



# Oregon State Board of Higher Education

Meeting of the  
Board Committee on  
Finance & Administration  
February 4, 2011



**OREGON STATE BOARD OF HIGHER EDUCATION  
 STANDING COMMITTEE ON FINANCE AND ADMINISTRATION  
 FEBRUARY 4, 2011  
 BOARDROOM<sup>1</sup>, 8-10 A.M.**

**AGENDA**

**1. CALL TO ORDER/ROLL CALL/WELCOME**

**2. ACTION ITEMS**

- a. OUS, Report on Investments – As of December 31, 2010 (Green)..... 1  
 The investment report for the second quarter of Fiscal Year 2011 is presented for Committee approval.
- b. OUS, Managerial Reporting – Quarterly Management Report (Green)..... 5  
 To request Committee acceptance of quarterly management reports dated 12/31/10 that monitor the financial activity of the OUS current unrestricted and auxiliary enterprises funds.
- c. OUS, 2010 Annual Financial Report (Moss Adams)..... 17  
 The audit opinion issued by Moss Adams, LLP, is an unqualified opinion, which means that their opinion as the fair presentation of the financial statements was issued without qualification.
- d. OUS, Internal Audit Progress Report (Snopkowski)..... 19  
 In accordance with the charter, IAD will present the 2010 Final Progress Report and the 2011 Annual Audit Plan as directed. IAD notes that the audit report recommendations made over the past quarter were all adequately addressed by management.

**3. ADJOURNMENT**

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<sup>1</sup> To attend the meeting via telephone, please contact the Board’s Office.

## **OUS, Report on Investments – As of December 31, 2010**

The investment report for the second quarter of Fiscal Year 2010 is presented below.

### **HIGHER EDUCATION POOLED ENDOWMENT FUND—OREGON STATE TREASURY'S DISCUSSION OF PERFORMANCE**

From a macroeconomic standpoint, the Oregon Investment Council's consultant, Strategic Investment Solutions, reports the following:

For the year 2010, the Dow Jones Industrial Average rose 11 percent, the S&P 500 Index finished up 13 percent, and the Nasdaq Composite rose 17 percent. Although the economy has only been recovering out of the recession at half-speed up to this point in time, investors are growing increasingly optimistic about 2011. Over 50 percent of all investors (well above the historical average) are now "bullish on the stock market," according to a survey by the American Association of Individual Investors.

The same concerns that affected the market in 2010 will most likely continue to do so in 2011. These concerns include:

**Fed monetary policy**—The Fed's recent plan to inject another \$600 billion into the U.S. economy has investors increasingly worried about long-term inflation. This policy, known as Quantitative Easing II (QEII), involves buying U.S. Treasuries. The intention of the Fed was to lower interest rates. However, yields on the 10-year note have risen considerably the past two months. The Fed is expected to complete its \$600 billion bond purchasing by the middle of 2011. The Fed directly influences short-term interest rates, whereas borrowers and investors have a greater impact on medium- to long-term rates.

**Housing weakness**—The federal government's home buyer tax credits helped refuel the housing market during the first half of 2010 but that momentum has lost steam. Home prices are, again, falling.

**Employment rate**—The U.S. economy continues to suffer from one of the longest job droughts in the nation's history, with the unemployment rate hovering around 10 percent.

**President Obama and the new Congress**—The third year of a U.S. presidential term has historically been the best year for stocks during a four-year cycle. According to S&P equity research, since World War II, the S&P 500 has gained on average more than 17 percent during the third year, compared to a 6 percent increase during the other three years. Obama and his predecessor, G.W. Bush, have already pumped trillions of dollars into the economy and may now be left with little else to offer.

Short-term rates are close to zero and Congress returns in the New Year with Republicans having a strong majority in the House.

Corporate earnings growth—After a rough couple of years, corporate America delivered strong profits in 2010, fueled by cost-cutting and inventory control. “Companies have cut as much as they can, so cost-cutting efforts have come to an end,” said Ryan Detrick, senior strategies at Schaeffer’s Investment Research. “This time, investors will have to see real growth, based on sales.”

Global debt woes—The European sovereign debt crisis might pose the biggest risk for the market in 2011 according to preliminary results from a CNN Money survey of investment strategists and money managers. Investors continue to worry that certain euro zone countries won’t be able to repay their debt, leaving the European banks that hold these bonds in a precarious position.

China—Investors will be continuing to watch the Chinese government as it takes steps to rein in rising inflation while attempting to not derail its strong economic growth. If the Chinese government cannot pull off that tricky balancing act, experts worry that could lead to a so-called hard landing for its economy that would, in turn, unravel elements of the global economic recovery.

Macro headlines continue to dominate the financial markets and how they move. We are in a policy driven world – U.S. Fed policy, tax policy, China Monetary policy, European Union bailout policy – are just a few. Predicting markets in a policy-driven world is extremely tough. Traders are reluctant to take long-term positions, so the result is a shorter trading cycle along with increased volatility. Liquidity also declines and correlations increase. Correlation of stocks within the S&P 500 is at record highs as is the correlation between stocks, commodities, and high-yield corporate bonds.

U.S. economic barometers have improved over the past couple of months leading to a strong rally in equities and commodities supported by the actions of the Fed’s QEII. The QEII was designed to lift growth rates and support the financial markets. Bond yields have also risen significantly during this time frame, which caught many investors off guard. Short-term rates remain historically low and the yield curve has continued to steepen. Investors will need to continue to watch closely how the economy grows in the first half of 2011 and the effect of the federal policy on inflation, interest rates, and the yield curve.

With ultra-low bond yields (despite the recent run-up) and money markets with an estimated \$2.8 trillion invested essentially yielding close to zero, investors remain in a dilemma. We have previously warned about the dangers of reaching for yield. That said, we believe there are intelligent investment opportunities for long-term investors in certain sectors of the stock market.

The HIED Endowment Fund returned 6.1 percent for the quarter and 14.4 percent for the most recent 12-month period. This performance was approximately equal to the passive policy benchmark for the quarter and 2.1 percent in excess of the policy benchmark for the 12 months ended. The domestic equity and international equity managers continued to perform well, returning 17.3 percent and 21.1 percent, respectively, over the past 12 months. The alternative investment portfolio had a decent year, as well, contributing a 9.5 percent return.

During the fourth quarter of 2010, the implementation of the new strategic asset allocation, as approved by the OIC, began to be implemented. The termination of Alliance Bernstein allowed for the funding of the Treasury Inflation Protected Securities (TIPS) allocation. This allocation is a long-term hedge against unanticipated inflation and not a tactical decision; therefore, the \$4.5 million investment was made in the quarter to achieve, approximately, the long-term target of 7.5 percent of the total portfolio.

At December 31, 2010, the Fund's asset allocation was as follows:

HIED	Policy	Target	\$ Thousands	Actual
Domestic Equities	20-30%	25.0%	\$17,809	28.0%
International Equities	20-30%	25.0%	17,901	28.2%
Private Equity	0-15%	19.0%	4,687	7.4%
<b>Growth Assets</b>	<b>50-75%</b>	<b>60.0%</b>	<b>40,397</b>	<b>63.6%</b>
Real Estate	0-10%	7.5%	1,498	2.4%
TIPS	0-10%	7.5%	4,360	6.9%
<b>Inflation Hedging</b>	<b>7-20%</b>	<b>15.0%</b>	<b>5,858</b>	<b>9.2%</b>
Fixed Income	20-30%	25.0%	16,316	25.7%
Cash	0-3%	0.0%	988	1.6%
<b>Diversifying Assets</b>	<b>20-30%</b>	<b>25.0%</b>	<b>17,304</b>	<b>27.2%</b>
<b>TOTAL HIED</b>			<b>\$63,559</b>	<b>100.0%</b>

**STAFF RECOMMENDATION TO THE COMMITTEE:**

Staff recommends the Committee accept the Investment Report as of December 31, 2010.

**(Committee action required.)**

## Investment Summary

as of December 31, 2010

(Net of Fees)

	Quarter Ended 12-31-10	Prior Fiscal YTD	Current Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Range
<b>Total Pooled Endowment Funds</b>									
<b>OUS Total Endowment</b>	6.1%	19.5%	17.4%	-0.5%	3.0%	3.9%			
<i>Target Allocation Policy Benchmark</i>	6.2%	19.0%	14.8%	0.2%	4.3%	3.8%			
<b>Growth</b>									
<b>BlackRock S&amp;P 500 Index</b>	10.8%	22.7%	23.3%	N/A	N/A	N/A	\$ 13,085,315	20.6%	
<i>Benchmark - S&amp;P 500 Stock Index</i>	10.8%	22.6%	23.3%						
<b>Columbia Acorn</b>	14.5%	27.0%	30.0%	N/A	N/A	N/A	3,366,184	5.3%	
<i>Benchmark - Russell 2500 Index</i>	14.9%	26.2%	28.9%						
<b>Arrowstreet Capital, L.P.</b>	11.2%	22.5%	29.4%	1.6%	8.2%	N/A	12,661,104	19.9%	
<i>Benchmark - MSCI World Ex US IMI Net</i>	7.8%	22.4%	25.5%	-5.6%	3.7%				
<b>Genesis Asset Management</b>	7.1%	37.3%	26.7%	N/A	N/A	N/A	3,432,139	5.4%	
<i>Benchmark - MSCI Emerging Markets IMI Net</i>	7.4%	32.1%	27.1%						
<b>BlackRock ACWI IMI B</b>	7.5% 2	N/A	N/A	N/A	N/A	N/A	3,161,263	5.0%	
<i>Benchmark - MSCI ACWI IMI Net</i>	7.5%								
<b>HRJ Growth Capital II, L.P.</b>	3.9% 3						3,661,662 4	5.8%	
<b>JP MorganVenture Capital IV, L.L.C.</b>	-0.0% 3						1,024,724 4	1.6%	
<b>Total Growth</b>							40,392,391	63.6%	50%-75%
<b>Diversifiers</b>									
<b>Western Asset Core Plus Bond Fund</b>	-0.2%	14.4%	3.8%	8.3%	6.8%	N/A	16,316,256	25.7%	
<i>Benchmark - BC Aggregate Index</i>	-1.3%	4.0%	1.2%	5.9%	5.8%				
<b>Cash</b>	0.1%	0.4%	0.3%	1.6%	3.0%	2.7%	988,599	1.5%	
<i>Benchmark - 91 day T-bill</i>	0.0%	0.1%	0.1%	0.8%	2.4%	2.4%			
<b>Total Diversifiers</b>							17,304,855	27.2%	20%-30%
<b>Inflation Hedge</b>									
<b>Capital Dynamics Real Estate III, L.P.</b>	-3.2% 3						1,498,152 4	2.4%	
<b>BlackRock TIPS NL B</b>	-1.6% 2	N/A	N/A	N/A	N/A	N/A	4,360,249	6.8%	
<b>Total Inflation Hedge</b>							5,858,401	9.2%	7%-20%
<b>Total Pooled Endowment Funds</b>									
							63,555,647	100.0%	
<b>Separately Invested Endowment Funds</b>									
<b>Forest Land</b>							1,805,800 5		
<b>Other Separately Invested Endowments</b>							65,961		
<b>Total Endowment Funds</b>							<u>\$ 65,427,408</u>		

## 1 Notes on Policy Benchmark:

From January 2000 through July 2006 the policy benchmark was 5% 91 Day T Bill, 10.5% MSCI EAFE, 59.5% Russell 3000, and 25% BC AGG.

