



BOARD OF GOVERNORS
Audit & Finance Committee

Wednesday, February 23, 2022
2:00 p.m. to 4:30 p.m.
[Videoconference](#)
647-732-3032 PIN: 604718568

Members: Laura Elliott (Chair), Stephanie Chow (Vice-Chair), Doug Ellis, Mitch Frazer, Thorsten Koseck, Dale MacMillan, Steven Murphy, Dietmar Reiner, Kim Slade, Roger Thompson

Staff: Becky Dinwoodie, Les Jacobs, Lori Livingston, Brad Maclsaac, Pamela Onsiong

Guests: Shelina Ally and Erika Cotter (Ontario Internal Audit Division)

AGENDA

No.	Topic	Lead	Allocated Time	Suggested Start Time
	PUBLIC SESSION			
1	Call to Order	Chair		
2	Agenda (M)	Chair		
3	Conflict of Interest Declaration	Chair		
4	Chair's Remarks	Chair	5	2:05 p.m.
5	President's Remarks	Steven Murphy	5	2:10 p.m.
6	Audit			
6.1	MCU Audit Update* (U)	Brad Maclsaac & Ontario Internal Auditors	15	2:15 p.m.
7	Finance			
7.1	Third Quarter Financial Reports* (U)	Pamela Onsiong	15	2:30 p.m.
7.2	2022-2023 Tuition & Ancillary Fees* (M)	Sarah Cantrell & Brad Maclsaac	15	2:45 p.m.
8	Investment Oversight			
8.1	Approach to Investment Oversight* (D)	Brad Maclsaac	15	3:00 p.m.

D – Discussion

M – Motion

P – Presentation

U – Update

* Documents attached

No.	Topic	Lead	Allocated Time	Suggested Start Time
9	Consent Agenda (M):	Chair	5	3:15 p.m.
9.1	Minutes of Public Session of A&F Meeting of November 24, 2021*			
9.2	Procurement of Goods and Services Procedures*			
9.3	Amendments to Statement of Investment Policies*			
10	For Information:			
10.1	Quarterly Investment Update*			
10.2	Credit Rating Update*			
11	Other Business	Chair		
12	Adjournment (M)	Chair		3:20 p.m.
	BREAK		10	
	NON-PUBLIC SESSION (material not publicly available)			3:30 p.m.
13	Call to Order	Chair		
14	Conflict of Interest Declaration	Chair		
15	President's Remarks	Steven Murphy	5	3:30 p.m.
16	Strategic Discussion: Cybersecurity* (D)	Brad Maclsaac	25	3:35 p.m.
17	Audit			
17.1	Auditor Performance Review Follow-Up* (M)	Brad Maclsaac	15	4:00 p.m.
18	Consent Agenda (M):	Chair	5	4:15 p.m.
18.1	Minutes of Non-Public Session of A&F Meeting of November 24, 2021*			
19	Other Business			
20	<i>In Camera</i> Session			4:20 p.m.
21	Termination (M)			4:30 p.m.

Becky Dinwoodie, Secretary

D – Discussion

M – Motion

P – Presentation

U – Update

* Documents attached

COMMITTEE REPORT

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: Audit & Finance Committee

DATE: February 23, 2022

FROM: Brad Maclsaac, VP Administration

SUBJECT: MCU Audit Update

COMMITTEE 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, risk management, and other internal and external audit functions at the university.

The purpose of this report is to provide the Committee with an update on the MCU audit that was completed in 2021.

BACKGROUND/CONTEXT & RATIONALE:

Given the complexities surrounding university financial management, an audit of financial governance and oversight at universities was approved in the 2021/22 Ontario Public Sector Wide Audit Plan. The Ministry of Colleges and Universities normally chooses one university annually and this year Ontario Tech was selected.

The objective of this audit was to assess the effectiveness of the governance and controls in place at Ontario Tech for the oversight, monitoring and reporting on the institution's financial information, as well as its controls over processes for financial management and compliance with the Broader Public Sector Accountability Act (BPSAA). The scope was the two-year period from April 2019 to March 2021.

The Ontario Internal Audit Division (OIAD) will present a summary of their findings (appendix A). Overall, the audit team found that Ontario Tech has processes and mechanisms in place relating to financial procedures, reporting and BPSAA compliance, and that the Board received appropriate information to oversee, monitor and provide strategic advice on the institution's financial position. However, opportunities exist to strengthen management and oversight of the institution's financial management practices and reporting to the Board. More specifically,

recommendations were made specifically to reestablishing Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) tracking and providing the Board with IT governance updates.

On October 27, 2021 the audit team went to the first of three committees (Appendix B and subsequently notified the university that findings were not significant enough to warrant escalation.

Next Steps:

- Annual governance checklists to be developed for GNHR and A&F Committees in order to track progress being made against OAID recommendations.

Appendix A: Summary of Findings

A general summary of the findings can be found below. The risks are noted on a four-point scale (low, medium, medium-high, high – as found in Appendix C). Ontario Tech did not receive any above medium risk which notes some improvements can be made.

1. Detailed financial information reporting to the Board and/or Board sub-committees

Medium

Recommendation #1

The Vice President, Administration and University Secretary in conjunction with the Board Chair and relevant sub-committee Chairs should consider opportunities to add additional components to Board reporting materials to facilitate oversight and decision-making capabilities.

Plan to address the issue/recommendation:

- 1) When setting the budget, a section will be added to forecast the financial health indicators at the end of the fiscal year if all other budget assumptions are met.
- 2) The university will create a section in the quarterly reports to highlight in year projects. Will include statements to connect percentage of project completion versus funds used.
- 3) To address the concern that this work is not sufficiently explicit, management will add a summary of the work done by A&F and the Board in the previous year to understand and ensure appropriate mitigation of the high risks.

Recommendation #2

The Vice President, Administration in conjunction with the Board Chair and relevant sub-committee Chairs should review the timelines for budget approval and/or implement compensating controls to ensure that unapproved expenditures are not being incurred.

Plan to address the issue/recommendation:

Management has committed to implement controls to ensure unapproved expenditures are not being incurred.

