

Thursday, October 12, 2017

10:30 a.m. to 11:40 a.m.

North Campus, ERC 3023

Toll-Free: 1-877-385-4099 Participant Passcode: 1028954#

Members: Nigel Allen (Chair), Doug Allingham, Jeremy Bradbury, Tim McTiernan, Dietmar Reiner, Mary Simpson

Staff: Robert Bailey, Becky Dinwoodie, Craig Elliott, Cheryl Foy, Doug Holdway, Brad MacIsaac, Susan McGovern, Pamela Onsiong

AGENDA

No.	Topic	Lead	Allocated Time	Suggested End Time
1	Call to Order	Chair		
2	Agenda (M)	Chair		
3	Conflict of Interest Declaration	Chair		
4	Approval of Minutes from June 12, 2017* (M)	Chair		
5	Chair's Remarks	Chair		
6	President's Remarks	T. McTiernan		10:40 a.m.
7	SIRC Building Construction Project* (U)	C. Elliott	5	10:45 a.m.
8	Finance			
8.1	First Quarter Financial Reports* (U)	P. Onsiong	20	11:05 a.m.
8.2	UOIT Financial Controls, Cyber Fraud, and Insurance Coverage* (D)	C. Elliott/ R. Bailey/C. Foy	10	11:15 a.m.
9	Investment Committee Oversight			
9.1	Investment Committee Quarterly Report (U)	S. Chow	5	11:20 a.m.
10	Compliance & Policy			
10.1	Risk Management (U)	C. Foy	5	11:25 a.m.
10.2	Compliance (U)	C. Foy	5	11:30 a.m.
10.3	University Code of Ethics (D)	C. Foy	5	11:35 a.m.
11	Other Business	Chair		
12	Termination (M)	Chair		11:40 a.m.
	D - Discussion			
	M – Motion			
	P – Presentation			
	U – Update			
	* Documents attached			

Becky Dinwoodie, Secretary



**BOARD OF GOVERNORS
AUDIT & FINANCE COMMITTEE**

**MINUTES OF THE MEETING OF JUNE 12, 2017
PUBLIC SESSION**

Attendees: Nigel Allen (Acting Chair), Doug Allingham, Jeremy Bradbury, Adele Imrie, Tim McTiernan, Dietmar Reiner, Mary Simpson

Staff: Robert Bailey, Becky Dinwoodie, Craig Elliott, Brad MacIsaac, Susan McGovern, Pamela Onsiong

Regrets: Miles Goacher

Guests: Marie Polgar-Matthews (PSAC 555), Mikael Eklund

1. Call to Order

The Chair called the meeting to order at 4:06 p.m.

2. Agenda

Upon a motion duly made by T. McTiernan and seconded by M. Simpson, the Agenda was approved as presented.

3. Conflict of Interest Declaration

There were no conflict of interest declarations.

4. Approval of Minutes of Meeting of April 19, 2017

Upon a motion duly made by A. Imrie and seconded by D. Reiner, the Minutes were approved, as presented.

5. Chair's Remarks

N. Allen chaired the meeting in M. Goacher's absence. He kept his remarks brief.

6. SIRC Building Construction Project

C. Elliott provided an update on the progress of the SIRC building construction. The carpeting has been installed on the first floor and the gas, power, water, phone lines are completed. The elevator is expected to be done by the end of the month. All of the trailers are gone and EllisDon moved into offices on the third floor of the building. The project continues to be on schedule and on budget. C. Elliott responded to questions from the committee. There was a discussion regarding using funds out of the contingency funds to pay for the power-assisted doors. C. Elliott confirmed there were no safety incidents to report.

7. Finance

7.1 Fourth Quarter Report

P. Onsiong reviewed the fourth quarter financial report. She noted that the metrics are better than last year's. The university has a healthy cash position. The RBC \$1.1M GIC matures today and will be reinvested in another GIC. They also expect to be able to invest a portion of the 30-day cashable GIC in a longer term GIC, keeping in mind the needs for SIRC.

P. Onsiong also reviewed the long-term forecast. This model takes into account the new funding formula. The grant level will remain constant for the next 3 years based on 2016-17 funding. The forecast will also be updated to reflect recent enrolment projections. P. Onsiong answered questions from the committee.

7.2 2017-2019 Tuition & Ancillary Fees Amendments

R. Bailey presented the tuition report and provided background to the proposed tuition fees for the new graduate diploma in Work Disability Prevention. He responded to questions from the committee.

Upon a motion duly made by A. Imrie and seconded by T. McTiernan, the Audit and Finance Committee recommended the 2017-2019 tuition fees for the graduate diploma in Work Disability Prevention, as presented, for approval by the Board of Governors.

8. Investment Committee Oversight

8.1 Investment Committee Quarterly Report

N. Allen provided an update from the Investment Committee. He reported on the educational session on Diversified Growth Funds (DGF) given at the last meeting. He advised that DGF are a relatively new product in Canada and as the Investment Committee learns more, they will update the Audit and Finance Committee. Essentially, DGF are a way of reducing risk while preserving gains.

9. Compliance & Policy

9.1 University Risk Management

C. Foy reported on the goals and objectives of 2016-2017. She will be preparing a final written report that will be presented to the Board at its last meeting. She confirmed that the goal is for risk management to be integrated into decision-making processes. Some institutional and planning bodies will be assuming responsibility for some risks. There are now fewer operational risks and local risk registers have been simplified. Risks identified last year were used to inform the budget process this year. The risk management website has been updated and is now live. Risk metrics will be coming back to the Audit and Finance Committee for finalization. The Risk Management Committee is looking to focus on strategic risks, as well as foundational risks. The university continues to move the yardstick forward and is making good progress on risk.

9.2 Annual Policy Review & Compliance Update

C. Foy presented the Annual Policy Review and Compliance Update. They have completed the transition of the administrative code into a policy library, which is searchable in five different ways and more user-friendly. She discussed the online consultation tool available to the community to provide comments on policies. The plan is to conduct a review of the policy framework in the upcoming year.

While presenting the summary of FIPPA Compliance for 2016-2017, she noted an increase in access requests to general records. She also advised that the Policy & Compliance Advisor has reduced the number of education sessions delivered due to resource limitations this year. She discussed the focus for privacy compliance for 2017-2018.

C. Foy informed the committee that a single person is responsible for records management at the university. N. O'Halloran is working with departments to get rid of paper documents, as well as electronic records. She identified the records management priorities for 2017-18.

The university purchased software several years ago with the goal of developing a central database of contracts. A total of 1251 contracts/policies have been entered into the database and C. Foy provided a breakdown of the types of contracts in the database. They will also look at expanding the functionality of the system.

10. Other Business

There was no other business.

11. Termination

There being no other business, upon a motion duly made by J. Bradbury and seconded by T. McTiernan, the meeting terminated at 4:45 p.m.

