 13.03}
- Payment due a deceased person may be processed upon receipt of an Affidavit to Obtain Payment due a Deceased Person in the institution's business office. A \$1000 limit applies as well as priority of survivor (ORS 293.490(3)). {FASOM 13.03}
- A replacement check on an accounts payable check is issued by the institution's business office, a payroll check is issued by the Controller's Division. {FASOM 13.03}
- At the end of each fiscal year, funds from outstanding checks more than two years old are transferred to an unclaimed check account. Upon purging from the outstanding checklist, all funds except for auxiliary and student loan funds are reverted to the Division for State Lands. {FASOM 13.03}
- An accounts receivable is established on the institution's books if both the original and the replacement checks are cashed. {FASOM 13.03}

**FASOM 13.07 Purchasing -cash management**

FASOM 13.07 provides separation of responsibility for the Controller's Division and the institutions as follows:

Controller's Division will:

- Reconcile suspense accounts {FASOM 13.07}

## **OUS Fiscal Accountability Framework Project**

### Appendix 4: Full Regulatory Research

#### *Treasury Management*

- Analyze expense accounts on behalf of DAS {FASOM 13.07}
- Reconcile DAS accounts {FASOM 13.07}
- Coordinate electronic funds transfers and ACH transfer with the State Treasurer {FASOM 13.07}
- Reconcile cash impact of inter-institutional transactions {FASOM 13.07}
- Coordinate issuance of suspense checking account deposit documents with the State Treasurer {FASOM 13.07}
- Act as liaison with the State Treasurer's office {FASOM 13.07}
- Authorize institution personnel to disburse funds from the State Treasury {FASOM 13.07}
- Create a process to produce cash modification reports {FASOM 13.07}

Institutions will: {FASOM 13.07}

- Maintain check stock and facsimile software {FASOM 13.07}
- Control the internal check-writing process and replace lost or forged checks (see also FASOM 13.03) {FASOM 13.07}
- Provide the Controller's Division with timely data {FASOM 13.07}
- Encode Banner fund code records with correct bank codes {FASOM 13.07}
- Process interinstitutional transactions quickly & assure that interinstitutional transaction totals remain unchanged {FASOM 13.07}
- Review Bank Interfund Account Control and GL Subsidiary Ledger Control reports daily {FASOM 13.07}
- Revolving fund accounts require the authorization of the Controller's Division and the approval of the State Treasurer. Establishes procedures to assure that revolving fund checking accounts not operate at negative bank balances. {FASOM 13.07}
- Petty cash accounts may be recorded in the responsible fund or in a separate fund for petty cash advances. {FASOM 13.07}

#### **FASOM 14 Electronic commerce**

FASOM 14 provides for the separation of responsibilities of the Vice Chancellor of Finance and Admin and the university Vice Presidents:

- Defines electronic commerce to include all business transactions accomplished using an electronic medium. {FASOM 14}
- Assigns oversight responsibility for System provisions to the Vice Chancellor for Finance and Administration or designee. {FASOM 14}
- Assigns oversight responsibility on their campus for institutional provisions to each university's Vice President for Finance and Administration or designee. {FASOM 14}
- Establishes standards for consistency in regards to privacy statements, accounting practices, transmission security, credit card authorization, handling of sensitive data, conclusive audit trail for all transactions, compliance with current Board and State of Oregon procurement

**OUS Fiscal Accountability Framework Project**

Appendix 4: Full Regulatory Research

*Treasury Management*

statutes, rules, and regulations, and electronic commerce systems to be fully and securely archived. {FASOM 14}

- Periodical review of this policy for consistency with DAS policies. {FASOM 14}