2. Board reporting of Financial Key Performance Indicators and/or Key Risk Indicators

Medium

Recommendation #3

The Associate Vice-President, Planning in conjunction with the Board Chair and relevant sub-committee Chairs should continue to work towards the establishment of financial KPIs including report-back on SMA metrics. Establishment of KRIs, leveraging benchmarks established by COU should also be considered.

Plan to address the issue/recommendation:

As part of evolving the institution's Integrated Planning Framework, a comprehensive set of KPIs is being developed that will be reported on an annual basis (by June Annual General Meeting). The KPIs and narrative will summarize key outcomes related to institutional progress towards plan (achieving goals outlined in our Integrated Academic-Research Plan) which include Financial health indicators as well as a comprehensive SMA3 metric and target performance report.

3. Defined rankings for Board skills monitoring framework

Low

Recommendation #4

The University Secretary & General Counsel should develop guidelines or definitions for each skill ranking level to support consistency in skill assessments completed by Board members.

Plan to address the issue/recommendation:

Guidelines for each skill ranking level will be implemented for the start of the next board year.

4. IT governance structure review and linkage to the Board

Medium

Recommendation #5

The Vice President, Administration in conjunction with the Board Chair and relevant sub-committee Chairs should define linkages between the IT Governance Committees and the Board to include regular reporting on IT governance and risk matters.

Plan to address the issue/recommendation

Will review IT governance structures to establish a clear linkage to the board linking the IT strategy to items such as new projects, cyber-security and risks.

Recommendation #6

A formal process to review, update and finalize the Shared Services Agreement and related Work Description Documents should be established by the Vice President, Administration in conjunction with Durham College to ensure that the Agreement reflects current business requirements, and IT services and arrangements. Further the Work Description Documents should also include the reporting requirements of that service.

Plan to address the issue/recommendation:

Will work with Durham College to update and finalize the IT Work Description Documents

5. Formalization of Cash Management Policy

Medium

Recommendation #7

The Executive Director, Financial Planning & Reporting should consider formalizing cash management practices to optimize the management of temporarily idle cash in the short-term.

Plan to address the issue/recommendation:

Management will formalize our cash management practices. Historically, all surplus operating cash over and above \$20.0M has been invested in short-term investment certificates (GIC's) unless there is known cash requirement for approved projects.

6. Management of corporate credit cards

Medium

Recommendation #8

The Director, Financial Operations should ensure that there is a process in place to issue corporate cards only to individual employees and deactivate/suspend cards when employees (including seasonal employees) leave the organization.

Plan to address the issue/recommendation:

Management has committed to the following action plans:

- 1) Transitioning department cards to individuals.
- 2) Ensuring cards for contract employees are inactivated when contract ends.

7. Travel Meal Hospitality Expense (TMHE) claim processes and practices

Medium

Recommendation #9

The Director, Financial Operations should update expense claim processes and practices so that claims are not processed unless all requirements of the Expense Policy have been met.

Plan to address the issue/recommendation:

Management has committed to the following action plans:

- 1) Will revise our expense policy to add clarity to process.
- 2) Will develop an online training session to educate all users.
- 3) Will review a new sampling process in finance to ensure greater assessment of expenses submissions.

Recommendation #10

The Director, Financial Operations should update the guidelines for the Visiting Scholar program to clarify allowable expenses and to ensure that compliance with the BPSAA is maintained.

Plan to address the issue/recommendation:

Management has updated the Visiting Scholar program in January 2021 to allow for other cost of living expenses (other than rent and meals). We will add clarity by inserting some examples of eligible and ineligible expenses.

8. Alignment of Procurement and Expense policies and procedures with the Broader Public Sector Accountability Act (BPSAA)

Low

Recommendation #11

The Director, Financial Operations should update the procurement and TMHE policies and procedures to include all elements of the BPSAA Directives, as well as reference the procurement interim measures.

Plan to address the issue/recommendation:

Management has committed to updating our purchasing and expense policy/procedures. We will look to address these recommendations in our revised documents.

9. Alignment of Invoice Signing Authority Policy with current practices

Low

Recommendation #12

The Director, Financial Operations should revisit the invoice signing authority requirements and ensure practices align with the Signing Authority Policy.

Plan to address the issue/recommendation:

Management has committed to reviewing the signing authority policy which was updated in June 2021 to ensure that our practices are properly documented. We will update the policy/procedures where necessary.

Appendix B Committee Structure

Education Sector Audit Committee (SAC)	Ontario Internal Audit Committee (OIAC)	Audit and Accountability Committee (AAC)
<ul style="list-style-type: none"> • Portfolio-based audit committee • Provides independent advice/recommendations through the OIAC Chair to the President of the Treasury Board • Supports Deputy Ministers and senior executives in the management and stewardship of public resources through audit committee operations/outcomes • Monitors progress on the implementation of internal audit recommendations • Includes both external members and internal members (Deputy Ministers) 	<ul style="list-style-type: none"> • An independent OPS-wide audit committee • Provides advice/recommendations to the AAC • Advises on the adequacy of the Government's governance, accountability, risk management and internal control practices • Discusses audit outcomes/recommendations and management action plans • Monitors progress on the implementation of internal audit recommendations • Includes both external members and internal members (select Deputy Ministers) 	<ul style="list-style-type: none"> • Provides input and direction to ensure the identification and delivery of internal audit services that address critical areas of government priority and risk • Provides direction to the OIAC • Discusses audit outcomes/recommendations and management action plans • Monitors progress on the implementation of internal audit recommendations • Sub-committee of Treasury Board with all members being Ministers

Appendix C: Risk Ranking if one or more of the criteria are met under each column