Becky Dinwoodie, Secretary

Software & Informatics Research Centre (SIRC)

Project Update Presentation – October 12, 2017



Progress Update (as of 1 October 2017) :

Phase 1: 1st, 2nd floor, Penthouse and external areas

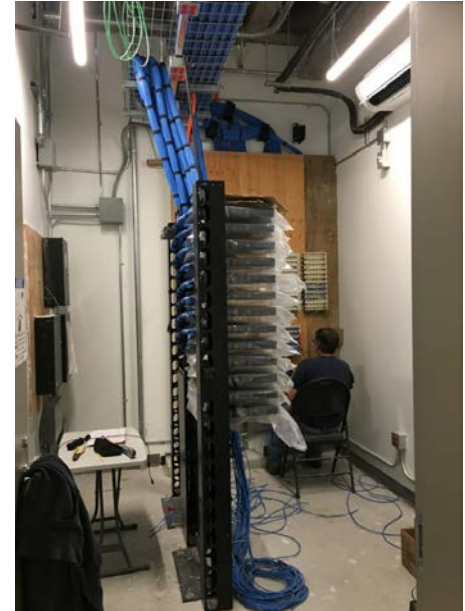
- Penthouse mechanical room final paint and flooring completed
- Deficiencies clearing on going
- Outside Banner installed
- Classes started in SIRC Sept 7th
- SIRC Grand Opening on Nov 2nd



Progress Update (as of 1 October 2017) :

Phase 2: 3rd and 4th floor

- 3rd floor vinyl flooring, millwork, and accessories completed
- 4th floor ceiling, carpet, tiling, raised floor completed
- 4th floor final painting, acoustic and accessories on going
- 4th floor Electrical and IT works on going
- Testing & Commissioning on going
- Target for Occupancy Permit is Oct 12th.
- Target for Substantial Completion is Oct 30th.



Site Safety:

- Nothing to report - no incident on site this period

Change Orders:

- No change order requested and approved this month

Procurement Summary:

- GMP sub-trade tenders completed for all 4 levels and on budget.
- 78% of \$3.6M in UOIT FFE tenders committed with potential savings of \$500K
- We have committed \$200K of these savings to enhance accessibility, installing automated doors for all labs and classrooms in SIRC

Financial Summary:

- SIF funding received this period is \$2M
- Total SIF funding received to date \$10.57M
- The project is \$300K ahead of budget and contingency of \$1.3M remain intact
- Breakdown of Sources and Uses of funds next slide.

Summary Financial Report as of 1 Oct 2017

CASH FLOW REPORT FOR ENDING MONTH OF SEPTEMBER 2017

Sources of Funds													
Description	Actuals September 2017	Budget September 2017	Actual YTD	Budget YTD	Variance	Source of Funds Comments	Total Funding Budget	Total Actual YTD	Forecasted Funding Required	Funding at Completion	Variance		
							A	B	C	B+C = D	D-A		
UOIT	\$2,800,348	\$2,750,959	\$15,960,883	\$17,235,195	-\$1,274,311	Variance due to SIF grant received higher than planned and the unused contingency	\$20,298,110	\$15,960,883	\$4,026,892	\$19,987,775	-\$310,334		
SIF	\$2,000,000	\$0	\$10,567,340	\$7,992,363	\$2,574,977	SIF grant received to date is \$2M above than forecasted	\$13,001,890	\$10,567,340	\$2,434,550	\$13,001,890	\$0		
Advancement	\$0	\$0	\$0	\$0	\$0	Advancement funds have not officially been committed to the project.	\$0	\$0	\$0	\$0	\$0		
Totals	\$4,800,348	\$2,750,959	\$26,528,223	\$25,227,557	\$1,300,666	See variance explanation below	\$33,300,000	\$26,528,223	\$6,461,442	\$32,989,665	-\$310,334		
Uses of Funds - Trend Line													
Description	Actuals September	Budget September	Actual YTD	Budget YTD	Variance	YTD Variance Explanation	Milestone	Date	Total Budget	Total Actual YTD	Estimate to Complete	Estimate at Completion	Variance
									A	B	C	D = B+C	D-A
GMP Base Contract	\$2,581,751	\$531,121	\$19,969,394	\$17,888,932	\$2,080,462	Holdback amount release on September instead of October	Substantial Completion	Completed	\$20,630,966	\$19,969,394	\$661,572	\$20,630,966	\$0
CO3 GMP Fl. 3&4	\$1,346,505	\$1,346,505	\$3,490,344	\$3,485,070	\$5,274	Phase 2 work progress variance	Substantial Completion	11/10/2017	\$5,657,627	\$3,490,344	\$2,167,283	\$5,657,627	\$0
CO1 Fl. 3&4 Design	\$0	\$0	\$77,351	\$77,351	\$0	Work completed.	Complete	Completed	\$87,899	\$77,351	\$10,548	\$87,899	\$0
CO2 Transformer	\$0	\$0	\$96,823	\$96,823	\$0	Work completed.	Power-on	Completed	\$110,026	\$96,823	\$13,203	\$110,026	\$0
CO4 Donor Signage	\$0	\$0	\$8,928	\$8,928	\$0	Work completed	Complete	Completed	\$8,928	\$8,928	\$0	\$8,928	\$0
CO5 Door Operators	\$132,775	\$132,775	\$180,715	\$180,715	\$0	Work in progress	Substantial Completion	11/10/2017	\$0	\$180,715	\$20,326	\$201,041	\$201,041
Design	\$0	\$0	\$310,230	\$310,230	\$0	Work completed.	Complete	Completed	\$310,230	\$310,230	\$0	\$310,230	\$0
FFE	\$707,818	\$707,818	\$912,041	\$937,140	-\$25,099	Actual invoice for the Fibre work from Library to Wiley	Substantial Completion	11/10/2017	\$3,619,350	\$912,041	\$2,207,309	\$3,119,350	-\$500,000
Consultants	\$27,242	\$27,242	\$327,874	\$343,673	-\$15,800	Ministry Signage invoice lower than budgetted.	NA	NA	\$300,749	\$327,874	\$83,762	\$411,636	\$110,887
Parking	\$0	\$0	\$986,943	\$1,011,711	-\$24,769	Certified work completed less than the contract award value.	Substantial Completion	Completed	\$1,018,975	\$986,943	\$16,360	\$1,003,303	-\$15,672
Contingency	\$0	\$0	\$0	\$707,908	-\$707,908	No contingency has been used to date. Contingency was forecasted for the months of July/August/September to allow for any unknown items that could have arisen during early construction.	NA	NA	\$1,271,666	\$0	\$1,271,666	\$1,271,666	\$0
Management Fees	\$4,257	\$5,498	\$167,581	\$179,076	-\$11,495	Miscellaneous disbursement and salary variance	NA	NA	\$283,585	\$167,581	\$9,414	\$176,995	-\$106,590
Totals	\$4,800,348	\$2,750,959	\$26,528,223	\$25,227,557	\$1,300,666				\$33,300,000	\$26,528,223	\$6,461,442	\$32,989,665	-\$310,334