From August 2006 to April 2008 the policy benchmark was 42% Russell 3000, 28% MSCI World Ex US, and 30% BC AGG.

From May 2008 to current the policy benchmark is 30% Russell 3000, 30% MSCI ACWI Ex US Net, 10% Russell 3000 +300 bps, and 30% BC AGG.

## 2 One month return for investments purchased during the quarter.

## 3 As calculated by OUS Staff.

## 4 Value based on equity method of accounting as of September 30, 2010, plus/minus additional capital contributions and distributions through December 31, 2010, at cost basis

## 5 Book value of separately invested land prior to market value adjustments beginning in fiscal year 2009 is \$3,199,743. Land held as separately invested endowments may not be sold. Land use is restricted to teaching and research. Partial harvests, consistent with good forestry management practices are allowed, with specified uses for ongoing funding for scholarships and an endowed chair.

Outlined returns underperformed their benchmark

## **OUS, Managerial Reporting – Quarterly Management Report**

Attached are the quarterly management reports as of December 31, 2010. After reviewing the Budget Projections Summary received from each university and comparing prior year results, the following was noted:

### **EDUCATION AND GENERAL – LIMITED**

Revenue recognition is projected to be 4 percent above 2009-10 mainly due to an \$84 million or 13 percent increase in tuition and resource fee revenues offset by \$37 million decrease or 10 percent in combined State General and ARRA (American Recovery and Reinvestment Act) funds. The increase in tuition and resource fee revenues is primarily due to a combination of tuition rate increases, an overall projected 5 percent increase in student FTE enrollment, and change in the mix of student enrollment.

Revenue recognition year-to-date is 8 percent over the prior year, due largely to increases in nonresident tuition for summer, fall, and initial winter terms. Spending is up 10 percent year-to-date and is projected to be 12 percent above the prior year spending at year-end. The increase in spending is primarily due to staffing, supplies and services expenses, and capital outlay related to student enrollment increases.

The ending fund balance of Education and General–Limited is projected to be \$165 million, which is comparable to the prior year. The June 30, 2011, ending fund balance of Education and General–Limited is projected to be 14 percent of operating revenues—equivalent to the prior year.

With the exception of OSU, all institutions' ending fund balances are projected to be within the recommended reserve level of 5–15 percent of operating revenue; WOU's range is 10–20 percent. OSU's projected ending fund balance is 16 percent. This will be monitored through the remaining quarterly reports of the biennium.

### **AUXILIARY ENTERPRISES**

Systemwide, Auxiliary Enterprises are projected to have total revenues of \$388 million and expenditures of \$375 million, resulting in \$13 million of revenues over expenditures. Unrestricted Net Assets are projected to increase \$9 million to \$84 million. Please refer to the explanatory notes on each institution's and Chancellor's Office reports for additional information.

### **DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, AND CLEARING FUNDS**

The projected ending fund balance of \$34 million is consistent with the prior year. Please refer to the explanatory notes on each institution's and Chancellor's Office reports for additional information.

**STAFF RECOMMENDATION TO THE COMMITTEE**

Staff recommends that the Committee accept the Quarterly Management Report for December 31, 2010. The next Management Report for the quarter ending March 31, 2011, is scheduled to be presented to the Committee in May 2011.

**(Committee action required.)**

**Oregon University System  
Quarterly Management Report**

**As of December 31, 2010  
For the Fiscal Year Ended June 30, 2011**

COMBINED OUS (in thousands except enrollment)	Year-to-Date				Projections					
	YTD Actual	YTD as a % of Projected	Prior YTD as % of PY Actual	% chg Current/Prior YTD	Prior Yr. Actual	Adjusted Budget	Projected 6/30/2011	Variance from Adj. Budget	Chg since Prior Report	% chg Projection to PY Actual
<b>EDUCATION &amp; GENERAL - LIMITED</b>										
State General Fund	181,912	62%	47%	15%	340,114	295,594	294,508	(1,086)	(165)	-13%
Recovery Act Fund	0	0%	96%	-100%	29,999	38,952	38,952	0	0	30%
Tuition & Resource Fees, net of Remissions	504,930	69%	68%	13%	652,376	724,929	736,169	11,240	10,084	13%
Other	66,909	49%	48%	7%	131,430	128,221	135,540	7,319	7,328	3%
Transfers In	1,131				2,496	1,777	2,067	290	290	-17%
<b>Total Revenues &amp; Transfers In</b>	<b>754,882</b>	<b>63%</b>	<b>60%</b>	<b>8%</b>	<b>1,156,415</b>	<b>1,189,474</b>	<b>1,207,237</b>	<b>17,763</b>	<b>17,537</b>	<b>4%</b>
Personnel Services	(418,401)	46%	46%	6%	(848,152)	(913,855)	(914,829)	(974)	(824)	8%
Supplies & Services	(109,579)	44%	43%	24%	(202,924)	(251,965)	(248,608)	3,357	3,357	23%
Capital Outlay	(12,166)	31%	32%	79%	(21,219)	(38,019)	(39,509)	(1,490)	(1,490)	86%
Transfers Out	(567)				(791)	(1,342)	(1,522)	(180)	(180)	92%
<b>Total Expenditures &amp; Transfers Out</b>	<b>(540,713)</b>	<b>45%</b>	<b>46%</b>	<b>10%</b>	<b>(1,073,086)</b>	<b>(1,205,181)</b>	<b>(1,204,468)</b>	<b>713</b>	<b>863</b>	<b>12%</b>
<b>Net from Operations and Transfers</b>	<b>214,169</b>				<b>83,329</b>	<b>(15,707)</b>	<b>2,769</b>	<b>18,476</b>	<b>18,400</b>	
Fund Additions/(Deductions)	(1,669)				0	(1,669)	(1,669)	0	0	
Change in Fund Balance	212,500				83,329	(17,376)	1,100	18,476	18,400	
<b>Beginning Fund Balance</b>	<b>163,687</b>				<b>80,358</b>	<b>163,687</b>	<b>163,687</b>	<b>0</b>	<b>0</b>	
<b>Ending Fund Balance</b>	<b>376,187</b>				<b>163,687</b>	<b>146,311</b>	<b>164,787</b>	<b>18,476</b>	<b>18,400</b>	<b>1%</b>
<b>% Operating Revenues</b>					<b>14.2%</b>	<b>12.3%</b>	<b>13.6%</b>			<b>-4%</b>
Student FTE Enrollment (Summer and Fall terms only)	34,327	40%	40%	6%	80,944	84,073	84,988	915	690	5%
<b>AUXILIARY ENTERPRISES</b>										
Total Revenues	221,692	57%	51%	6%	407,141	381,294	387,887	6,593	6,593	-5%
Expenditures & Net Transfers (Excl. Depr. Exp.)	(175,917)	47%	48%	8%	(339,812)	(381,291)	(374,786)	6,505	6,505	10%
<b>Net from Operations and Transfers</b>	<b>45,775</b>				<b>67,329</b>	<b>3</b>	<b>13,101</b>	<b>13,098</b>	<b>13,098</b>	
Additions/(Deductions) to Unrestricted Net Assets	(5,617)				(51,398)	(4,570)	(4,460)	110	0	
Change in Unrestricted Net Assets	40,158				15,931	(4,567)	8,641	13,208	13,098	
<b>Beginning Unrestricted Net Assets</b>	<b>75,395</b>				<b>59,464</b>	<b>75,395</b>	<b>75,395</b>	<b>0</b>	<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>115,553</b>				<b>75,395</b>	<b>70,828</b>	<b>84,036</b>	<b>13,208</b>	<b>13,098</b>	<b>11%</b>
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>										
Total Revenues	66,299	51%	52%	9%	117,418	129,583	130,909	1,326	1,326	11%
Expenditures & Net Transfers (Excl. Depr. Exp.)	(63,113)	49%	52%	10%	(109,831)	(128,055)	(127,554)	501	501	16%
<b>Net from Operations and Transfers</b>	<b>3,186</b>				<b>7,587</b>	<b>1,528</b>	<b>3,355</b>	<b>1,827</b>	<b>1,827</b>	
Additions/(Deductions) to Unrestricted Net Assets	(894)				(4,897)	137	137	0	0	
Change in Unrestricted Net Assets	2,292				2,690	1,665	3,492	1,827	1,827	
<b>Beginning Unrestricted Net Assets</b>	<b>30,802</b>				<b>28,112</b>	<b>30,802</b>	<b>30,802</b>	<b>0</b>	<b>0</b>	
<b>Ending Unrestricted Net Assets</b>	<b>33,094</b>				<b>30,802</b>	<b>32,467</b>	<b>34,294</b>	<b>1,827</b>	<b>1,827</b>	<b>11%</b>