1 Low Risk (Satisfactory Controls)	2 Medium Risk (Control Need Some Improvements)	3 Medium-High Risk (Control Need Significant Improvements)	4 High Risk (Controls Not Satisfactory)
<ul style="list-style-type: none"> • Risk(s) are mostly being addressed by internal control systems • Risk(s) associated with potential control failures exist but are not material or significant to the objectives • Internal controls (design & operating effectiveness) are well managed and measured for effectiveness • Additional evaluation criteria (if required) 	<ul style="list-style-type: none"> • Risk(s) are not consistently being addressed by internal control systems and require improvements/enhancements • Risk(s) associated with potential control failures exist and can be material or significant to the objectives • Internal controls (design & operating effectiveness) processes are consistently implemented but not measured for effectiveness • Additional evaluation criteria (if required) 	<ul style="list-style-type: none"> • Risk(s) are not adequately being addressed by internal control systems and require significant improvements/enhancements • Risk(s) associated with potential control failures are material or significant to the objectives • Internal controls (design & operating effectiveness) are not consistently implemented • Additional evaluation criteria (if required) 	<ul style="list-style-type: none"> • Due to the absence of effective risk management practices, management is unable to identify, monitor or control significant risk/exposure • Risk(s) associated with potential control failures are highly material or highly significant to the objectives • Internal controls (design & operating effectiveness) are not formalized and are performed in an ad-hoc and reactive manner • Additional evaluation criteria (if required)

Ontario Tech University – Audit & Finance Committee – February 23, 2022

Audit of Higher Education Institution’s Financial Governance and Oversight: Ontario Tech University

Overall Risk Rating: Medium



Background

Ontario’s Universities and Colleges are governed by the Board of Governors (Board) for each institution. The Ministry of Colleges and Universities (MCU) provides operating and capital funding to publicly assisted postsecondary educational institutions. It is the responsibility of the Board and senior administrators of each University to identify, track and address financial pressures and sustainability issues. The Ministry has a financial stewardship role.

Ontario Tech University (Ontario Tech), one of Ontario’s 22 universities, was granted university status in 2002 and has approximately 9,900 undergraduate students and 815 graduate students. The University expanded the campus with the assistance of a \$60M capital grant from the province and a \$220M debenture guaranteed by Durham College in 2005; the debenture will be paid off by 2035. In 2019-20, MCU allocated \$73.9M in operating grants to Ontario Tech. To assist with debenture repayments, MCU provides a special grant of \$13.5M annually while Ontario Tech is required to contribute \$3M.

Given the complexities surrounding University financial management, an audit of financial governance and oversight at Ontario Tech was approved in the 2021/22 Ontario Public Service (OPS) Wide Audit Plan. The objective of this audit was to assess the effectiveness of the governance and controls in place at Ontario Tech to oversee, monitor and report on the institution’s financial information, as well as its controls over processes for financial management and compliance with the Broader Public Sector

Audit Conclusion

Overall, OIAD found that Ontario Tech has processes and mechanisms in place relating to financial procedures, reporting and BPSAA compliance, and that the Board received appropriate information to oversee, monitor and provide strategic advice on the institution’s financial position. However, opportunities exist to strengthen management and oversight of the institution’s financial management practices and reporting to the Board, specifically as they relate to providing additional information to the Board, re-establishing and tracking Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs), and providing the Board with IT governance updates.

We would like to recognize the indicators of good controls identified throughout the audit engagement. The Board appears to be well-informed of the institution’s financial position and related action plans, the institution has a successful partnership with Durham College to support IT governance and procurement, procurement practices include strategies to achieve value-for-money by leveraging bulk buying opportunities, and the University has robust policies, practices and procedures in place to support financial management and reporting and ensure the integrity of the information being utilized.

Ontario Tech University – Audit & Finance Committee – February 23, 2022

Audit of Higher Education Institution’s Financial Governance and Oversight: Ontario Tech University

Overall Risk Rating: Medium



Key Issues and Recommendations

The following exceptions were identified as medium risk.

- Information reported to the Board requires additional details to support informed decision-making
- Key Performance Indicators (KPIs) and/or Key Risk Indicators (KRIs) are not monitored or reported to the Board
- The IT governance structure did not include linkages to the Board and requires more regular review
- A cash management policy was not formalized
- Corporate credit cards were not managed consistently for employees exiting the organization
- Inconsistencies in Travel, Meal and Hospitality Expense (TMHE) claim processes and practices were identified

Note: No high-risk exceptions were identified during this engagement.

Management Response/Action Plans/Summary

Management acknowledged OIAD’s considerations and has committed to the following action plans:

- Improve reporting to the Board by including financial components such as financial health indicators during budget setting, clarifying risk descriptions and mitigation strategies for strategic risks in the annual summary report, and re-establishing KPIs and KRIs.
- Review IT governance structures to establish clear linkage to the Board and update/finalize supporting components of the Shared Services Agreement with Durham College.
- Enhance financial management processes by formalizing cash management practices and updating policies/procedures for procurement and employee expenses to ensure compliance with the BPSAA.

Ontario Tech University – Audit & Finance Committee – February 23, 2022

Audit of Higher Education Institution’s Financial Governance and Oversight: Ontario Tech University

Overall Risk Rating: Medium



Summary of Audit Findings:

There were a total of 12 audit recommendations

- 9 recommendations were medium risk
- 3 recommendations were low risk

Identified below is a summary of key audit findings for Audit Committee/Deputy Minister awareness.

Scope Area	Detailed Issues / Observations	Risk Ranking Category	Recommendation	Management Action Plan and Responsible Personnel	Management Action Plan Expected Completion Date
Financial and IT Governance	1. Detailed Financial Information Reporting to the Board and/or Board Sub-committees The following elements were not included in the financial information reported to the Board: financial health assessment ratios at the time of budgeting, analysis of project completion against percent of funds used for capital projects currently underway, and detailed information about key risks and mitigation plans. Further, the budget was approved a few weeks after the start of the fiscal year.	Medium	R1. Consider opportunities to add additional components to Board reporting materials to facilitate oversight and decision-making capabilities.	The University will forecast financial health indicators in the budget, highlight in-year projects quarterly (incl. percent of project completion vs. funds used), and provide a summary of work done by the Board to understand and ensure appropriate mitigation of high and foundational risks. Implementation Owner: VP Administration and University Secretary & General Counsel	Targeted Implementation Date: June 2022
			R2. Review the timelines for budget approval and/or implement compensating controls to ensure that unapproved expenditures are not being incurred.	The University will implement controls to ensure unapproved expenditures are not being incurred. Implementation Owner: VP Administration	Targeted Implementation Date: March 2022