Financial Update
Report to the Audit and Finance Committee
For the quarter ending June 30, 2017

October 12, 2017

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Financial Update – Report to Audit and Finance Committee – October 12, 2017
For the quarter ending June 30, 2017
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Consolidated Financial Statements of

**UNIVERSITY OF ONTARIO
INSTITUTE OF TECHNOLOGY**

For the quarter ending June 30, 2017

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statement of Financial Position
As at June 30, 2017

	<u>Jun 30, 2017</u>	<u>Jun 30, 2016</u>	<u>YOY Variance</u>	<u>Mar 31, 2017</u>
ASSETS				
CURRENT				
Cash and cash equivalents	\$ 39,008,054	\$ 20,719,267	\$ 18,288,787	\$ 56,795,539
Short-Term Investments	-	10,170,000	(10,170,000)	-
Grant receivable	6,102,745	5,669,802	432,943	6,152,287
Other accounts receivable	19,877,768	18,521,121	1,356,647	7,624,344
Prepaid expenses and deposits	1,931,340	1,952,990	(21,649)	1,689,870
Inventories	238,313	217,987	20,326	172,514
	67,158,220	57,251,166	9,907,054	72,434,554
INVESTMENTS	26,842,914	28,991,512	(2,148,599)	29,632,811
CAPITAL ASSETS	403,626,051	391,815,726	11,810,325	399,939,626
	-	-	-	-
TOTAL ASSETS	\$ 497,627,184	\$ 478,058,405	\$ 19,568,779	\$ 502,006,991
LIABILITIES				
CURRENT AND LONG-TERM LIABILITIES				
Accounts payable and accrued liabilities	27,012,245	15,623,845	11,388,400	34,633,948
Deferred revenue	30,141,199	28,825,923	1,315,276	20,878,720
	57,153,444	44,449,768	12,703,676	55,512,668
LONG TERM DEBT	3,650,414	9,294,442	(5,644,028)	6,390,043
OBLIGATIONS UNDER CAPITAL LEASE	38,551,443	39,011,172	(459,729)	38,672,762
DEBENTURE DEBT	172,823,718	178,096,238	(5,272,520)	175,501,181
DEFERRED CAPITAL CONTRIBUTIONS	163,416,204	160,130,000	3,286,204	164,581,824
	435,595,224	430,981,620	4,613,604	440,658,478
Net Assets / (Deficit)				
NET ASSETS, excluding current year surplus	41,731,792	29,128,143	12,603,648	29,128,146
ENDOWMENTS	19,686,983	18,265,640	1,421,343	19,616,720
CURRENT YEAR SURPLUS / (DEFICIT)	613,184	(316,999)	930,183	12,603,647
	62,031,959	47,076,785	14,955,174	61,348,513
TOTAL LIABILITIES AND NET ASSETS	\$ 497,627,184	\$ 478,058,405	\$ 19,568,779	\$ 502,006,991

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statement of Operations
For the quarter ending June 30, 2017

	<u>Jun 30, 2017</u>	<u>Jun 30, 2016</u>	<u>YOY Variance</u>
REVENUE			
Grants - operating & research	\$ 16,501,114	\$ 16,634,508	\$ (133,394)
Grant - debenture	6,750,000	6,750,000	-
Donations - operating & research	206,457	215,922	(9,465)
Student tuition fees	12,425,512	11,804,381	621,132
Student ancillary fees	2,627,773	1,759,351	868,422
Revenue from purchased services	499,585	475,724	23,860
Other income	2,094,225	2,031,940	62,285
Amortization of deferred capital contributions	2,165,620	2,155,684	9,936
Interest revenue	58,676	134,998	(76,322)
Unrealized gain on investments	228,276	465,061	(236,785)
Gain/(loss) on disposal of assets	98,805	(324,504)	423,309
	<u>\$ 43,656,043</u>	<u>\$ 42,103,066</u>	<u>\$ 1,552,977</u>
EXPENSES			
Salaries and benefits	\$ 24,331,047	\$ 23,889,892	\$ 441,156
Supplies and expenses	6,350,405	6,225,959	124,446
Purchased Services	2,544,044	2,433,449	110,596
Professional fees	288,332	152,103	136,229
Interest expense - Current Obligations	35,545	37,125	(1,581)
Interest expense - Long Term Debt	3,555,111	3,695,522	(140,411)
Amortization of capital assets	5,938,375	5,986,016	(47,641)
	<u>\$ 43,042,859</u>	<u>\$ 42,420,065</u>	<u>\$ 622,794</u>
Excess of revenue over expenses	<u>\$ 613,184</u>	<u>\$ (316,999)</u>	<u>\$ 930,183</u>

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Consolidated Statement of Cash Flows
For the quarter ending June 30, 2017

	<u>Jun 30, 2017</u>	<u>Jun 30, 2016</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses	613,184	(316,999)
Items not affecting cash:		
Amortization of capital assets	5,938,375	5,986,016
Amortization of deferred capital contributions	(2,165,620)	(2,155,684)
(Gain)/loss on disposal of assets	(98,805)	324,504
Unrealized (gain)/loss on investments	(228,276)	465,061
	<hr/> 4,058,858	<hr/> 4,302,898
Working Capital		
Grant and other accounts receivable	(12,203,882)	(11,550,906)
Prepaid expenses and deposits	(241,470)	(251,312)
Inventories	(65,799)	(63,725)
Accounts payable and accrued liabilities	(7,621,703)	(8,316,695)
Deferred revenue	9,262,480	8,467,645
	<hr/> (6,811,516)	<hr/> (7,412,095)
INVESTING		
Purchase of capital assets	(9,525,995)	(615,022)
Investments	3,018,173	1,511,010
Endowment contributions	70,263	93,981
	<hr/> (6,437,559)	<hr/> 989,968
FINANCING		
Repayment of long term debt	(5,417,091)	(5,088,446)
Repayment of obligations under capital leases	(121,319)	(79,154)
Deferred capital contributions	1,000,000	(0)
	<hr/> (4,538,410)	<hr/> (5,167,600)
NET CASH (OUTFLOW)	(17,787,485)	(11,589,727)
CASH BALANCE, BEGINNING OF YEAR	56,795,539	32,308,994
CASH BALANCE, END OF PERIOD	\$ 39,008,054	\$ 20,719,267

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Financial Update – Report to Audit and Finance Committee – October 12, 2017
For the quarter ending June 30, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

Cash and short-term investments increased \$8.1m over last year and is primarily due to under-spending of \$12.0m in the last budget year 2016-17, offset by on-going operational spending and SIRC construction in Q1.