**Oregon University System  
Quarterly Management Report**

**As of December 31, 2010  
For the Fiscal Year Ended June 30, 2011**

EASTERN OREGON UNIVERSITY <i>(in thousands except enrollment)</i>	Year-to-Date				Budget		Projections				Notes
	YTD Actual	YTD as a % of Projected	Prior YTD as % of PY Actual	% chg Current/Prior YTD	Prior Yr. Actual	Adjusted Budget	Projected 6/30/2011	Variance from Adj. Budget	Chg since Prior Report	% chg Projection to PY Actual	
<b>EDUCATION &amp; GENERAL - LIMITED</b>											
State General Fund	8,027	63%	41%	24%	15,703	12,748	12,748	0	0	-19%	
Recovery Act Fund	0	0%	100%	-100%	1,659	2,043	2,043	0	0	23%	
Tuition & Resource Fees, net of Remissions	12,049	70%	69%	11%	15,666	16,967	17,256	289	289	10%	(1)
Other	642	65%	34%	163%	720	850	990	140	140	38%	(2)
Transfers In	20				1	20	20	0	0	1900%	
<b>Total Revenues &amp; Transfers In</b>	<b>20,738</b>	<b>63%</b>	<b>57%</b>	<b>7%</b>	<b>33,749</b>	<b>32,628</b>	<b>33,057</b>	<b>429</b>	<b>429</b>	<b>-2%</b>	
Personnel Services	(12,654)	45%	44%	10%	(25,971)	(28,535)	(28,335)	200	200	9%	(3)
Supplies & Services	(2,144)	41%	34%	23%	(5,163)	(5,247)	(5,247)	0	0	2%	(4)
Capital Outlay	(272)	49%	39%	-24%	(924)	(560)	(560)	0	0	-39%	
Transfers Out	0				0	0	0	0	0	n/a	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(15,070)</b>	<b>44%</b>	<b>43%</b>	<b>11%</b>	<b>(32,058)</b>	<b>(34,342)</b>	<b>(34,142)</b>	<b>200</b>	<b>200</b>	<b>7%</b>	
<b>Net from Operations and Transfers</b>	<b>5,668</b>				<b>1,691</b>	<b>(1,714)</b>	<b>(1,085)</b>	<b>629</b>	<b>629</b>		
Fund Additions/(Deductions)	0				0	0	0	0	0		
Change in Fund Balance	5,668				1,691	(1,714)	(1,085)	629	629		
<b>Beginning Fund Balance</b>	<b>3,746</b>				<b>2,055</b>	<b>3,746</b>	<b>3,746</b>	<b>0</b>	<b>0</b>		
<b>Ending Fund Balance</b>	<b>9,414</b>				<b>3,746</b>	<b>2,032</b>	<b>2,661</b>	<b>629</b>	<b>629</b>	<b>-29%</b>	
<b>% Operating Revenues</b>					<b>11.1%</b>	<b>6.2%</b>	<b>8.0%</b>			<b>-27%</b>	
Student FTE Enrollment (Summer and Fall terms only)	1,289	42%	41%	9%	2,870	3,069	3,093	24	24	8%	
<b>AUXILIARY ENTERPRISES</b>											
Total Revenues	4,487	56%	54%	12%	7,437	7,954	7,954	0	0	7%	
Expenditures & Net Transfers (Excl. Depr. Exp.)	(3,432)	45%	39%	22%	(7,221)	(7,559)	(7,559)	0	0	5%	(5)
<b>Net from Operations and Transfers</b>	<b>1,055</b>				<b>216</b>	<b>395</b>	<b>395</b>	<b>0</b>	<b>0</b>		
Additions/(Deductions) to Unrestricted Net Assets	(66)				(6)	0	0	0	0		
Change in Unrestricted Net Assets	989				210	395	395	0	0		
<b>Beginning Unrestricted Net Assets</b>	<b>1,922</b>				<b>1,712</b>	<b>1,922</b>	<b>1,922</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>2,911</b>				<b>1,922</b>	<b>2,317</b>	<b>2,317</b>	<b>0</b>	<b>0</b>	<b>21%</b>	
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>											
Total Revenues	210	37%	32%	17%	558	569	569	0	0	2%	(6)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(325)	49%	49%	1%	(654)	(667)	(667)	0	0	2%	
<b>Net from Operations and Transfers</b>	<b>(115)</b>				<b>(96)</b>	<b>(98)</b>	<b>(98)</b>	<b>0</b>	<b>0</b>		
Additions/(Deductions) to Unrestricted Net Assets	1				(1)	0	0	0	0		
Change in Unrestricted Net Assets	(114)				(97)	(98)	(98)	0	0		
<b>Beginning Unrestricted Net Assets</b>	<b>424</b>				<b>521</b>	<b>424</b>	<b>424</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>310</b>				<b>424</b>	<b>326</b>	<b>326</b>	<b>0</b>	<b>0</b>	<b>-23%</b>	

**NOTES AND ASSUMPTIONS:**

- (1) 11% increase in Tuition and Resource Fees, net of Remissions is due to a tuition increase of 2.6%, and a higher enrollment projection of approximately 8%
- (2) Other Revenue realization rate is due to timing of reimbursement from an outside entity from FY10. Increase is due mainly from an energy rebate of \$152,000 and higher F&A Cost Recovery
- (3) Due to current and projected vacancies personnel costs are reduced
- (4) Current burn rate for S&S is higher this year due to a reclassification of library purchases from capital to S&S, purchase of computers & software and higher SELP principal and interest payments
- (5) Current burn rate for Auxiliary expenditures is higher due to interest expense for internal loans, increased personnel costs to accommodate higher dorm occupancy, and costs of maintenance projects
- (6) Designated Operations revenue realization rate is higher due to increased football camp participation

**Oregon University System  
Quarterly Management Report**

**As of December 31, 2010  
For the Fiscal Year Ended June 30, 2011**

OREGON INSTITUTE OF TECHNOLOGY <small>(in thousands except enrollment)</small>	Year-to-Date				Budget		Projections				Notes
	YTD Actual	YTD as a % of Projected	Prior YTD as % of PY Actual	% chg Current/Prior YTD	Prior Yr. Actual	Adjusted Budget	Projected 6/30/2011	Variance from Adj. Budget	Chg since Prior Report	% chg Projection to PY Actual	
<b>EDUCATION &amp; GENERAL - LIMITED</b>											
State General Fund	9,542	64%	44%	25%	17,185	15,017	15,017	0	0	-13%	
Recovery Act Fund	0	0%	100%	-100%	1,894	2,446	2,446	0	0	29%	
Tuition & Resource Fees, net of Remissions	11,141	66%	68%	3%	15,886	16,459	16,962	503	503	7%	(1)
Other	993	50%	46%	19%	1,818	1,396	1,970	574	574	8%	(2)
Transfers In	36				10	0	0	0	0	-100%	
<b>Total Revenues &amp; Transfers In</b>	<b>21,712</b>	<b>60%</b>	<b>57%</b>	<b>3%</b>	<b>36,793</b>	<b>35,318</b>	<b>36,395</b>	<b>1,077</b>	<b>1,077</b>	<b>-1%</b>	
Personnel Services	(12,600)	43%	45%	5%	(26,743)	(30,870)	(29,091)	1,779	1,779	9%	(3)
Supplies & Services	(3,672)	41%	32%	68%	(6,747)	(8,686)	(8,871)	(185)	(185)	31%	(4)
Capital Outlay	(214)	48%	36%	-36%	(931)	(473)	(443)	30	30	-52%	(5)
Transfers Out	(1)				(3)	0	0	0	0	-100%	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(16,487)</b>	<b>43%</b>	<b>42%</b>	<b>13%</b>	<b>(34,424)</b>	<b>(40,029)</b>	<b>(38,405)</b>	<b>1,624</b>	<b>1,624</b>	<b>12%</b>	
<b>Net from Operations and Transfers</b>	<b>5,225</b>				<b>2,369</b>	<b>(4,711)</b>	<b>(2,010)</b>	<b>2,701</b>	<b>2,701</b>		
Fund Additions/(Deductions)	0				0	0	0	0	0		
Change in Fund Balance	5,225				2,369	(4,711)	(2,010)	2,701	2,701		
<b>Beginning Fund Balance</b>	<b>6,471</b>				<b>4,102</b>	<b>6,471</b>	<b>6,471</b>	<b>0</b>	<b>0</b>		
<b>Ending Fund Balance</b>	<b>11,696</b>				<b>6,471</b>	<b>1,760</b>	<b>4,461</b>	<b>2,701</b>	<b>2,701</b>	<b>-31%</b>	
<b>% Operating Revenues</b>					<b>17.6%</b>	<b>5.0%</b>	<b>12.3%</b>			<b>-30%</b>	
Student FTE Enrollment (Summer and Fall terms only)	1,088	41%	40%	1%	2,686	2,686	2,686	0	0	0%	
<b>AUXILIARY ENTERPRISES</b>											
Total Revenues	3,919	41%	44%	-13%	10,090	9,474	9,474	0	0	-6%	(6)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(4,443)	44%	45%	8%	(9,159)	(10,201)	(10,201)	0	0	11%	(7)
<b>Net from Operations and Transfers</b>	<b>(524)</b>				<b>931</b>	<b>(727)</b>	<b>(727)</b>	<b>0</b>	<b>0</b>		
Additions/(Deductions) to Unrestricted Net Assets	(86)				(134)	0	0	0	0		
Change in Unrestricted Net Assets	(610)				797	(727)	(727)	0	0		
<b>Beginning Unrestricted Net Assets</b>	<b>2,220</b>				<b>1,423</b>	<b>2,220</b>	<b>2,220</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>1,610</b>				<b>2,220</b>	<b>1,493</b>	<b>1,493</b>	<b>0</b>	<b>0</b>	<b>-33%</b>	
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>											
Total Revenues	421	46%	50%	-15%	987	920	920	0	0	-7%	(8)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(325)	35%	52%	-34%	(938)	(920)	(920)	0	0	-2%	(9)
<b>Net from Operations and Transfers</b>	<b>96</b>				<b>49</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
Additions/(Deductions) to Unrestricted Net Assets	(333)				(82)	0	0	0	0		
Change in Unrestricted Net Assets	(237)				(33)	0	0	0	0		
<b>Beginning Unrestricted Net Assets</b>	<b>562</b>				<b>595</b>	<b>562</b>	<b>562</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>325</b>				<b>562</b>	<b>562</b>	<b>562</b>	<b>0</b>	<b>0</b>	<b>0%</b>	