Ontario Tech University – Audit & Finance Committee – February 23, 2022
Audit of Higher Education Institution’s Financial Governance and Oversight: Ontario Tech University
Overall Risk Rating: Medium



Scope Area	Detailed Issues / Observations	Risk Ranking Category	Recommendation	Management Action Plan and Responsible Personnel	Management Action Plan Expected Completion Date
Financial and IT Governance	2. Board Reporting of Financial KPIs and/or KRIs Except for the financial ratios identified by the Council of Ontario Universities (COU), KPIs were being re-established and were therefore not being tracked/communicated to the Board. KRIs have not been established by the University.	Medium	R3. Continue to work towards the establishment of financial KPIs and consider the establishment of KRIs, leveraging benchmarks established by COU. Once established, track these indicators and develop a process to update the board on progress of strategic goals.	A comprehensive set of KPIs and KRIs are being developed for reporting on an annual basis. The KPIs will include financial health indicators, Strategic Mandate Agreement (SMA3) metric report and integration with the institutional risk register. Implementation Owner: AVP Planning	Targeted Implementation Date: June 2022
	4. IT Governance Structure Review and Linkage to the Board The IT governance structure did not define linkages to the Board; therefore, reports on IT governance matters such as IT projects, cybersecurity and risk management were not provided to the Board regularly. Further, the Shared Services Agreement (Agreement) included unfinalized and outdated components.	Medium	R5. Define linkages between the IT Governance Committees and the Board to include regular reporting on IT governance and risk matters.	The University will review IT governance structures to establish a clear linkage to the Board linking IT strategy to items such as new projects, cyber-security and risks. Implementation Owner: VP Administration	Targeted Implementation Date: April 2022
			R6. A formal process to review, update and finalize the Agreement and related Work Description Documents should be established to ensure that it reflects current business requirements, and IT services and arrangements. Work Description Documents should also include the reporting requirements of that service.	The University will work with Durham College to update and finalize the IT Work Description Documents. Implementation Owner: VP Administration	Targeted Implementation Date: August 2022

Ontario Tech University – Audit & Finance Committee – February 23, 2022
Audit of Higher Education Institution’s Financial Governance and Oversight: Ontario Tech University
Overall Risk Rating: Medium



Scope Area	Detailed Issues / Observations	Risk Ranking Category	Recommendation	Management Action Plan and Responsible Personnel	Management Action Plan Expected Completion Date
Financial Management	<p>5. Formalization of Cash Management Policy</p> <p>A formalized cash management model/policy was not established to govern the institution’s short-term cash needs and separate temporarily idle cash from the main operating bank account.</p>	Medium	<p>R7. Consider formalizing cash management policies to optimize the management of temporarily idle cash in the short-term.</p>	<p>Cash management practices will be formalized.</p> <p>Implementation Owner: Executive Director, Financial Planning & Reporting</p>	<p>Targeted Implementation Date: April 2022</p>
Procurement and Expenses, including Compliance with the BPSAA	<p>6. Management of Corporate Credit Cards</p> <p>Some corporate cards were issued on a departmental basis instead of to individual employees. Select seasonal employees were also cardholders.</p>	Medium	<p>R8. Ensure that there is a process in place to issue corporate cards only to individual employees and deactivate/suspend cards when employees (incl. seasonal employees) leave the organization.</p>	<p>The University will transition department cards to individuals and ensure cards for contract employees are inactivated when their contract ends.</p> <p>Implementation Owner: Director, Financial Operations</p>	<p>Targeted Implementation Date: December 2021</p>

Ontario Tech University – Audit & Finance Committee – February 23, 2022
Audit of Higher Education Institution’s Financial Governance and Oversight: Ontario Tech University
Overall Risk Rating: Medium



Scope Area	Detailed Issues / Observations	Risk Ranking Category	Recommendation	Management Action Plan and Responsible Personnel	Management Action Plan Expected Completion Date
Procurement and Expenses, including Compliance with the BPSAA	7. TMHE Expense Claim Processes and Practices Not all expense claims were in full compliance with the University’s expense policy. Further, opportunities exist to clarify the expense policies and procedures and improve Finance Department review of expense claims. Finally, guidelines for allowable expenses under the Visiting Scholar program were not being adhered to in a consistent manner.	Medium	R9. Update expense claim processes and practices so that claims are not processed unless all requirements of the Expense Policy have been met.	The expense policy will be revised, online training session will be developed to educate all users and a sampling process will be established to ensure greater assessment of expenses. Implementation Owner: Director, Financial Operations	Targeted Implementation Date: April 2022
			R10. Update the guidelines for the Visiting Scholar program to clarify allowable expenses and ensure that compliance with the BPSAA is maintained.	The Visiting Scholar program was updated in 2021 to allow for other cost of living expenses. Clarity will be added by inserting some examples of eligible and ineligible expenses. Implementation Owner: Director, Financial Operations	Targeted Implementation Date: October 2021



CONFIDENTIAL

MEDIUM SENSITIVITY

Ministry of Colleges and Universities

Final Report¹

Audit of Higher Education Institution's Financial Governance and Oversight: Ontario Tech University

October 2021

Education Audit Branch
Ontario Internal Audit Division
Office of the Comptroller General
Treasury Board Secretariat

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¹ Finalized subsequent to the December 16, 2021 Audit and Accountability Committee (AAC) meeting

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Executive Summary

Overall Risk Rating

Medium Risk



Background

Ontario's Universities and Colleges are governed by a Board of Governors (Board) for each institution. Each university is established by way of an Act which creates the university and sets out the governance framework. Each university is also responsible for establishing its by-laws based on its requirements. The Ministry of Colleges and Universities (MCU) does not provide any additional policy framework for universities. However, the Ministry does provide operating and capital funding to publicly assisted postsecondary educational institutions.

Operating and capital funding is disbursed to colleges and universities through a variety of grants. It is the responsibility of the governing Board and senior administrators of the University to identify, track, and address financial pressures and sustainability issues. The Ministry does not engage in operational financial matters and only has a financial stewardship role.