Grant receivable balance of \$6.1m includes \$5.0m Collaborative Nursing (CN) grant funded on a slip-year basis (PY bal. \$3.8m will be received in CY, and CY bal. \$1.2m to be received in next FY) and \$1.1m of external research grants all of which are current.

Other accounts receivable includes student and trade receivables. Y/E balance of \$19.9m includes \$17.2m of student A/R (of which \$14.6m relates to the future fall 2017 and winter 2018 semesters), \$1.7m of current trade A/R, other current receivables comprising \$0.8m of sales tax recoverable, \$0.7m COU application fees received in April 2017, \$0.6m ACE, and other balances, none exceeding \$0.5m.

Increase of \$1.4m receivables over the prior year comprises various increases / (decreases), none of which exceeds \$0.5m.

Investment balance of \$26.8m comprises \$24.0m endowed funds held at PH&N and \$2.8m from MoF held in trust at BNY. The decrease of \$2.1m includes a decrease of \$5.3m used to repay the MoF loan in the last 12 months (**see Other Long Term Debt note under Liabilities below**) offset by a net increase of \$3.2m in endowed funds (new in-year donations \$1.2m, investment income \$1.0m, M2M unrealized gain \$1.4m, offset by bursary disbursements \$0.4m).

Capital assets increase of \$11.8m includes net additions of \$30.5m, offset by accumulated amortization of \$18.7m in the last 12 months. Additions comprise \$25.4m WIP (\$22.8m SIRC & \$2.6 rolling road), \$4.7m laptop purchases net of \$6.2m disposals, \$3.3m building, SIRC parking, lab renovations and FFE, \$2.6m major equipment, and \$1.0m computer equipment and servers, offset by disposal of Dulemba land \$0.3m.

Liabilities

Accounts payable and accrued liabilities increase of \$11.4m includes \$7.7m increase in accounts payable due to the timing of payment of invoices (includes \$2.3m of June Ellis Don SIRC invoices, \$1.2m for June 2017 payroll deductions, \$1.0m due to Durham College), \$2.2m of SIRC construction and warranty holdbacks. These increases are offset other increases / decreases, none of which exceeds \$0.5m.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

Deferred Revenue relate to revenues deferred to the following periods as these have not yet been earned at the end of the reporting quarter or will be recognized as revenue in the period in which related expenses are incurred.

Balance of \$30.1m includes \$15.4m deferred tuition representing future term fees not earned at the end of the quarter (registration opened on June 30), \$6.2m of externally funded research revenues, \$3.3m of expendable donations, \$3.3m of deferred TELE surplus, and \$1.9m of miscellaneous deferred revenues.

Other long-term debt decrease of \$5.6m includes \$5.3m repayment of the MoF loan in the last 12 months (see **Investment note under Assets above**) and other repayments, none of which exceeds \$0.5m. Balance of \$3.7m comprises \$2.8m MoF loan, which is fully payable in October 2017.

Decrease in obligations under capital lease represents the lease repayments for 61 Charles and 55 Bond in the last 12 months.

Decrease in long-term debenture debt of \$5.3m relates to the principal repayment and resulting drawdown of the debt in the last 12 months. This debt is fully payable in October 2034.

Increase in deferred capital contributions of \$3.3m includes new capital grant of \$12.1m received in the last 12 months, offset by \$8.8m amortization into revenues of all capital grants received since inception of the University. New capital grants received include \$8.6m SIF grant for SIRC construction, \$2.3m for the Moving Ground Plane, \$0.7m for building and lab maintenance, and \$0.5m Graduate Expansion Grant.

CONSOLIDATED STATEMENT OF OPERATIONS

Revenue

Total Revenue increased \$1.6m (3.7%) over last year, and includes \$0.9m increase in student ancillary fees mostly attributable to the accounting recognition of PY deferred revenues for the purchase of athletic equipment in the current year, increase \$0.6m in tuition fees to reflect average 3% YOY increase in tuition fees, and other increases / decreases, none of which exceeds \$0.5m.

Expenses

Total Expenses increased \$0.6m (1.4%) over the prior year with the most significant % change in professional fees relating to the “new President” search, employment and SA-related matters.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Financial Update – Report to Audit and Finance Committee – October 12, 2017
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II. FINANCIAL METRICS

The Ministry has adopted 5 financial metrics to assist with assessing university financial health and sustainability.

The table below shows UOIT’s forecast metrics for fiscal year 2017 – 18 and the actuals for the 2 fiscal years 2016 – 17 and 2015 - 16. Also included are the average comparator and average sector metrics for fiscal year 2015 - 2016 (latest published data). The average comparator includes the data for what is classified as “small” universities based on student FTE (“Full-time equivalents”). The small sector universities comprise of 7 universities: Algoma, Lakehead, Laurentian, Nipissing, OCADU, Trent and UOIT.

Financial Metrics	Forecast	Actual	Actual	Average comparator	Average sector
	2017 - 18	2016 - 17	2015 - 16	2015 - 16	2015 - 16
Net Income/Loss Ratio (1)	4.8%	6.2%	1.7%	-0.4%	2.5%
Net Operating Revenues Ratio (2)	15.3%	18.1%	10.9%	2.6%	6.6%
Primary Reserve Ratio (days) (3)	34	40	27	24	94
Interest Burden Ratio (4)	8.4%	8.9%	9.4%	3.3%	2.3%
(b) IBR w MTCU funding	2.0%	2.0%	2.2%	n/a	n/a
Viability Ratio (5)	9.3%	10.0%	6.4%	11.8%	154.7%

Financial Metrics Analysis

1. **Net Income / Loss** ratio - tracks the trend in UOIT’s net earnings.

With the \$6.9m additional revenues identified to date (see “Revenue Forecast Update” on Pages 9 and 10), coupled with savings from its planned capital reserves, it is forecast that UOIT will continue to show positive net earnings ratio in 2017 – 2018.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
Financial Update – Report to Audit and Finance Committee – October 12, 2017
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II. FINANCIAL METRICS (continued)

2. Net Operating Revenues ratio – indicates the extent to which UOIT is generating positive cash flows in the long-run to be financially sustainable.

With the forecast additional revenues, UOIT continues to experience positive operating and working capital and, therefore, a stable net operating revenues ratio.

3. Primary Reserve ratio – indicates UOIT’s financial strength and flexibility by determining the number of days UOIT could function using its resources that are can be expended without restrictions.

Primary reserve ratio is stable as although internally-restricted capital reserves have been consumed to fund for the SIRC building in the current year, these will be replenished at the end of this fiscal year with any unspent additional revenues identified in the “Revenue Forecast Update” (on Pages 9 and 10) and any actual operating expense savings.

4. Interest Burden ratio (“IBR”) – indicates UOIT debt affordability and the cost of servicing debt

UOIT’s interest burden continues to improve as it pays back its long-term debt obligations without entering into any new debt. The cost of servicing UOIT’s debt is above the comparator due to its much higher debt obligations.