**NOTES AND ASSUMPTIONS:**

- (1) Tuition revenues -increased based on actuals for Summer & Fall 2010 terms.
- (2) Other revenues - projected higher based on prior year actuals \$422,000, increases in current F & A recoveries \$100,000 and increased Distance Ed and course fees based on actuals through the 4th week of Fall Term \$52,000.
- (3) Personnel services - academic positions which were budgeted that will not be filled until next fiscal year savings of \$962,000; a number of higher level administrative positions (budget officer, major gift officer, etc) remain unfilled due to a lack of candidates, the projection includes actual savings through 2nd quarter from these positions of \$617,000. The budget for Boeing adjunct positions were reduced based on prior year actual costs of \$200,000. S & S was increased to reflect increases in critical needs projects budgets \$185,000.
- (4) Supplies & Services - S & S was increased to reflect increases in critical needs projects of \$185,000.
- (5) Capital expenditures were reduced for projects that are not going forward at this time.
- (6) Non-refundable meal plan revenue is being recorded based on actual usage, unused amounts will be picked up as revenue at the end of Spring term, resulting in (\$421,000) less in recorded revenue. Food Service revenues are behind prior year by (\$33,000). Housing failed to record (\$256,000) of earned revenue and are behind in actual revenues by (\$16,000). The Bookstore is behind in revenues by (\$116,000) from prior year. Amounts received from BETC credit pass-through revenue by Geo-thermal operations \$279,000.
- (7) Due to the Internal Bank drafting 1/2 of the annual debt service in December rather than in June S & S expense is higher than the prior year.
- (8) Telephone services charged to campus were reviewed for reasonableness resulting in lower charges to campus departments as compared to prior year (\$30,000). Due to sustainable practice promotion printing and copying service revenues were lower by(\$19,000) compared to prior year. Perkins loan collection revenues have now been recorded for the year resulting in lower revenues of (\$13,000) Designated Ops revenues are down by (\$13,000) due to an error recording revenue in the prior year.
- (9) Due to an error in recording revenues in prior year Designated Ops expenses are higher due to a reversal of the incorrectly recorded revenue (\$13,000). Prior year DAS Assessments posted to clearing accounts were not distributed to proper accounts as of 12/31/10 \$135. Telephone operations minor equipment purchases in prior year not incurred in current year \$39,000, reduced costs in Printing and Copying service due to reduced activity \$4,000.

**Oregon University System  
Quarterly Management Report**

**As of December 31, 2010  
For the Fiscal Year Ended June 30, 2011**

OREGON STATE UNIVERSITY (in thousands except enrollment)	Year-to-Date				Budget		Projections				Notes
	YTD Actual	YTD as a % of Projected	Prior YTD as % of PY Actual	% chg Current/Prior YTD	Prior Yr. Actual	Adjusted Budget	Projected 6/30/2011	Variance from Adj. Budget	Chg since Prior Report	% chg Projection to PY Actual	
<b>EDUCATION &amp; GENERAL - LIMITED</b>											
State General Fund	74,107	60%	47%	11%	142,774	123,419	123,419	0	0	-14%	
Recovery Act Fund	0	0%	89%	-100%	9,699	12,884	12,884	0	0	33%	
Tuition & Resource Fees, net of Remissions	130,329	71%	70%	16%	160,737	180,992	184,439	3,447	3,447	15%	(1)
Other	31,330	43%	45%	-1%	70,256	66,732	72,209	5,477	5,477	3%	(2)
Transfers In	684				618	400	774	374	374	25%	
<b>Total Revenues &amp; Transfers In</b>	<b>236,450</b>	<b>60%</b>	<b>57%</b>	<b>8%</b>	<b>384,084</b>	<b>384,427</b>	<b>393,725</b>	<b>9,298</b>	<b>9,298</b>	<b>3%</b>	
Personnel Services	(136,195)	46%	48%	4%	(273,531)	(288,277)	(294,524)	(6,247)	(6,247)	8%	(3)
Supplies & Services	(40,963)	49%	46%	32%	(67,321)	(82,732)	(83,164)	(432)	(432)	24%	
Capital Outlay	(4,220)	23%	39%	100%	(5,342)	(17,103)	(18,698)	(1,595)	(1,595)	250%	(4)
Transfers Out	(60)				(473)	(393)	(380)	13	13	-20%	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(181,438)</b>	<b>46%</b>	<b>47%</b>	<b>10%</b>	<b>(346,667)</b>	<b>(388,505)</b>	<b>(396,766)</b>	<b>(8,261)</b>	<b>(8,261)</b>	<b>14%</b>	
<b>Net from Operations and Transfers</b>	<b>55,012</b>				<b>37,417</b>	<b>(4,078)</b>	<b>(3,041)</b>	<b>1,037</b>	<b>1,037</b>		
Fund Additions/(Deductions)	0				0	0	0	0	0		
Change in Fund Balance	55,012				37,417	(4,078)	(3,041)	1,037	1,037		
<b>Beginning Fund Balance</b>	<b>65,458</b>				<b>28,041</b>	<b>65,458</b>	<b>65,458</b>	<b>0</b>	<b>0</b>		
<b>Ending Fund Balance</b>	<b>120,470</b>				<b>65,458</b>	<b>61,380</b>	<b>62,417</b>	<b>1,037</b>	<b>1,037</b>	<b>-5%</b>	
% Operating Revenues					17.0%	16.0%	15.9%			-7%	
Student FTE Enrollment (Summer and Fall terms only)	8,972	39%	39%	9%	21,266	22,681	22,946	265	265	8%	
<b>AUXILIARY ENTERPRISES</b>											
Total Revenues	54,759	51%	48%	14%	100,945	105,513	108,244	2,731	2,731	7%	(5)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(48,557)	48%	49%	6%	(93,610)	(110,498)	(101,593)	8,905	8,905	9%	(6)
<b>Net from Operations and Transfers</b>	<b>6,202</b>				<b>7,335</b>	<b>(4,985)</b>	<b>6,651</b>	<b>11,636</b>	<b>11,636</b>		
Additions/(Deductions) to Unrestricted Net Assets	(1,101)				(3,329)	(3,000)	(3,000)	0	0		
Change in Unrestricted Net Assets	5,101				4,006	(7,985)	3,651	11,636	11,636		
<b>Beginning Unrestricted Net Assets</b>	<b>21,910</b>				<b>17,904</b>	<b>21,910</b>	<b>21,910</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>27,011</b>				<b>21,910</b>	<b>13,925</b>	<b>25,561</b>	<b>11,636</b>	<b>11,636</b>	<b>17%</b>	
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>											
Total Revenues	22,665	59%	57%	6%	37,544	38,174	38,321	147	147	2%	
Expenditures & Net Transfers (Excl. Depr. Exp.)	(19,608)	54%	51%	4%	(36,624)	(37,698)	(36,237)	1,461	1,461	-1%	(7)
<b>Net from Operations and Transfers</b>	<b>3,057</b>				<b>920</b>	<b>476</b>	<b>2,084</b>	<b>1,608</b>	<b>1,608</b>		
Additions/(Deductions) to Unrestricted Net Assets	(133)				(567)	0	0	0	0		
Change in Unrestricted Net Assets	2,924				353	476	2,084	1,608	1,608		
<b>Beginning Unrestricted Net Assets</b>	<b>10,186</b>				<b>9,833</b>	<b>10,186</b>	<b>10,186</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>13,110</b>				<b>10,186</b>	<b>10,662</b>	<b>12,270</b>	<b>1,608</b>	<b>1,608</b>	<b>20%</b>	

**NOTES AND ASSUMPTIONS:**

- Enrollment increases in non-resident categories higher than anticipated.
- F&A Recovery projection higher than first quarter due to increased research activity (\$1.3 million), student fees are higher than anticipated due to enrollment increases (\$1.7 million). Extension anticipates increased drawdown of federal funds (\$1.9 million).
- Increase in new hires and filling previously unfilled positions greater than anticipated in the first quarter report.
- Reflects additional spending for classroom renovations, Business Center remodels, purchase of new software and IT upgrades and new teaching and research equipment purchases. The majority of this spending is slated for the last half of the year.
- Athletics reflects increase in revenue over 1st quarter projection by \$1 million due to increases in football ticket sales, ABC & Fox Football revenue and Football Bowl revenue. Student Centers revenue from food sales is higher than anticipated at the beginning of the year due to the increase in enrollment.
- Expense projection decreased due to an adjustment for projected debt service and lower than anticipated personnel service and services & supplies expenses.
- Telecom's projected services and supplies expense is lower than anticipated in the first quarter.