Ontario Tech University (Ontario Tech) was granted university status in 2002 and has approximately 9,900 undergraduate students and 815 graduate students, international student enrolment accounted for approximately 8% of enrolment in 2019-20. Ontario Tech is governed by both a Board of Governors and an Academic Council. In 2019-20, MCU allocated \$73.9M in operating grants to Ontario Tech.

Ontario Tech Debenture

An expansion of Ontario Tech's campus was funded with the assistance of a \$60M capital grant from the province and a \$220M debenture guaranteed by Durham College. The debenture was issued in 2005 and annual payments are \$16.5M, which is comprised of both capital and interest. In 2011, MCU signed a transfer payment agreement with Ontario Tech to assist with the debenture repayment. The Ministry committed \$13.5M/year through a debenture grant. Ontario Tech is responsible for paying the remaining \$3M out of the \$16.5M/year through its operating funds.

As of March 31st, 2020, the amount of the principal outstanding was \$158.1M (\$61.9M of the principal had been repaid). The debenture is scheduled to be repaid in full by 2035.

More detailed background information is included in **Appendix C**.

Objectives and Scope

The objective of this engagement was to assess the effectiveness of the governance and controls in place at Ontario Tech to oversee, monitor and report on the institution's financial information, as well as its controls over processes for financial management and compliance to components of the Broader Public Sector Accountability Act (BPSAA).

The scope of this audit engagement, which covered the time period from April 1, 2019 to March 31, 2021, focused on the financial operations and internal controls at Ontario Tech. A review of the revenue streams, including use of operating funding and special purpose grants, as well as an assessment of the governance and financial oversight processes was completed. In addition, relevant process documentation was obtained to understand the internal control environment and to verify compliance with such policies and procedures.

More details on the Objective and Scope is included in **Appendix D**.

Audit Conclusion

Overall, we found that Ontario Tech had processes and mechanisms in place relating to financial procedures, reporting and BPSAA compliance, and that the Board of Governors received appropriate information to oversee, monitor and provide strategic advice on the institution's financial position. However, opportunities exist to strengthen management and oversight of the institution's financial management practices and reporting to the Board. In addition, we identified the need to increase the information provided to the Board related to IT projects, cybersecurity, and IT risks, as well as improve the IT Governance structure.

Key Issues and Recommendations

OIAD noted the following significant issues:

- To facilitate better decision making and strategic outcomes for Board reporting, opportunities exist to provide members with additional information, such as financial health assessment ratios at the time of budget setting, in-year updates on new investments as well as detailed risk information.
- Key Performance Indicators (KPIs) were not tracked or used to communicate strategic business outcomes to the Board over the two years of the audit as the university was refreshing its mission and academic plan. Further, while there is a separate annual risk register, the report could be enhanced with Key Risk Indicators (KRIs) to monitor, manage and mitigate key risks.
- The IT governance structure requires improvements as there is currently no link to provide the Board of Governors with regular updates on IT-related matters including IT projects, cybersecurity and risk management. In addition, IT services were provided in partnership with Durham College, however, while the Shared Services Agreement has been finalized, the detailed Work Description

Documents need to be updated and finalized to reflect current IT services or responsibilities.

Noteworthy Accomplishments

We would like to recognize the noteworthy accomplishments and indicators of good controls identified throughout the audit engagement:

- Ontario Tech has robust policies, practices and procedures in place that support its financial management and Board reporting processes. Controls are in place to ensure the integrity of information utilized in the budgeting, forecasting and financial reporting processes.
- The Audit & Finance Committee, a subcommittee of the Board, appears to be well-informed of the institution's financial position and related action plans. The Committee members are equipped with the appropriate skills required to provide valuable insights and conduct strategic discussions at Committee meetings.
- Ontario Tech's transparency on public facing websites includes processes and procedures, Board agendas and minutes, among other information.
- The institution has a successful partnership with Durham College to support IT Governance, procurement and support processes for managing and prioritizing University and University-College initiatives. In addition, the procurement practices observed in combination with Durham College support the achievement of value for money by utilizing bulk buying opportunities, such as OECM, Government of Ontario Vendor of Record (VOR) programs and institution-established supplier relationships.

Overall Management Response

Management acknowledged OIAD's recommendations and has committed to the following action plans:

- Improve reporting to the Board by including financial components such as financial health indicators during budget setting, clarifying risk descriptions and mitigation plans for strategic risks in the annual summary report, and re-establishing KPIs and KRIs.
- Review IT governance structures to establish clear linkage to the Board and update/finalize supporting components of the Shared Services Agreement with Durham College.
- Enhance financial management process by formalizing cash management practices and updating policies/procedures for procurement and employee expenses to ensure compliance with the BPSAA.

Conformance with Institute of Internal Auditor's Standards

This engagement has been conducted in conformance with the *Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing*.

Acknowledgments

We would like to thank those that assisted us with this engagement. In particular, we acknowledge the cooperation and assistance that was provided by management, staff and the Board of Governors at Ontario Tech University.

Approvals

Original signed by:

Erika Cotter
Director, Education Audit Branch
Ontario Internal Audit Division
Office of the Comptroller General
Treasury Board Secretariat

Detailed Observations and Action Plans

Financial and IT Governance

Processes have been established at Ontario Tech to provide an annual budget to the Board which includes a forward-looking multi-year forecast. In addition, the Board expects University Management to put forward a balanced budget annually. Further, the Board and/or the Audit & Finance Committee of the Board receives quarterly financial updates which include interim financial statements, variance analysis, updates on capital projects and compliance with debenture covenants, where applicable.

To support the financial governance process at the Board level, Ontario Tech uses a Board Skills Matrix to inform Board recruitment efforts. The Audit & Finance Committee Terms of Reference requires all committee members to be financially literate and supports are in place to help members develop the requisite knowledge base.

Additionally, Ontario Tech has management-led IT steering committees in place to support governance of IT initiatives that are delivered in conjunction with Durham College.

1. Detailed financial information reporting to the Board and/or Board sub-committees

Medium

Information that is reported to the Board should support informed decision-making and oversight, specifically as it relates to the institution's forecast and financial position.