4b. Interest Burden with MTCU funding ratio – the “IBR” has been re-stated to reflect an annual “institution-specific” grant of \$13.5m from the Ministry to fund the University’s debenture debt. Therefore, interest expense on the debenture has been removed from the total interest expense, used in the calculation of “IBR”.

Including the impact of the Ministry funding, UOIT’s interest burden ratio is more in line with the average comparator and average sector ratios.

5. Viability ratio - determines UOIT’s financial health, as it indicates the funds on hand to settle its long-term obligations.

This ratio is stable due to operating planned surplus (resulting in improved expendable net assets), and reduced debt obligations.

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II. FINANCIAL METRICS (continued)

(1) Net Income/Loss Ratio

$$\frac{\text{Total Revenues less Total Expenses}}{\text{Total Revenues}}$$

Measures the percentage of UOIT's revenues that contribute to its net assets. The objective is to track trends in UOIT's net earnings

(4) Interest Burden Ratio

$$\frac{\text{Interest Expense}}{\text{Total Expenses - Depreciation}}$$

Indicates debt affordability as it examines the percentage of total expenses used to cover UOIT's cost of servicing debt

(2) Net Operating Revenues Ratio

$$\frac{\text{Cash flow from Operating Activities}}{\text{Total Revenues}}$$

Indicates the extent to which UOIT is generating positive cash flow in the long-run to be financially sustainable.

(5) Viability Ratio

$$\frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}$$

Determines UOIT's financial health as it indicates the funds on hand to settle its long-term obligations. Long-Term Debt is total external long-term debt, excluding the current portion of debt.

(3) Primary Reserve Ratio

$$\frac{\text{Expendable Net Assets}}{\text{Total Expenses}} \times 365 \text{ days}$$

Indicates UOIT's financial strength and flexibility by determining the number of days UOIT can function using only its resources that can be expended without restrictions. Expendable net assets include: Unrestricted surplus (deficit), internally restricted net assets and endowments.

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III. Revenue Forecast Update

Below is an update on the University's revenue projections (note: detailed expense forecast from budget holders will be included in the Q2 and Q3 reporting results).

Enrolment

	2017 - 18 Approved Budget	2017 - 18 Day 10 Count	Variance to Approved Budget
FTE's			
Undergraduate			
Domestic	7,755	7,999	244
International	501	474	-27
Graduate			
Domestic	329	425	96
International	137	146	9
Total FTE's	8,722	9,044	322

Day 10 enrolment count shows a positive net variance of 322 FTE against an original budget of 8,722 FTE. Current eligible undergraduate and graduate enrolment projection is within the +/- 3% of UOIT's corridor midpoint

Domestic undergraduate and graduate increased 340 FTE against the approved budget, with all faculties experiencing overall growth, except for Engineering U/G (-8 FTE), Health Science U/G (-52 FTE) and Social Sciences Graduate (-7 FTE).

International undergraduate is unfavorable against budget by 27 FTE, mostly relating to Business and IT (-21 FTE) and Engineering (-16 FTE), offset with higher than expected enrolment in Science (+9 FTE). International graduate is slightly favorable to budget.

Revenues

Core Operating Grant (COG) previously known as the base operating grant, is not impacted by growth as under the new funding formula model, there is no additional funding for growth for the period of SMA 2 (2017 - 18 to 2019 - 20 inclusive), except for Collaborative Nursing (CN). Instead, the funding received for 2017 - 18, excluding CN, is set at the same level received for the 2016 - 17 enrolment.

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III. Revenue Forecast Update (continued)

Our core operating grant is, however, favourable **\$0.7m** to budget and is due to final enrolment confirmation for 2016 – 17 (which forms the basis of the 2017 – 18 COG) being higher than anticipated.

Tuition fees for the year are favourable **\$3.0m** against an original budget of \$78.3m. This positive variance includes \$1.5m attributable to higher than expected growth, and \$1.5m positive variance as the original 2017-18 budget model was understated for the calculation of the Faculty of Engineering tuition fees and the financial impact for “student drops”.

The current year and long-term forecasts have been adjusted to account for the \$1.5m misstatement in tuition fees.

Other Revenue, including purchased services, is favorable to budget due to the one-time receipt in June 2017 of **\$4.9m**, net of consultants’ fees of **\$1.7m**, in settlement of historical claims for retail sales tax rebates on construction costs for the period January 2003 to December 2005.

Summary

We are currently forecasting an upside of \$6.9m in revenues against our original budget. This comprises of,

Core Operating Grant	\$0.7m
Tuition Fees	\$3.0m
“One-time-only” net retail sales tax rebate	\$3.2m

The Budget Working Group has consulted with stakeholders regarding the prioritization of strategic requests across all units of the University. As a result of this prioritization, additional in-year projects and resources, totaling \$3.0m, have been approved by the Senior Leadership Team.

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IV. CAPITAL

This section provides an overview of Board approved capital projects over \$1.0m.

A. Software and Informatics Research Centre (“SIRC”)

In March 2016, UOIT’s Board of Governors approved the award of the design and build of a new building (“SIRC”) to Ellis Don Corporation, and also approved the completion of the preliminary design phase.

On June 29, 2016, the Board approved the construction and fit-out of the new 4-floor “SIRC” building at a total cost not to exceed \$26.3m for the first phase (construction and fit-out of the first 2 floors), and not to exceed a further \$7.0m for the fit-out of the remaining 2 floors, the latter being subject to approval of UOIT’s application for “SIF” (Strategic Investment Fund) funding.

On September 14, 2016, UOIT signed an agreement with the Province, which was made effective as of May 9, 2016. This Ontario Transfer Payment Agreement confirmed a “SIF” funding of \$13,001,890 (\$11,801,890 Federal Funds and \$1,200,000 Ontario Funds). The Ministry formally announced this infrastructure funding for UOIT on October 13, 2016.

The original target date for completion of the 4 floors fully fitted-out is November 2017, with occupancy in January 2018.

Status update

The construction of the first two floors of the SIRC building has been completed. The Office of Registrar moved in on August 10, 2017 and classes run as of the start of the new academic year in September 2017 on the 2nd Floor.

The 3rd and 4th Floors are targeted to be substantially completed at the end of October 2017, with planned occupancy of lab and faculty offices in November / December 2017, and classes on the 3rd and 4th Floors as of the start of winter semester in January 2018.

Costs incurred on the SIRC project as at the end of September were \$29.0m against a total approved budget of \$33.5m. It is forecast that the contingency funds of \$1.2m will not be utilized.

SIF funding received as at the end of September amounted to \$10.6m against a total approved grant of \$13.0m.

Construction holdbacks, amounting to net \$2.0m, were released and paid in Sep 2017.