**Oregon University System  
Quarterly Management Report**

**As of December 31, 2010  
For the Fiscal Year Ended June 30, 2011**

PORTLAND STATE UNIVERSITY <small>(in thousands except enrollment)</small>	Year-to-Date				Budget		Projections				Notes
	YTD Actual	YTD as a % of Projected	Prior YTD as % of PY Actual	% chg Current/Prior YTD	Prior Yr. Actual	Adjusted Budget	Projected 6/30/2011	Variance from Adj. Budget	Chg since Prior Report	% chg Projection to PY Actual	
<b>EDUCATION &amp; GENERAL - LIMITED</b>											
State General Fund	35,335	63%	45%	25%	62,407	56,476	56,311	(165)	(165)	-10%	(1)
Recovery Act Fund	0	0%	100%	-100%	6,779	9,012	9,012	0	0	33%	
Tuition & Resource Fees, net of Remissions	121,902	70%	69%	6%	165,663	172,831	175,000	2,169	2,169	6%	(2)
Other	11,558	58%	52%	25%	17,685	19,519	19,900	381	381	13%	
Transfers In	232				1,009	500	500	0	0	-50%	
<b>Total Revenues &amp; Transfers In</b>	<b>169,027</b>	<b>65%</b>	<b>63%</b>	<b>6%</b>	<b>253,543</b>	<b>258,338</b>	<b>260,723</b>	<b>2,385</b>	<b>2,385</b>	<b>3%</b>	
Personnel Services	(88,707)	46%	45%	11%	(179,060)	(196,425)	(193,400)	3,025	3,025	8%	(3)
Supplies & Services	(26,746)	46%	43%	19%	(52,932)	(60,399)	(58,700)	1,699	1,699	11%	(4)
Capital Outlay	(1,580)	21%	25%	-22%	(8,016)	(10,075)	(7,500)	2,575	2,575	-6%	(5)
Transfers Out	(10)				(5)	0	(10)	(10)	(10)	100%	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(117,043)</b>	<b>45%</b>	<b>44%</b>	<b>12%</b>	<b>(240,013)</b>	<b>(266,899)</b>	<b>(259,610)</b>	<b>7,289</b>	<b>7,289</b>	<b>8%</b>	
<b>Net from Operations and Transfers</b>	<b>51,984</b>				<b>13,530</b>	<b>(8,561)</b>	<b>1,113</b>	<b>9,674</b>	<b>9,674</b>		
Fund Additions/(Deductions)	0				0	0	0	0	0		
Change in Fund Balance	51,984				13,530	(8,561)	1,113	9,674	9,674		
<b>Beginning Fund Balance</b>	<b>35,075</b>				<b>21,545</b>	<b>35,075</b>	<b>35,075</b>	<b>0</b>	<b>0</b>		
<b>Ending Fund Balance</b>	<b>87,059</b>				<b>35,075</b>	<b>26,514</b>	<b>36,188</b>	<b>9,674</b>	<b>9,674</b>	<b>3%</b>	
<b>% Operating Revenues</b>					<b>13.8%</b>	<b>10.3%</b>	<b>13.9%</b>			<b>0%</b>	
Student FTE Enrollment (Summer and Fall terms only)	9,565	42%	42%	3%	22,124	22,600	22,600	0	0	2%	
<b>AUXILIARY ENTERPRISES</b>											
Total Revenues	50,035	56%	58%	8%	80,195	89,622	89,700	78	78	12%	(6)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(41,085)	49%	50%	15%	(71,907)	(83,698)	(84,000)	(302)	(302)	17%	(7)
<b>Net from Operations and Transfers</b>	<b>8,950</b>				<b>8,288</b>	<b>5,924</b>	<b>5,700</b>	<b>(224)</b>	<b>(224)</b>		
Additions/(Deductions) to Unrestricted Net Assets	(1,810)				(1,166)	0	0	0	0		
Change in Unrestricted Net Assets	7,140				7,122	5,924	5,700	(224)	(224)		
<b>Beginning Unrestricted Net Assets</b>	<b>24,503</b>				<b>17,381</b>	<b>24,503</b>	<b>24,503</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>31,643</b>				<b>24,503</b>	<b>30,427</b>	<b>30,203</b>	<b>(224)</b>	<b>(224)</b>	<b>23%</b>	
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>											
Total Revenues	8,905	46%	45%	32%	14,921	17,814	19,200	1,386	1,386	29%	(8)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(9,541)	53%	53%	42%	(12,809)	(16,790)	(18,100)	(1,310)	(1,310)	41%	(8)
<b>Net from Operations and Transfers</b>	<b>(636)</b>				<b>2,112</b>	<b>1,024</b>	<b>1,100</b>	<b>76</b>	<b>76</b>		
Additions/(Deductions) to Unrestricted Net Assets	(201)				(1,027)	0	0	0	0		
Change in Unrestricted Net Assets	(837)				1,085	1,024	1,100	76	76		
<b>Beginning Unrestricted Net Assets</b>	<b>4,807</b>				<b>3,722</b>	<b>4,807</b>	<b>4,807</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>3,970</b>				<b>4,807</b>	<b>5,831</b>	<b>5,907</b>	<b>76</b>	<b>76</b>	<b>23%</b>	

**NOTES AND ASSUMPTIONS:**

- (1) Decrease due to anticipated SELP loan repayments
- (2) Shift of student mix
- (3) Decrease due to salaries shifting to other funds and longer hiring timeline for positions
- (4) Decrease due to corresponding reduction in personnel expenditures
- (5) Decrease of expenditures on equipment, software, land improvements, and building improvements
- (6) Increases for enrollment related fees such as housing, student fees and the Student Rec Center. Includes Market Center Building lease revenue
- (7) Increase for enrollment related operating and debt service expenditures
- (8) Increase in revenue and corresponding expenditures for Continuing Education enrollment and Service Department expenses related to overall enrollment

**Oregon University System  
Quarterly Management Report**

**As of December 31, 2010  
For the Fiscal Year Ended June 30, 2011**

SOUTHERN OREGON UNIVERSITY (in thousands except enrollment)	Year-to-Date				Budget		Projections				Notes
	YTD Actual	YTD as a % of Projected	Prior YTD as % of PY Actual	% chg Current/ Prior YTD	Prior Yr. Actual	Adjusted Budget	Projected 6/30/2011	Variance from Adj. Budget	Chg since Prior Report	% chg Projection to PY Actual	
<b>EDUCATION &amp; GENERAL - LIMITED</b>											
State General Fund	8,022	64%	45%	19%	15,092	13,512	12,591	(921)	0	-17%	
Recovery Act Fund	0	0%	100%	-100%	1,686	2,077	2,077	0	0	23%	
Tuition & Resource Fees, net of Remissions	18,984	66%	67%	13%	25,156	26,626	28,626	2,000	844	14%	(1)
Other	1,154	57%	50%	2%	2,282	2,032	2,023	(9)	0	-11%	
Transfers In	123				97	45	45	0	0	-54%	
<b>Total Revenues &amp; Transfers In</b>	<b>28,283</b>	<b>62%</b>	<b>60%</b>	<b>7%</b>	<b>44,313</b>	<b>44,292</b>	<b>45,362</b>	<b>1,070</b>	<b>844</b>	<b>2%</b>	
Personnel Services	(17,015)	43%	44%	3%	(37,227)	(39,386)	(39,536)	(150)	0	6%	
Supplies & Services	(2,414)	41%	37%	23%	(5,286)	(5,927)	(5,927)	0	0	12%	
Capital Outlay	(118)	28%	76%	-29%	(220)	(429)	(429)	0	0	95%	
Transfers Out	0				0	0	0	0	0	n/a	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(19,547)</b>	<b>43%</b>	<b>44%</b>	<b>4%</b>	<b>(42,733)</b>	<b>(45,742)</b>	<b>(45,892)</b>	<b>(150)</b>	<b>0</b>	<b>7%</b>	
<b>Net from Operations and Transfers</b>	<b>8,736</b>				<b>1,580</b>	<b>(1,450)</b>	<b>(530)</b>	<b>920</b>	<b>844</b>		
Fund Additions/(Deductions)	0				0	0	0	0	0		
Change in Fund Balance	8,736				1,580	(1,450)	(530)	920	844		
<b>Beginning Fund Balance</b>	<b>3,698</b>				<b>2,118</b>	<b>3,698</b>	<b>3,698</b>	<b>0</b>	<b>0</b>		
<b>Ending Fund Balance</b>	<b>12,434</b>				<b>3,698</b>	<b>2,248</b>	<b>3,168</b>	<b>920</b>	<b>844</b>	<b>-14%</b>	
<b>% Operating Revenues</b>					<b>8.3%</b>	<b>5.1%</b>	<b>7.0%</b>			<b>-16%</b>	
Student FTE Enrollment (Summer and Fall terms only)	1,881	39%	39%	8%	4,472	4,545	4,770	225	0	7%	(1)
<b>AUXILIARY ENTERPRISES</b>											
Total Revenues	12,670	62%	59%	4%	20,806	20,433	20,544	111	111	-1%	
Expenditures & Net Transfers (Excl. Depr. Exp.)	(9,880)	48%	41%	20%	(19,983)	(20,596)	(20,385)	211	211	2%	(2)
<b>Net from Operations and Transfers</b>	<b>2,790</b>				<b>823</b>	<b>(163)</b>	<b>159</b>	<b>322</b>	<b>322</b>		
Additions/(Deductions) to Unrestricted Net Assets	(220)				(113)	(110)	110	110	0		
Change in Unrestricted Net Assets	2,570				710	(273)	159	432	322		
<b>Beginning Unrestricted Net Assets</b>	<b>3,021</b>				<b>2,311</b>	<b>3,021</b>	<b>3,021</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>5,591</b>				<b>3,021</b>	<b>2,748</b>	<b>3,180</b>	<b>432</b>	<b>322</b>	<b>5%</b>	
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>											
Total Revenues	1,997	50%	50%	8%	3,677	4,218	4,011	(207)	(207)	9%	(3)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(1,975)	47%	55%	-3%	(3,691)	(4,406)	(4,176)	230	230	13%	(3)
<b>Net from Operations and Transfers</b>	<b>22</b>				<b>(14)</b>	<b>(188)</b>	<b>(165)</b>	<b>23</b>	<b>23</b>		
Additions/(Deductions) to Unrestricted Net Assets	(51)				(52)	103	103	0	0		
Change in Unrestricted Net Assets	(29)				(66)	(85)	(62)	23	23		
<b>Beginning Unrestricted Net Assets</b>	<b>762</b>				<b>828</b>	<b>762</b>	<b>762</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>733</b>				<b>762</b>	<b>677</b>	<b>700</b>	<b>23</b>	<b>23</b>	<b>-8%</b>	

**NOTES AND ASSUMPTIONS:**

- (1) Continued strong growth in enrollment. Revenue growing at a faster rate, compared to FTE growth rate, is the result of price increases and faster growth rates in higher paying tuition categories. WUE continues strong growth, up 34% in revenue.
- (2) Increase in current spending rate due to Housing making earlier payments towards debt obligations. Due to higher revenues from higher occupancy rates, Housing made it's dept payments in October, to take advantage of interest savings. In FY2010, payments we're made in second half of the year. Excluding the \$1.4million in debt payments, auxiliary spending rates are in line with revenue growth.
- (3) Reduction in anticipated utilization of senior and youth program activities. When compared to the prior year, the revenue is growing at a faster rate than expenditures. This is largely tied to the change in IT Communication service center operations where expenditures will trail into the second half of the year.