Based on review of financial information reported to the Board, including budget packages, in-year financial updates and risk reporting, we noted that overall, the Board has received strategic-level information to facilitate decision-making. However, some areas for improvement were noted, specifically:

- Budget packages included key components such as multi-year forecasts, variance analysis, and discussion on financial risks and new initiatives. However, financial health assessment ratios based on a pro-forma balance sheet were not included in the budget setting package material but were included in the year end financial reporting. It is important for the Board to consider financial health assessment ratios at the time of budgeting to be aware of the institution's projected year-end position.
- The budget was approved by the Board on an annual basis. However, approval of the budget occurred a few weeks after the start of the fiscal year. If the budget is not approved before the start of the fiscal year, there is a risk that unapproved expenses may be incurred.

- Financial updates were provided to the Board on a quarterly basis and included management reporting, interim financial statements and variance explanations, and updates on the debenture (including an annual debenture checklist). However, while updates are provided on the large infrastructure projects, there were no updates on new investments and initiatives and their financial impact.
- Quarterly updates on capital projects were also provided, including a discussion on additional financing requirements and the impact on the debenture and related covenants. However, the capital project updates did not include an analysis of project completion against the percent of funds utilized for each project. Including this analysis would support the Board in assessing if capital projects are on track and sufficiently funded.
- The Board received an Annual Risk Report which provided information on risks, their ratings as well as risk owners. However, detailed information such as risk descriptions and mitigation plans were not provided. Without sufficient information, the Board may not be informed to discuss and support the management of key risks, especially foundational and high-risk items.

Overall, while efforts are being made to ensure the Board is informed, further progress can be made. Ultimately, if the Board does not have access to sufficient and appropriate information, the Board may not be able to effectively discharge its responsibilities to oversee the institution's financial position and manage risk.

Recommendation #1

The Vice President, Administration and University Secretary & General Counsel in conjunction with the Board Chair and relevant sub-committee Chairs should consider opportunities to add additional components to Board reporting materials to facilitate oversight and decision-making capabilities.

Management Action Plan

Plan to address the issue/recommendation:

Management agrees with OIAD's recommendation(s) and has committed to the following action plans:

- 1) When setting the budget, a section will be added to forecast the financial health indicators at the end of the fiscal year if all other budget assumptions are met.
- 2) The university will create a section in the quarterly reports to highlight in year projects. This will include statements to connect percentage of project completion verses funds used.
- 3) The university believes that the Board is aware of both the nature and scope of the foundational and high risks, as well as the mitigation efforts. In addition to the annual report, there are specific topics reviewed at A & F Committee meetings and then reported to the Board. To address the concern that this work is not sufficiently explicit,

management will add a summary of the work done by A&F and the Board in the previous year to understand and ensure appropriate mitigation of the high and foundational risks.

Anticipated completion date	Assigned responsibility	Current status of action taken
Jun-22	VP Administration (1 & 2) University Secretary and General Counsel (3)	Limited Progress

Recommendation #2

The Vice President, Administration in conjunction with the Board Chair and relevant sub-committee Chairs should review the timelines for budget approval and/or implement compensating controls to ensure that unapproved expenditures are not being incurred.

Management Action Plan

Plan to address the issue/recommendation:

Management agrees with OIAD's recommendation and has committed to implement controls to ensure unapproved expenditures are not being incurred.

Anticipated completion date	Assigned responsibility	Current status of action taken
Mar-22	Vice President, Administration	Not started

2. Board reporting of Financial Key Performance Indicators and/or Key Risk Indicators

Medium

The governance structure at Ontario Tech is in place to monitor and oversee the institution's financial management and financial position. As such, the use and reporting of key indicators to highlight the performance or the management of key risks to the Board is imperative to help achieve the institution's strategic goals.

We reviewed the institution's use of financial Key Performance Indicators (KPIs) as part of Management's communication to the Board. Throughout the two-year audit scope period no indicators had been tracked and/or communicated to the Board, with the exception of the financial ratios identified by the Council of Ontario Universities (COU). Management noted the lack of communication to the Board was due to a KPI refresh

initiative by the institution to become better aligned with the recent establishment of the key strategic pillars, as well as an updated vision, mission and values. Re-aligning KPIs with the institution's vision, mission and values is a beneficial exercise since KPIs are used to track targets of key strategic business outcomes to support the organization's strategy. Further, although the annual budget package that was presented to the Board included the establishment of Strategic Mandate Agreement (SMA)² metric benchmarks for the year, updates on the institution's progress in achieving these goals were not provided to the Board throughout each year.

In addition to establishing relevant KPIs and providing SMA metric report-backs to the Board, it would be beneficial for the institution to identify and track Key Risk Indicators (KRIs). KRIs can be a valuable tool to provide early identification of increasing risk exposures in various areas of the institution.

Both KPIs and KRIs are important measures to help Management and the Board make critical business decisions. Without the establishment and regular monitoring of KPIs and KRIs, there is a risk that the organization may be unable to identify its performance compared to strategic goals and/or recognize early warning signals that will allow Management to monitor, manage and mitigate key risks.

Recommendation #3

The Associate Vice-President, Planning in conjunction with the Board Chair and relevant sub-committee Chairs should continue to work towards the establishment of financial KPIs including report-back on SMA metrics. Establishment of KRIs, leveraging benchmarks established by COU should also be considered. Once established, the Associate Vice-President, Planning should track these indicators and develop a process to update the Board on progress of strategic goals.

Management Action Plan

Plan to address the issue/recommendation:

Management agrees with OIAD's recommendation(s) and has committed to the following action plans:

As part of evolving the institution's Integrated Planning Framework, a comprehensive set of KPIs is being developed that will be reported on an annual basis (by June Annual General Meeting). The KPIs and narrative will summarize key outcomes related to institutional progress towards plan (achieving goals outlined in our Integrated Academic-Research Plan)

² Strategic Mandate Agreements (SMAs) are agreements that each publicly-assisted college and university has with the Ministry and include the government's accountability and transparency objectives as well as the school's priorities. One component of the SMAs are performance metrics which are reflective of each institution's individual strengths and distinct mandates as well as the role the institutions play in their local communities and economies. A portion of operating funding is tied to the performance metrics.

which include Financial health indicators as well as a comprehensive SMA3 metric and target performance report. The institutional risk register will be integrated with this annual reporting cycle to leadership teams and the Board.