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IV. CAPITAL (continued)

Please see separate report for details of SIRC actual cash flow, budget and forecast to completion date.

B. Moving Ground Plane (“MGP”)

In June 2016, UOIT’s Board of Governors approved the completion of an agreement of purchase and sale with the Old Dominion University (“ODU”) for the acquisition of a moving ground plane (“MGP”) at a cost of no more than \$2.5m in accordance with the terms of a grant of \$2.5m funded by the Ministry of Economic Development and Growth (“MEDG”).

UOIT has also submitted an application to FedDev for additional funding of approximately \$10.2m and is working with industry partners (e.g. Magna and Multimatic) to complete the funding requirements for the installation and integration of the MGP into the ACE facility.

It was anticipated that installation of the MGP at the ACE facility would be completed in late 2017 and become operational as of early 2018.

MGP Progress Update

- The University has paid ODU USD 2.0m in settlement for the equipment in September 2016, and has received CAD 2.25m (CAD 2.5m less 10% holdback) from the Ministry of Economic Development and Growth in November 2016.
- At the request of Multimatic, all components of the rolling road have been moved to a location at the Oshawa Airport.
- Executive Management is currently conducting active discussion with the Federal Government, Province and our industry partners to obtain the funding required for the installation and integration of the MGP into the ACE facility.

An update on the status of these discussions will be provided at the meeting.

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V. CASH FLOW

The University administration uses a cash management forecasting model to manage its operating cash balances and operating short-term investment portfolios.

University cash balances are cyclical in nature with higher balances in September & October and January & February due to tuition fee collection from the fall and winter semester registration, and lower balances in November & December and during the early summer months.

In September 2014, and as approved by the Board, the University invested \$16.0m surplus operating cash in short-term GIC's at BMO Nestbitt Burns, of which \$6.0m has a renewable maturity date of 30 days and \$10.0m has a maturity date of 1 year.

In April 2015, the University transferred \$1.1m from BNY to RBC Wealth Management and these were invested in annual GIC's.

In September 2016, in light of the uncertainty regarding the timing of receipt of the SIF funding, and to provide flexibility for the SIRC construction project, all GIC's that matured at that time, were re-invested in 30-day cashable GIC's.

- A revolving operating LOC of up to \$17.0m, bearing interest at prime plus 0.25% with a Canadian chartered bank.
- A revolving operating LOC up to \$5.0m, bearing interest at prime plus 0.25% with IBM.

Cash Flow Update

- UOIT has not utilized its available line of credit at the end of the reporting quarter.
- With the construction of SIRC nearing completion, and a healthy operating cash balance, short-term investments amounting to \$17.6m, have been re-invested in annual GIC's at BMO Nesbitt Burns and RBC Wealth Management respectively.
- **Operating cash balance**, including short-term investments of \$17.6m, is projected at **\$35.4m** at the end of the fiscal year.
- **Externally and internally restricted cash balances** (including Research, Advancement, Campus Childcare, Regent Theatre, and ACE) is projected at **\$11.5m** at the end of the fiscal year.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY

Cash Flow Forecast Summary for the year ended March 31, 2018

		Actual			Forecast							Total Forecast
		Apr - Jun 2017	Jul 2017	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	FY 2017-18
		\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s	\$ 000 s
Operating Beginning Cash Balance	A	28,936	12,479	7,437	10,470	23,262	15,473	8,338	2,395	25,017	21,623	28,936
Total Operating Inflows	B	37,730	13,995	22,107	32,704	16,462	8,194	9,630	37,038	9,625	9,902	197,387
Total Operating Outflows	C	(48,464)	(16,231)	(15,918)	(16,495)	(23,092)	(13,687)	(15,483)	(13,991)	(13,006)	(13,710)	(190,077)
Net Operating Cash Flows	D=B+C	(10,734)	(2,236)	6,189	16,209	(6,630)	(5,493)	(5,853)	23,047	(3,381)	(3,808)	7,310
Total Operating Cash Available	E=A+D	18,202	10,243	13,626	26,679	16,632	9,980	2,485	25,442	21,636	17,815	36,246
SIRC Building Outflows	F	(6,723)	(2,806)	(3,156)	(5,417)	(1,159)	(1,642)	(1,090)	(1,008)	(13)	(11)	(23,025)
SIRC Building Inflows	G	1,000	0	0	2,000	0	0	1,000	583	0	0	4,583
Net SIRC Building	H=F+G	(5,723)	(2,806)	(3,156)	(3,417)	(1,159)	(1,642)	(90)	(425)	(13)	(11)	(18,442)
Operating Ending Cash Balance after SIRC	I=E+H	12,479	7,437	10,470	23,262	15,473	8,338	2,395	25,017	21,623	17,804	17,804 N1
Total Internally and Externally Restricted Cash	J	10,365	10,170	10,608	9,849	10,803	11,164	11,794	12,098	11,748	11,519	11,519 N2
Total Consolidated Cash Position	K=I+J	22,844	17,607	21,078	33,111	26,276	19,502	14,189	37,115	33,371	29,323	29,323

Total Cash Forecast as at MAR 31, 2018

Total Operating Cash after SIRC	17,804 N1
Add: Short-term investments in GIC's	17,593
Total Operating Cash and ST investments	<u>\$ 35,397</u>

Total Restricted Cash	<u>\$ 11,519 N2</u>
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VI. LONG-TERM FORECAST

In April 2017, and as part of the annual budget presentation to the Audit and Finance Committee, a long-term forecast was presented for the budget years 2017 – 18 to 2026 – 2027 inclusive. This forecast was based on 2016 - 17 Feb 1 count enrolment numbers.

The current long-term forecast includes enrolment data from June 2017, which is based on projections from confirmed students coming in Fall 2017 – 18.

The long-term forecast will be updated with the Fall Day 10 enrolment count and resulting revised revenues and expenses, and reported to the Committee at the next meeting in November 2017.

Assumptions on June 2017 forecast model

1. Grant funding as per the new funding formula implemented in 2017 – 18 year.
 - Funding held at 2016 – 17 level for the period of SMA 2 (2017-18 to 2019-20 inclusive)
 - Negotiation with MAESD in 2018-19 for growth funding above the corridor for future SMA's.
 - Currently, there is no indication from MAESD that there will be funding above growth; therefore, the model includes an “*uncertainty in growth funding*”.
2. Growth in undergraduate domestic (mostly engineering and business), offset by a slight decline in international undergraduate.
3. Tuition YOY average increase at the current approved rate of 3.0%, with a relatively higher increase for international students in the first 5 years.
4. Retention rate held at current rate of 80.3%
5. Salary increases as per the new JES and as per faculty collective agreements
6. New faculty hires to maintain current student to faculty ratio
7. New administrative hires at 2:1 for every new faculty hire
8. Faculty headcount annual attrition \$0.5m
9. TELE transformation to a full “BYOD” model by FY 2019 - 20
10. Operational reserves \$2.0m + planned capital and deferred maintenance reserves \$2.5m for a total of \$4.5m
11. 3% YOY increase in utilities
12. 2% YOY increase in purchased services cost from Durham College

The operating long-term forecast excludes both the moving ground plane as this project is funded through external funding, and the SIRC building as this is fully funded by the SIF grant and UOIT's prior year internally restricted reserves.