**Oregon University System  
Quarterly Management Report**

**As of December 31, 2010  
For the Fiscal Year Ended June 30, 2011**

UNIVERSITY OF OREGON <small>(in thousands except enrollment)</small>	Year-to-Date				Budget		Projections				Notes
	YTD Actual	YTD as a % of Projected	Prior YTD as % of PY Actual	% chg Current/Prior YTD	Prior Yr. Actual	Adjusted Budget	Projected 6/30/2011	Variance from Adj. Budget	Chg since Prior Report	% chg Projection to PY Actual	
<b>EDUCATION &amp; GENERAL - LIMITED</b>											
State General Fund	31,763	64%	47%	15%	58,472	49,960	49,960	0	0	-15%	
Recovery Act Fund	0	0%	100%	-100%	6,447	8,225	8,225	0	0	28%	
Tuition & Resource Fees, net of Remissions	188,516	67%	67%	17%	240,867	278,309	281,141	2,832	2,832	17%	(1)
Other	17,810	57%	52%	8%	31,636	31,025	31,025	0	0	-2%	(2)
Transfers In	0				646	692	692	0	0	7%	
<b>Total Revenues &amp; Transfers In</b>	<b>238,089</b>	<b>64%</b>	<b>63%</b>	<b>13%</b>	<b>338,068</b>	<b>368,212</b>	<b>371,043</b>	<b>2,832</b>	<b>2,832</b>	<b>10%</b>	
Personnel Services	(128,210)	46%	47%	7%	(254,976)	(277,105)	(277,105)	0	0	9%	
Supplies & Services	(28,138)	37%	43%	18%	(54,832)	(77,647)	(75,137)	2,510	2,510	37%	(3)
Capital Outlay	(5,581)	49%	34%	246%	(4,696)	(8,973)	(11,473)	(2,500)	(2,500)	144%	(3)
Transfers Out	(10)				0	0	(10)	(10)	(10)	n/a	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(161,939)</b>	<b>45%</b>	<b>46%</b>	<b>12%</b>	<b>(314,504)</b>	<b>(363,725)</b>	<b>(363,725)</b>	<b>0</b>	<b>0</b>	<b>16%</b>	
<b>Net from Operations and Transfers</b>	<b>76,150</b>				<b>23,564</b>	<b>4,487</b>	<b>7,318</b>	<b>2,832</b>	<b>2,832</b>		
Fund Additions/(Deductions)	(1,669)				0	(1,669)	(1,669)	0	0		
Change in Fund Balance	74,481				23,564	2,818	5,649	2,832	2,832		
<b>Beginning Fund Balance</b>	<b>37,428</b>				<b>13,864</b>	<b>37,428</b>	<b>37,428</b>	<b>0</b>	<b>0</b>		
<b>Ending Fund Balance</b>	<b>111,909</b>				<b>37,428</b>	<b>40,246</b>	<b>43,077</b>	<b>2,832</b>	<b>2,832</b>	<b>15%</b>	
<b>% Operating Revenues</b>					<b>11.1%</b>	<b>10.9%</b>	<b>11.6%</b>			<b>5%</b>	
Student FTE Enrollment (Summer and Fall terms only)	9,502	40%	40%	5%	22,635	23,259	23,660	401	401	5%	
<b>AUXILIARY ENTERPRISES</b>											
Total Revenues	85,051	65%	50%	2%	167,649	127,431	131,006	3,575	3,575	-22%	(4)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(59,400)	46%	48%	5%	(119,216)	(127,156)	(129,368)	(2,212)	(2,212)	9%	(5)
<b>Net from Operations and Transfers</b>	<b>25,651</b>				<b>48,433</b>	<b>275</b>	<b>1,638</b>	<b>1,363</b>	<b>1,363</b>		
Additions/(Deductions) to Unrestricted Net Assets	(1,789)				(46,629)	(1,460)	(1,460)	0	0		
Change in Unrestricted Net Assets	23,862				1,804	(1,185)	178	1,363	1,363		
<b>Beginning Unrestricted Net Assets</b>	<b>10,877</b>				<b>9,073</b>	<b>10,877</b>	<b>10,877</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>34,739</b>				<b>10,877</b>	<b>9,692</b>	<b>11,055</b>	<b>1,363</b>	<b>1,363</b>	<b>2%</b>	
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>											
Total Revenues	30,998	47%	51%	8%	56,816	65,457	65,457	0	0	15%	(6)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(30,221)	46%	53%	9%	(52,712)	(65,360)	(65,360)	0	0	24%	(6)
<b>Net from Operations and Transfers</b>	<b>777</b>				<b>4,104</b>	<b>97</b>	<b>97</b>	<b>0</b>	<b>0</b>		
Additions/(Deductions) to Unrestricted Net Assets	(80)				(2,791)	34	34	0	0		
Change in Unrestricted Net Assets	697				1,313	131	131	0	0		
<b>Beginning Unrestricted Net Assets</b>	<b>13,361</b>				<b>12,048</b>	<b>13,361</b>	<b>13,361</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>14,058</b>				<b>13,361</b>	<b>13,492</b>	<b>13,492</b>	<b>0</b>	<b>0</b>	<b>1%</b>	

**NOTES AND ASSUMPTIONS:**

- (1) Increase in projected revenue due to higher enrollment and shift in mix toward more non-residents.
- (2) Increase in YTD run rate due to increased grant activity in 1st half of FY11 causing increase in F & A income. Trend not expected to continue at same pace.
- (3) Shift in expenditure category from S&S to Capital Outlay due to several re-roof projects and remodels and Glenwood property purchase.
- (4) Increase in projected revenue is mainly due to BCS Bowl game and TV revenue and housing revenue.
- (5) Change in expenditures is mainly due to increase in expenses from BCS bowl game offset by decrease in housing expenses.
- (6) Timing difference due to Central Power Station expense and reimbursment of \$5 million. Overall projected revenues and expenses still expected to be consistent with Q1 projections.

**Oregon University System  
Quarterly Management Report**

**As of December 31, 2010  
For the Fiscal Year Ended June 30, 2011**

WESTERN OREGON UNIVERSITY	Year-to-Date				Budget		Projections				Notes
	YTD Actual	YTD as a % of Projected	Prior YTD as % of PY Actual	% chg Current/Prior YTD	Prior Yr. Actual	Adjusted Budget	Projected 6/30/2011	Variance from Adj. Budget	Chg since Prior Report	% chg Projection to PY Actual	
<i>(in thousands except enrollment)</i>											
<b>EDUCATION &amp; GENERAL - LIMITED</b>											
State General Fund	8,791	63%	45%	17%	16,944	14,014	14,014	0	0	-17%	
Recovery Act Fund	0	0%	100%	-100%	1,835	2,266	2,266	0	0	23%	
Tuition & Resource Fees, net of Remissions	22,009	67%	68%	13%	28,401	32,745	32,745	0	0	15%	
Other	1,774	51%	49%	5%	3,425	2,852	3,508	656	656	2%	(1)
Transfers In	36				12	120	36	(84)	(84)	200%	(2)
<b>Total Revenues &amp; Transfers In</b>	<b>32,610</b>	<b>62%</b>	<b>60%</b>	<b>7%</b>	<b>50,617</b>	<b>51,997</b>	<b>52,569</b>	<b>572</b>	<b>572</b>	<b>4%</b>	
Personnel Services	(19,016)	43%	44%	3%	(41,993)	(44,483)	(44,739)	(256)	(256)	7%	(3)
Supplies & Services	(2,049)	33%	35%	11%	(5,295)	(6,376)	(6,120)	256	256	16%	(3)
Capital Outlay	(181)	45%	19%	-10%	(1,081)	(406)	(406)	0	0	-62%	
Transfers Out	0				0	0	0	0	0	n/a	
<b>Total Expenditures &amp; Transfers Out</b>	<b>(21,246)</b>	<b>41%</b>	<b>43%</b>	<b>3%</b>	<b>(48,369)</b>	<b>(51,265)</b>	<b>(51,265)</b>	<b>0</b>	<b>0</b>	<b>6%</b>	
<b>Net from Operations and Transfers</b>	<b>11,364</b>				<b>2,248</b>	<b>732</b>	<b>1,304</b>	<b>572</b>	<b>572</b>		
Fund Additions/(Deductions)	0				0	0	0	0	0		
Change in Fund Balance	11,364				2,248	732	1,304	572	572		
<b>Beginning Fund Balance</b>	<b>8,429</b>				<b>6,181</b>	<b>8,429</b>	<b>8,429</b>	<b>0</b>	<b>0</b>		
<b>Ending Fund Balance</b>	<b>19,793</b>				<b>8,429</b>	<b>9,161</b>	<b>9,733</b>	<b>572</b>	<b>572</b>	<b>15%</b>	
<b>% Operating Revenues</b>					<b>16.7%</b>	<b>17.6%</b>	<b>18.5%</b>			<b>11%</b>	
Student FTE Enrollment (Summer and Fall terms only)	2,031	39%	38%	8%	4,891	5,233	5,233	0	0	7%	
<b>AUXILIARY ENTERPRISES</b>											
Total Revenues	10,771	51%	49%	10%	19,940	20,866	20,965	99	99	5%	(4)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(9,120)	43%	47%	5%	(18,716)	(21,083)	(21,180)	(97)	(97)	13%	
<b>Net from Operations and Transfers</b>	<b>1,651</b>				<b>1,224</b>	<b>(217)</b>	<b>(215)</b>	<b>2</b>	<b>2</b>		
Additions/(Deductions) to Unrestricted Net Assets	(545)				(21)	0	0	0	0		
Change in Unrestricted Net Assets	1,106				1,203	(217)	(215)	2	2		
<b>Beginning Unrestricted Net Assets</b>	<b>6,172</b>				<b>4,969</b>	<b>6,172</b>	<b>6,172</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>7,278</b>				<b>6,172</b>	<b>5,955</b>	<b>5,957</b>	<b>2</b>	<b>2</b>	<b>-3%</b>	
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>											
Total Revenues	1,103	45%	51%	-26%	2,914	2,430	2,430	0	0	-17%	(5)
Expenditures & Net Transfers (Excl. Depr. Exp.)	(1,118)	53%	48%	-2%	(2,403)	(2,214)	(2,094)	120	120	-13%	(2)
<b>Net from Operations and Transfers</b>	<b>(15)</b>				<b>511</b>	<b>216</b>	<b>336</b>	<b>120</b>	<b>120</b>		
Additions/(Deductions) to Unrestricted Net Assets	(97)				(377)	0	0	0	0		
Change in Unrestricted Net Assets	(112)				134	216	336	120	120		
<b>Beginning Unrestricted Net Assets</b>	<b>640</b>				<b>506</b>	<b>640</b>	<b>640</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>528</b>				<b>640</b>	<b>856</b>	<b>976</b>	<b>120</b>	<b>120</b>	<b>53%</b>	