Work on KPI and KRI identification should be completed by the end of this fall, data collection and report formatting completed in the winter, with the reporting completed for Spring 2022 year-end reporting cycles.

Anticipated completion date	Assigned responsibility	Current status of action taken
Jun-22	Associate Vice-President Planning	Limited Progress

3. Defined rankings for Board skills monitoring framework

Low

To equip the Board to carry out its fiduciary responsibilities, a framework should be in place to select Board members that have the appropriate skillset to assess financial forecasts and information. The institution's Board of Governors Recruitment, Appointment and Leadership Policy sets out the requirements for the composition of the Board and the mechanisms in place to monitor skill and competency requirements. We noted that Ontario Tech's Board Skills Matrix was completed annually by members via self-assessment. This Matrix was then used to inform Board recruitment processes by identifying skill or competency gaps. Based on the completed Matrix and a review of member profiles, no financial competency gaps were noted. As the Matrix was completed via self-assessment, members rated their level of skill/competency for each category on a scale of 1 to 4. However, each rating on the scale was not defined, leaving an element of subjectivity in the assessment.

Without a description or guidelines for what each numeric ranking level means, evaluations may be completed by individual Board members in an inconsistent manner which could result in gaps in the Board skills composition.

Recommendation #4

The University Secretary & General Counsel should develop guidelines or definitions for each skill ranking level to support consistency in skill assessments completed by Board members.

Management Action Plan

Plan to address the issue/recommendation:

Management agrees with OIAD's recommendation. Guidelines for each skill ranking level will be implemented for the start of the next board year.

Anticipated completion date	Assigned responsibility	Current status of action taken
Aug-22	University Secretary and General Counsel	Not started

4. IT governance structure review and linkage to the Board³

Medium

Establishing an effective IT governance framework involves defining organizational structures, processes and leadership roles to ensure that IT investments and risks are managed in line with enterprise strategies and the organization's risk appetite. It requires IT governance bodies to report to the Board on IT strategy, performance and risks.

Ontario Tech's governance structure (See **Appendix A**) includes IT Steering Committees which comprises membership from both the University and Durham College who shares IT services with the University. With the exception of an Annual Risk Report which included some high-level IT risks, no reports were delivered to the Board on IT governance-related matters such as IT projects, cybersecurity and risk management on a regular basis. Further, although the IT governance structure was defined, it did not include formal linkages to the Board. Without the appropriate flow of information, the Board may be unable to discharge its responsibilities for risk management and strategic alignment pertaining to IT matters.

Additionally, we noted Ontario Tech's IT services were provided in partnership with Durham College. The Shared Services Agreement (Agreement) between the two institutions provided a solid basis for defining reciprocal services, roles and responsibilities of each party in the agreement. Responsibility for the delivery of some IT services were partially or fully transferred to third parties, however, the Agreement did not reflect the new responsibilities for the provision of current IT services, nor the responsibility for managing third party arrangements. This was as a result of the Agreement not having been reviewed since establishment in 2015. Furthermore, Work

³ The scope of our audit did not include a detailed audit of IT governance or IT-related controls. The design and operating effectiveness of the IT control processes were also out of scope for this engagement.

Description Documents, which were used to define service-specific scope, management and requirements were not finalized and did not include reporting requirements for several IT service components. If new or revised services and responsibilities are not included in the Agreement and Work Description Documents are not finalized, services provided may not meet the needs of the institution.

In assessing Ontario Tech's IT governance and controls, we referenced the Information Systems Audit and Control Association's *Control Objectives for Providing IT Governance*, (see **Appendix B**) and suggest that Ontario Tech consider using a model similar to this to complete a self assessment and to plan out their path to continue to improve their overall governance and controls.

Recommendation #5

The Vice President, Administration in conjunction with the Board Chair and relevant sub-committee Chairs should define linkages between the IT Governance Committees and the Board to include regular reporting on IT governance and risk matters.

Management Action Plan

Plan to address the issue/recommendation

Management agrees with OIAD's recommendation and will review IT governance structures to establish a clear linkage to the board linking the IT strategy to items such as new projects, cyber-security and risks.

Anticipated completion date	Assigned responsibility	Current status of action taken
Apr-22	Vice President, Administration	Not started

Recommendation #6

A formal process to review, update and finalize the Shared Services Agreement and related Work Description Documents should be established by the Vice President, Administration in conjunction with Durham College to ensure that the Agreement reflects current business requirements, and IT services and arrangements. Further the Work Description Documents should also include the reporting requirements of that service.

Management Action Plan

Plan to address the issue/recommendation:

Management agrees with OIAD's recommendation and will work with Durham College to update and finalize the IT Work Description Documents

Anticipated completion date	Assigned responsibility	Current status of action taken
Aug-22	Vice President, Administration	Not started

Financial Management

Ontario Tech has a comprehensive financial management and reporting process which includes their annual budgeting process, quarterly forecasting and financial reporting, and cash forecasting and management. The budgeting process includes enrolment modeling and strategic consideration to the funding of new initiatives or budget cuts where required, including budgeting for annual debenture obligations.

In-year financial forecast monitoring and reporting includes analysis of variances as well as reviewing performance against COU financial ratios. The existing cash management process includes an annual cash budgeting process as well as monthly forecasting and variance analysis. Cash is managed in eight separate bank accounts, some of which are used to separate restricted funds from the main operating funds of the University.

5. Formalization of Cash Management Policy

Medium

To ensure the institution has a sound financial management and reporting structure, processes and controls should be clearly documented to support financial management and reporting, including cash flow management and budgeting.