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For the quarter ending June 30, 2017

VI. LONG-TERM FORECAST (continued)

Summary

The long-term forecast presented to the Committee in April 2017 showed a balanced budget over the 10-year period 2017 – 18 to 2026 – 27 inclusive.

The current model, using June 2017 enrolment projections, is forecasting a surplus of \$22.0m over the 10-year period.

The significant items contributing to this new \$22.0m surplus comprise of,

- 1) \$15.0m increase in tuition fees - Adjustment to the budget model for Engineering courses and student drops. Impact in current year 2017- 18 is \$1.5m; therefore, impact over 10 years is \$15.0m.
- 2) \$31.9m – increase in grant and tuition fees (net of tuition set aside and grant uncertainty) as a result of growth and increase in international tuition rates in the first 5 years of the long-range forecast
- 3) (24.9) m – new hires to maintain student/faculty ratio and administrative/faculty ratio as a result of growth, including impact of salary increases and employees' benefits.

UNIVERSITY OF ONTARIO INSTITUTE OF TECHNOLOGY
 LONG-TERM FORECAST - 2018/19 to 2026/27 ENROLMENT BASED ON JUNE 2017 PROJECTION

10-year Forecast (in ' 000s)												
	SMA 2			SMA 3			SMA 4			SMA 5		
	17/18 Original Budget	17/18 Fcst	18/19 Fcst	19/20 Fcst	20/21 Fcst	21/22 Fcst	22/23 Fcst	23/24 Fcst	24/25 Fcst	25/26 Fcst	26/27 Fcst	Total 10-year Forecast
REVENUES												
Core Operating Grant, excluding CN grant	\$ 50,437	\$ 50,858	\$ 50,693	\$ 50,617	\$ 52,682	\$ 52,652	\$ 52,619	\$ 52,847	\$ 52,820	\$ 52,810	\$ 53,337	\$ 521,935
<i>Uncertainty in Growth Funding</i>	\$ -	\$ -			\$ (2,066)	\$ (2,035)	\$ (2,002)	\$ (2,230)	\$ (2,203)	\$ (2,194)	\$ (2,721)	\$ (15,450)
CN grant	\$ 4,292	\$ 4,292	\$ 4,417	\$ 4,445	\$ 4,473	\$ 4,476	\$ 4,476	\$ 4,476	\$ 4,476	\$ 4,476	\$ 4,476	\$ 44,483
Debenture Grant	\$ 13,500	\$ 13,500	\$ 13,500	\$ 13,500	\$ 13,500	\$ 13,500	\$ 13,500	\$ 13,500	\$ 13,500	\$ 13,500	\$ 13,500	\$ 135,000
Other Grants	\$ 7,469	\$ 7,811	\$ 8,794	\$ 9,001	\$ 9,001	\$ 9,001	\$ 9,001	\$ 9,001	\$ 9,001	\$ 9,001	\$ 9,001	\$ 88,612
Student Tuition Fees	\$ 78,318	\$ 81,313	\$ 86,147	\$ 90,691	\$ 95,824	\$ 99,988	\$ 105,165	\$ 110,166	\$ 114,922	\$ 119,644	\$ 124,410	\$ 1,028,269
Student Ancillary Fees	\$ 10,950	\$ 10,950	\$ 10,944	\$ 8,886	\$ 9,016	\$ 9,368	\$ 9,424	\$ 9,639	\$ 9,685	\$ 9,741	\$ 9,785	\$ 97,438
Revenues from Ancillary Operations	\$ 3,957	\$ 3,957	\$ 3,957	\$ 3,957	\$ 4,021	\$ 4,086	\$ 4,153	\$ 4,221	\$ 4,291	\$ 4,362	\$ 4,434	\$ 41,438
Donations	\$ 680	\$ 680	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075	\$ 10,355
Other Revenues	\$ 11,886	\$ 15,071	\$ 12,298	\$ 12,154	\$ 12,109	\$ 12,361	\$ 12,604	\$ 12,701	\$ 12,712	\$ 12,723	\$ 12,735	\$ 127,467
Total Revenues	\$ 181,489	\$ 188,432	\$ 191,825	\$ 194,325	\$ 199,635	\$ 204,471	\$ 210,015	\$ 215,395	\$ 220,278	\$ 225,139	\$ 230,032	\$ 2,079,547
EXPENDITURES												
Base Expenditures												
FT Labour	\$ (86,628)	\$ (86,628)	\$ (94,518)	\$ (97,130)	\$ (101,829)	\$ (105,392)	\$ (109,572)	\$ (114,396)	\$ (117,688)	\$ (122,156)	\$ (126,622)	\$ (1,075,931)
PT Labour	\$ (16,311)	\$ (16,311)	\$ (15,811)	\$ (16,539)	\$ (17,351)	\$ (17,687)	\$ (18,062)	\$ (18,489)	\$ (18,904)	\$ (19,301)	\$ (19,696)	\$ (178,151)
Operating Expenses	\$ (73,933)	\$ (73,933)	\$ (72,276)	\$ (72,725)	\$ (73,563)	\$ (74,279)	\$ (75,643)	\$ (76,518)	\$ (77,535)	\$ (78,439)	\$ (79,375)	\$ (754,285)
Capital Expenses	\$ (6,143)	\$ (6,143)	\$ (5,404)	\$ (5,384)	\$ (5,008)	\$ (5,008)	\$ (5,008)	\$ (5,008)	\$ (5,008)	\$ (5,008)	\$ (5,008)	\$ (51,986)
Approved Base Expenditures	\$ (183,015)	\$ (183,015)	\$ (188,008)	\$ (191,778)	\$ (197,751)	\$ (202,366)	\$ (208,284)	\$ (214,412)	\$ (219,135)	\$ (224,903)	\$ (230,701)	\$ (2,060,354)
Budget Surplus/(Deficit)	\$ (1,526)	\$ 5,417	\$ 3,817	\$ 2,548	\$ 1,883	\$ 2,105	\$ 1,731	\$ 983	\$ 1,143	\$ 235	\$ (669)	\$ 19,193
Funded through PY reserves	\$ 1,526	\$ 1,526	\$ 391	\$ 726	\$ 350							\$ 2,993
Total	\$ (0)	\$ 6,943	\$ 4,208	\$ 3,274	\$ 2,233	\$ 2,105	\$ 1,731	\$ 983	\$ 1,143	\$ 235	\$ (669)	\$ 22,187



COMMITTEE/BOARD REPORT

SESSION:

Public
 Non-Public

ACTION REQUESTED:

Decision
 Discussion/Direction
 Information

Financial Impact Yes No

Included in Budget Yes No

TO: Audit & Finance Committee

DATE: October 12, 2017

PRESENTED BY: Craig Elliott

SLT LEAD:

SUBJECT: UOIT Financial Controls & Fraud

COMMITTEE/BOARD MANDATE:

- The Audit and Finance Committee is responsible for overseeing the financial affairs of the university with respect to all auditing, financial reporting and internal systems and control functions, budget approvals, risk management, and other internal and external audit functions and activities at the university.
- This report provides an update on UOIT financial controls

BACKGROUND/CONTEXT & RATIONALE:

- When incidents of fraudulent activities are reported, particularly those the university sector, the finance team reviews each event in light of our own financial controls and make improvements as necessary.
- The recent case of fraud at McEwan University was a phishing attack, where fake emails representing a legitimate customer were sent to the university requesting that banking information be modified. Unfortunately, the information was not verified and \$11.8M was transferred to the fraudulent bank account. The university has confirmed that their IT systems were not compromised during the attack, and asserted that personal and financial information, and all transactions made with the university were secure.

RESOURCES REQUIRED:

- NA

IMPLICATIONS:

- We have reviewed our financial controls in the Purchasing, Payables, and Treasury departments with the following controls in place:
- Segregation of Duties – we have the Purchasing Department responsible for the setup of new vendors, including details such as HST number, address, phone etc. We segregate the setup of electronic banking information for each vendor, and this responsibility resides with the Treasury department.
- Vendor Setup – we have controls in place regarding the creation of a new vendor. These controls reside in Purchasing. New vendor forms require the inclusion of a business number or HST number. This number is validated with the CRA to ensure the business is legitimate, and the address provided correct.
- Banking Information – for initial setup and for any change to banking information, our Treasury department require a void cheque or a confirmation of the information signed and stamped by the bank

ALIGNMENT WITH MISSION, VISION, VALUES & STRATEGIC PLAN:

- NA

ALTERNATIVES CONSIDERED:

- Financial controls, and improvements to those controls, are an ongoing internal process within Finance.
- In addition, we have annual external audits for the university overall and separate audits in the areas of ACE, Facilities Renewal, Enrolment, and Pension.

CONSULTATION:

- NA

COMPLIANCE WITH POLICY/LEGISLATION:

- NA

NEXT STEPS:

- Finance Managers to remain current on issues and changes within their areas of expertise, and to apply this knowledge in policies/procedures and day to day functional activities at UOIT.

MOTION FOR CONSIDERATION:

- NA

Cyber Security

Audit & Finance Committee

October 12, 2017

Robert Bailey



Cyber Security

The Higher Education sector is a target – the threat is significant

- Attacks on three Canadian universities have drawn media attention:
 - University of Calgary, Carleton – ransomware attacks
 - MacEwan – theft via phishing
- Our network faces a barrage of attempted attacks from around the world - 890,000 attempts blocked at the firewall in 4Q16 alone
- People are the weak link... and most critical component of defense against attack
 - Staged phishing attacks within UOIT underscore our exposure
- UOIT is dependent upon Durham College to identify, manage and respond to threats to our networks and services

Cyber Security

There are four dimensions to our protection against cyber threats

Assess Vulnerability

- Accuvant – Policy, process, resources, tools
- MNP – Compliance vs Payment Card Industry Data Security Standard
- BitSight – External view – as an attacker sees us

Achieve PCI/DSS compliance

- Establish security policies and procedures
- Segment the network to isolate payment streams
- Clean up untidy business practices – e.g. payment card data on paper, in e-mail, etc.
- Perform regular penetration testing

Cyber Security

Raise Security Awareness

- Continue to leverage traditional communications channels and IT Security Lunch & Learn sessions
- Augment staged phishing campaigns with security training
- Establish an IT Security Task Force – sharing of best practices across the university's IT practitioners

With DC IT Services, improve our security posture

- Operationalize cyber insurance protection
- Enhance and document cyber incident response plans
- Articulate a multi-year plan to enhance defenses
- Staff critical open positions within DC IT Services
- Support and encourage DC IT Services to augment security staffing, processes and tools



COMMITTEE/BOARD REPORT

SESSION:

Public
 Non-Public

ACTION REQUESTED:

Decision
 Discussion/Direction
 Information

TO: Audit and Finance Committee

DATE: October 2, 2017

PRESENTED BY: Cheryl Foy

SLT LEAD: Craig Elliott, Cheryl Foy

SUBJECT: Social Engineering Fraud – an insurance and risk management perspective

COMMITTEE/BOARD MANDATE:

- The purpose of this report is to supplement Craig Elliott’s presentation and inform the Audit and Finance Committee of UOIT’s insurance/risk perspective as it relates to social engineering fraud (fraudulently induced payment coverage).

BACKGROUND/CONTEXT & RATIONALE:

- As a result of the social engineering fraud at Grant MacEwan University, organizations are reviewing their processes to ensure such an incident does not occur within their organization. They are also reviewing insurance coverage.
- In the unlikely event that such a crime occurred at UOIT, there would not be any insurance coverage. UOIT’s crime policy, currently with Royal and Sun Alliance (RSA), explicitly excludes these types of losses.
- A survey was conducted through our insurer (CURIE) and the majority of Ontario universities have not obtained this coverage.
- For UOIT, RSA has agreed to consider adding Social Engineering coverage to the Crime Policy. In order to make their decision they asked for additional information about the controls that are in place so that they are comfortable that the likelihood of a loss is low.
- The maximum limit available is \$250,000 and the minimum deductible is \$10,000.
- In June 2017, UOIT purchased a \$2,000,000 Cyber Liability Policy. The policy provides key benefits in the event of an attack or loss of personal data.
- A Social Engineering Fraud would not be covered under the Cyber Liability Policy

RESOURCES REQUIRED:

- Should RSA agree to provide coverage, there would be an annual premium increase. Amount is to be determined.

IMPLICATIONS:

- The reality is that the best protection is good internal controls. (see Craig Elliott's memo)

ALIGNMENT WITH MISSION, VISION, VALUES & STRATEGIC PLAN:

(N/A)

ALTERNATIVES CONSIDERED:

(N/A)

CONSULTATION:

(N/A)

COMPLIANCE WITH POLICY/LEGISLATION:

(N/A)

NEXT STEPS:

- Consider whether or not to pursue the purchase of Social Engineering coverage. Recommendation is to forgo additional insurance at this time and focus on internal controls.

MOTION FOR CONSIDERATION:

- None. We are looking for the Committee's direction on pursuing insurance coverage to mitigate potential losses.

SUPPORTING REFERENCE MATERIALS:

- Accompanying UOIT Financial Controls & Fraud Report by C. Elliott