**NOTES AND ASSUMPTIONS:**

- (1) Interest income charged to student accounts and indirect cost recoveries are up compared to prior year and projection.
- (2) Transfer in from ISS/ESL Designated Operation no longer planned.
- (3) S&S budget is redirected to fund increased Personnel Services costs in support of enrollment growth.
- (4) Housing occupancy is up 8.5% and retention appears stronger than planned.
- (5) December billing from Print Shop & University Computing operations was delayed until January. Creative Arts funding from the Foundation was also delayed until January.

**Oregon University System  
Quarterly Management Report**

**As of December 31, 2010  
For the Fiscal Year Ended June 30, 2011**

CHANCELLOR'S OFFICE	Year-to-Date				Budget		Projections				Notes
	YTD Actual	YTD as a % of Projected	Prior YTD as % of PY Actual	% chg Current/Prior YTD	Prior Yr. Actual	Adjusted Budget	Projected 6/30/2011	Variance from Adj. Budget	Chg since Prior Report	% chg Projection to PY Actual	
<i>(in thousands except enrollment)</i>											
<b>EDUCATION &amp; GENERAL - LIMITED</b>											
State General Fund	6,325	61%	68%	-19%	11,537	10,448	10,448	0	0	-9%	
Recovery Act Fund	0	n/a	n/a	n/a	0	0	0	0	0	n/a	
Tuition & Resource Fees, net of Remissions	0	n/a	n/a	n/a	0	0	0	0	0	n/a	
Other	1,648	42%	42%	9%	3,608	3,815	3,915	100	100	9%	(1)
Transfers In	0				103	0	0	0	0	-100%	
<b>Total Revenues &amp; Transfers In</b>	<b>7,973</b>	<b>56%</b>	<b>62%</b>	<b>-15%</b>	<b>15,248</b>	<b>14,263</b>	<b>14,363</b>	<b>100</b>	<b>100</b>	<b>-6%</b>	
Personnel Services	(4,004)	49%	51%	-9%	(8,651)	(8,774)	(8,099)	675	675	-6%	(2)
Supplies & Services	(3,453)	63%	57%	13%	(5,348)	(4,951)	(5,442)	(491)	(491)	2%	(3)
Capital Outlay	0	n/a	0%	n/a	(9)	0	0	0	0	-100%	
Transfers Out	(486)				(310)	(949)	(1,122)	(173)	(173)	262%	(4)
<b>Total Expenditures &amp; Transfers Out</b>	<b>(7,943)</b>	<b>54%</b>	<b>54%</b>	<b>2%</b>	<b>(14,318)</b>	<b>(14,674)</b>	<b>(14,663)</b>	<b>11</b>	<b>11</b>	<b>2%</b>	
<b>Net from Operations and Transfers</b>	<b>30</b>				<b>930</b>	<b>(411)</b>	<b>(300)</b>	<b>111</b>	<b>111</b>		
Fund Additions/(Deductions)	0				0	0	0	0	0		
Change in Fund Balance	30				930	(411)	(300)	111	111		
<b>Beginning Fund Balance</b>	<b>3,382</b>				<b>2,452</b>	<b>3,382</b>	<b>3,382</b>	<b>0</b>	<b>0</b>		
<b>Ending Fund Balance</b>	<b>3,412</b>				<b>3,382</b>	<b>2,971</b>	<b>3,082</b>	<b>111</b>	<b>111</b>	<b>-9%</b>	
<b>% Operating Revenues</b>					<b>22.2%</b>	<b>20.8%</b>	<b>21.5%</b>			<b>-3%</b>	
Student FTE Enrollment (Summer and Fall terms only)		n/a	n/a	n/a	0	0	0	0	0	n/a	
<b>AUXILIARY ENTERPRISES</b>											
Total Revenues	0	n/a	0%	n/a	79	0	0	0	0	-100%	
Expenditures & Net Transfers (Excl. Depr. Exp.)	0	0%	n/a	n/a	0	(500)	(500)	0	0	n/a	
<b>Net from Operations and Transfers</b>	<b>0</b>				<b>79</b>	<b>(500)</b>	<b>(500)</b>	<b>0</b>	<b>0</b>		
Additions/(Deductions) to Unrestricted Net Assets	0				0	0	0	0	0		
Change in Unrestricted Net Assets	0				79	(500)	(500)	0	0		
<b>Beginning Unrestricted Net Assets</b>	<b>4,770</b>				<b>4,691</b>	<b>4,770</b>	<b>4,770</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>4,770</b>				<b>4,770</b>	<b>4,270</b>	<b>4,270</b>	<b>0</b>	<b>0</b>	<b>-10%</b>	
<b>DESIGNATED OPERATIONS, SERVICE DEPARTMENTS, CLEARING FUNDS</b>											
Total Revenues	0				1	1	1	0	0	0%	
Expenditures & Net Transfers (Excl. Depr. Exp.)	0				0	0	0	0	0	n/a	
<b>Net from Operations and Transfers</b>	<b>0</b>				<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>		
Additions/(Deductions) to Unrestricted Net Assets	0				0	0	0	0	0		
Change in Unrestricted Net Assets	0				1	1	1	0	0		
<b>Beginning Unrestricted Net Assets</b>	<b>60</b>				<b>59</b>	<b>60</b>	<b>60</b>	<b>0</b>	<b>0</b>		
<b>Ending Unrestricted Net Assets</b>	<b>60</b>				<b>60</b>	<b>61</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>2%</b>	

**NOTES AND ASSUMPTIONS:**

- (1) Increased other revenue estimated for indirect cost recovery from campuses
- (2) Decreased due to unfilled vacant positions
- (3) Increased S&S expenditures related to systemwide facility consulting services and BETC application fees, Boardroom technology upgrades, and support of the Oregon Sustainability Center
- (4) Increased transfers out primarily related to DegreeWorks project for regional campuses

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## **OUS, 2010 Annual Financial Report**

### **SUMMARY**

The report titled 2010 Annual Financial Report (see [http://www.ous.edu/content/reports/annfinst\\_fy2010.php](http://www.ous.edu/content/reports/annfinst_fy2010.php)) was prepared by the Chancellor's Office and the financial statements included within were audited by Moss Adams, LLP, under contract to the Secretary of State, Audits Division. The audit opinion issued by Moss Adams, LLP, is an unqualified opinion, which means that their opinion as to the fair presentation of the financial statements was issued without qualification.

In conjunction with the audit, Moss Adams, LLP, has issued a letter to OUS Management communicating observations and recommendations relating to OUS internal controls. OUS Management has issued a letter in response to these observations and recommendations that includes general agreement with the observations and planned actions in response. None of the observations made by Moss Adams, LLP, represented a significant deficiency or a material weakness in the design or operation of internal control for 2010.

As part of the financial statement audit, Moss Adams, LLP, is required to communicate certain matters related to the conduct of the audit to those who have responsibility for oversight of the financial reporting process.

### **STAFF RECOMMENDATION TO THE COMMITTEE**

Subject to the report of Moss Adams, LLP, staff recommends that the Finance and Administration Committee of the Board accept the 2010 Annual Financial Report.

**(Committee action required.)**

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## **OUS, Internal Audit Progress Report**

### **BACKGROUND**

The Oregon State Board of Higher Education's Finance and Administration Committee Charter requires that the Committee is to review and approve, on a quarterly basis, the Oregon University System Internal Audit Division's (IAD) audit reports. The charter also requires that the Committee is to review and approve the annual internal audit plan. In accordance with the charter, IAD will present the 2010 Final Progress Report and the 2011 Annual Audit Plan as directed. IAD notes that all the audit report recommendations made over the past quarter were adequately addressed by management.

### **STAFF RECOMMENDATION TO THE BOARD**

Staff recommends that the Finance and Administration Committee of the Board approve the Internal Audit 2010 Final Progress Report and 2011 Annual Audit Plan.

**(Committee action required.)**



Oregon  
University  
System

Oregon University System  
Internal Audit Division  
2010 Final Progress Report  
&  
2011 Annual Audit Plan

February 2011  
Executive Director Patricia Snopkowski

## I. Executive Summary

The Oregon State Board of Higher Education (Board) has oversight responsibility to ensure that the Oregon University System (OUS) is performing its duties of financial reporting, ensuring effective and efficient internal controls, and complying with laws, regulations, and ethics. The OUS Internal Audit Division (IAD) is charged with assisting the Chancellor and the Board with their oversight responsibility.

This report contains an overview of the IAD organization, a summarization of the internal reports issued over the past quarter, progress made toward completing the 2010 calendar year audit plan, and the 2011 calendar year audit plan. This report is being provided in accordance with the IAD charter, which outlines responsibilities for:

- Developing and implementing an annual internal audit plan that outlines the engagements to be performed using an appropriate risk-based methodology. The annual plan is to include the consideration of any risks or control concerns identified by management and is reviewed and approved by the Chancellor and the Board's Finance and Administration Committee.
- Issuing quarterly progress reports to the Chancellor and the Finance and Administration Committee summarizing the results of engagement activities.

The IAD charter was developed in accordance with internal auditing standards promulgated by the International Institute of Internal Auditors.

**Standard 2010** *"The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals. The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process."*

**Standard 2020** *"The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval."*

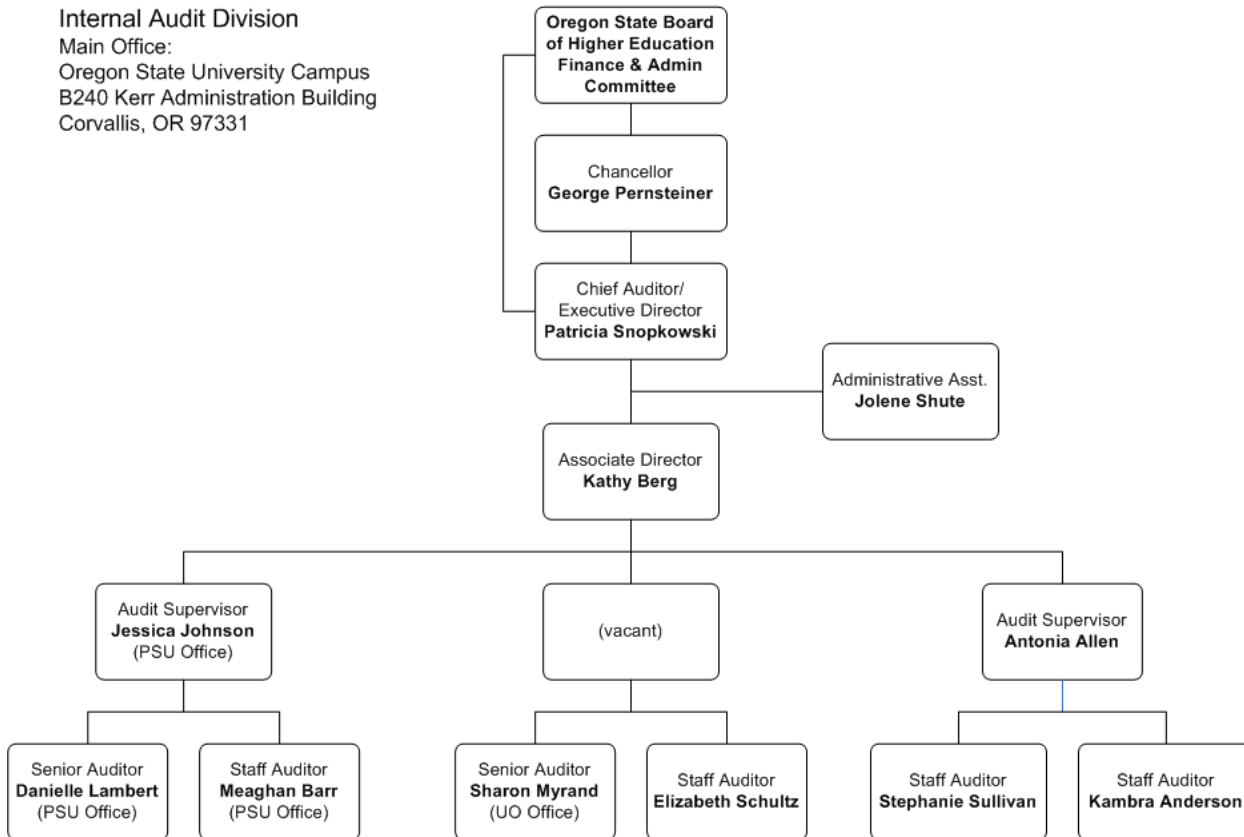
**Standard 2060** *"The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan...."*

The information provided documents how IAD works with management to mitigate risks and identify improvements to OUS operations. The audit report recommendations made over the past quarter were all adequately addressed by management.

## II. Organizational Chart and Staff Profile

**AS OF JANUARY 2011**

Internal Audit Division  
 Main Office:  
 Oregon State University Campus  
 B240 Kerr Administration Building  
 Corvallis, OR 97331



### Profile of 10 Professional Audit Staff

- 131 Years of Combined Professional Career Experience
- 13 Professional Audit Certifications
  - 6 Certified Public Accountants
  - 4 Certified Internal Auditors
  - 3 Certified Information Systems Auditors
  - Chief Auditor/Executive Director - Masters of Business Administration (MBA)
  - All Staff Auditors are pursuing professional certifications

### III. 2010 Audit Reports Issued - 4th Quarter

During the period from October 2010 through January 2011, IAD issued the following reports:

Institution	Engagement Title	Assurance Provided Based Upon Procedures Performed
OUS	Classified Overtime	Analyzed overtime trends within the Oregon University System during the fiscal year ending June 30, 2010 and confirmed that employee overtime hours worked in excess of 200 hours at the UO and OIT represented hours worked and appropriately certified by supervisors. No exceptions were noted.
OIT	Course Materials	Evaluated a potential conflict of interest regarding faculty approval of payments to his personal business. IAD noted that the payments did not appear to benefit the employee, but recommended improvement of policies regarding outside employment and the sale of course materials.
OSU PSU UO	NCAA Agreed-upon Procedures	Coordinated with external auditors on the performance of the NCAA Agreed-Upon Procedures for Athletics and evaluated the internal control structure over travel expenses and employment contracts. IAD noted control strengths as well as recommendations to improve employment contracting and payment processes.
UO	Campus Operations	Analyzed concerns with the accuracy and appropriateness of payroll payments and records within Campus Operations. IAD highlighted recommendations to further streamline time entry processes, improve controls over system access, and further document departmental payroll procedures.
UO	Arena Pro Forma	Compared the original Matthew Knight Basketball arena pro forma financial statements to the updated financial statements. IAD noted that the updated financial statements appear reasonable and demonstrate that the project is self-supporting.

#### IV. 2010 Calendar Year Audit Plan - Final Status

The following table outlines the status of IAD planned activities for calendar year 2010. These activities were presented and approved in January 2010.

##### STATUS OF 2010 ACTIVITIES

Scheduled Projects Completed	<ul style="list-style-type: none"> <li>• OSU and UO NCAA Football Attendance Certifications</li> <li>• PSU, SOU, OUS Financial Aid</li> <li>• UO, PSU, OSU, EOU, and OUS American Recovery and Reinvestment Act</li> <li>• UO Facilities Management Operations System</li> <li>• Follow-up of prior audit recommendations</li> <li>• OUS Information Technology General Control Risk Assessment (draft)</li> <li>• Contracted Construction Audits             <ul style="list-style-type: none"> <li>○ OIT Village for Sustainable Living</li> <li>○ OIT Martha Anne Dow Center for Health Professionals</li> <li>○ OSU Energy Center</li> <li>○ UO Matthew Knight Arena (draft)</li> </ul> </li> </ul>
Added Projects Completed	<ul style="list-style-type: none"> <li>• UO Athletics HR Policy Review</li> <li>• UO Physical Education &amp; Recreation</li> <li>• UO Oregon Institute of Marine Biology</li> <li>• UO Associated Student Programs</li> <li>• UO Matthew Knight Arena Pro Forma</li> <li>• WOU Oregon School for the Deaf</li> <li>• OIT Course Materials</li> <li>• OIT Campus Dining (draft)</li> <li>• OUS Classified Overtime</li> </ul>
Projects Cancelled	<ul style="list-style-type: none"> <li>• OUS Purchasing and Contracting</li> <li>• OUS Hiring Background Checks</li> </ul>
Other Activities	<ul style="list-style-type: none"> <li>• Internal control training</li> <li>• Management advising</li> <li>• Data breach advising</li> <li>• External audit liaison</li> <li>• Professional association leadership and presentations</li> </ul>

## V. 2011 Calendar Year Audit Plan

As outlined in the Oregon University System Internal Audit Division Charter, IAD is an independent and objective assurance and consulting activity designed to add value and improve the organization's operations. In order to meet this responsibility, IAD annually develops an audit plan to provide comprehensive audit coverage and deploy audit resources in an effective and efficient manner.

IAD performed a macro-level risk assessment using industry trends, past audit experience, fiscal analysis, and management input in order to determine the audit plan for the upcoming year. Our assessment utilized the Internal Control Integrated Framework components as published by the Treadway Commission's Committee of Sponsoring Organizations (COSO).

A major portion of IAD's resources are allocated to performing scheduled audits. IAD has segmented OUS into nine major functions in order to ensure comprehensive coverage across OUS. The following audits are scheduled to be completed in 2011:

Major Functions	Planned Activities
Governance/Leadership	<ul style="list-style-type: none"> <li>• Consultation on policy and control implications</li> </ul>
Instruction and Academic Support	<ul style="list-style-type: none"> <li>• International programs</li> <li>• Extended studies</li> </ul>
Research and Development	<ul style="list-style-type: none"> <li>• Selected grant compliance</li> </ul>
Student Services	<ul style="list-style-type: none"> <li>• Health center operations</li> </ul>
Human Resources Management	<ul style="list-style-type: none"> <li>• Business center processing</li> </ul>
Fiscal/Asset Management	<ul style="list-style-type: none"> <li>• Treasury management/internal bank</li> <li>• Vendor and refund payment controls</li> </ul>
Plant Operations	<ul style="list-style-type: none"> <li>• Facilities operations</li> </ul>
Auxiliaries and Services	<ul style="list-style-type: none"> <li>• Museum collection inventory</li> <li>• NCAA football attendance certifications</li> </ul>
Information Technology	<ul style="list-style-type: none"> <li>• Selected application controls</li> </ul>

In addition to completing the scheduled audits listed on the previous page, IAD will perform a number of other activities in 2011. These activities are designed to add value and improve organizational effectiveness. These activities include:

- Complaint investigations and management request audits
- Audit follow-up review for previously issued audit reports
- External audit liaison:
  - Moss Adams, LLP – OUS financial statement and federal A-133 compliance audits
  - NCAA Agreed-upon Procedures

- Secretary of State Audits Division – hotline call follow-up, academic performance audit
- Internal control advising and training
- Key management orientations
- Professional association leadership and presentations