Ontario Tech has established cash management processes which included a cash budget that was aligned with the institution's operating budget and set aside funds to pay the annual debenture obligation. To support cash forecasting and management, the institution had eight separate bank accounts, including one main operating account. The balance of the main operating account fluctuated significantly during the year, with its highest balances in September and January, aligning with receipt of student tuition at the beginning of academic terms. In the 2020-21 fiscal year the balance exceeded \$40M in September and January, which was subsequently used to pay the operating expenses for the academic term.

The institution performed a monthly cash reconciliation and considered opportunities for investing cash that exceeded anticipated expenses for the academic term. However, these decisions were made on an ad-hoc basis and were not formalized in a cash management policy.

Without a formalized cash management and/or investment policy, the institution may not consistently make decisions to invest funds in excess of its short-term cash needs.

Further the institution may hold temporarily idle cash in the main operating bank account where day-to-day transactions occur. Holding idle cash balances in the main operating account increases the risk of fraud and reduces potential income-generating investment opportunities.

Recommendation #7

The Executive Director, Financial Planning & Reporting should consider formalizing cash management practices to optimize the management of temporarily idle cash in the short-term.

Management Action Plan

Plan to address the issue/recommendation:

Management agrees with OIAD's recommendation to formalize our cash management practices. Historically, all surplus operating cash over and above \$20.0M has been invested in short-term investment certificates (GIC's) unless there is known cash requirement for approved projects.

Anticipated completion date	Assigned responsibility	Current status of action taken
Apr-22	Executive Director, Financial Planning & Reporting	Some Progress

Procurement and Expenses, including Compliance with the BPSAA

Ontario Tech has procurement and expense policies and procedures which provide guidance to employees of the institution. Further, the Finance Department in conjunction with Durham College who provides procurement services to the University, have processes in place to review expenses for compliance to policies and procedures.

There are procurement practices in place at the institution to support value-for-money strategies such as bulk purchasing through OECM, Government of Ontario VORs and institution-established VORs.

6. Management of corporate credit cards

Medium

An effective corporate credit card program has measures in place to ensure that cards are issued only to employees who require them and that they are cancelled when no longer required by employees or when an employee leaves the organization.

Ontario Tech has a corporate card program that was generally well managed. Cards issued to individuals were usually cancelled when that employee left the organization. However, we noted the following exceptions:

- 17 corporate cards were issued to departments instead of individual employees. Per the University's process for managing department corporate cards, the cards are internally assigned to an employee who is responsible for making purchases and reconciling the corporate card. When there is turnover in the position, the card is administratively reassigned to another employee, rather than cancelled. As such, there is an opportunity for the previous employee to retain the card information and continue to use the card as it remains active. It is considered a best practice, both within the OPS and in external organizations, to have corporate cards assigned directly from the bank to specific individuals to improve accountability and reduce fraud risks.
- Corporate cards were issued to seasonal employees who required corporate cards to carry out their job responsibilities when employed by the University. Since these employees returned to their positions at the University annually, their corporate cards were not cancelled or suspended, but were instead held by the University and monitored by the Finance Department.

Failure to ensure appropriate accountability and controls on corporate cards could put the institution at risk for fraud.

Recommendation #8

The Director, Financial Operations should ensure that there is a process in place to issue corporate cards only to individual employees and deactivate/suspend cards when employees (including seasonal employees) leave the organization.

Management Action Plan

Plan to address the issue/recommendation:

Management agrees with OIAD's recommendations and has committed to the following action plans:

- 1) Transitioning department cards to individuals.
- 2) Ensuring cards for contract employees are inactivated when contract ends.

Anticipated completion date	Assigned responsibility	Current status of action taken
Dec-21	Director, Financial Operations	Not started

7. TMHE expense claim processes and practices

Medium

In order to manage expenditures and ensure funds are used only for their intended purposes, the institution must have processes and controls in place to ensure compliance with their Expense Policy, which includes complying with the requirements of the Broader Public Sector Accountability Act (BPSAA).

Based on our review of sampled expense claims as well as interviews with the Finance Department, we identified that there is a process in place for the Finance Department to review all expense claims before payment. This process includes a review for reasonability against the Policy. However, we noted the following areas where there may not be sufficient clarity in the policies and procedures for reviewing and processing expense claims:

- The Expense Policy states that expenses must be submitted and approved within two months of the expense being incurred, however, based on interviews with the Finance Department, this requirement was a guideline and claims were processed when submitted and approved late.
- Since corporate credit cards were used to pay for travel fare in advance of actual travel dates, the reconciliation of these cards did not always include proof of travel. We identified that there is no process in place to follow-up on travel paid in advance to confirm that travel occurred for the intended and approved purpose.
- Employees were expected to submit a conference agenda when submitting a related expense claim to provide evidence of whether meals were provided during the conference. However, this information was not consistently included in claims or shared with the Finance Department for review. This documentation requirement was not included in the Expense Policy.
- Although the Finance Department reviewed expense claims for reasonability, the review did not consistently identify instances where there were small overages on meal allowance thresholds.

If documentation requirements for expense claims are not clearly communicated and not consistently included in the Finance Department's review process, there is a risk that the University may be incurring additional expenses that do not support the business of the University.

Ontario Tech also had a process for employees to submit expense claims and/or reconcile expenses incurred on their corporate credit card and for review by faculty/department and by the Finance Department. Upon review of a sample of expense claims, we identified that not all expense claims were in full compliance with the University's Expense Policy.

- Pre-approvals were communicated verbally, or documentation was not provided to the Finance Department when the expense claim was submitted and approved for more than 60% of the samples selected.
- Receipts were not consistently provided to comply with the requirements of the Policy for more than 50% of the samples selected. Specifically, reservation confirmations were provided instead of actual receipts and boarding passes. Furthermore, itemized receipts were not always provided, and expenses were submitted with credit card receipts instead.
- Rental vehicles were not rented using a corporate card in 50% of the samples selected where a rental vehicle was utilized. Using a corporate credit card allows the renter to leverage the corporate card's insurance coverage.
- Specific lists of attendees for meals where multiple employees were in attendance were not included in all samples selected where there were multiple employee attendees at the meal.

If claims are not submitted with sufficient supporting documentation to demonstrate compliance with the Expense Policy, there is a risk that the University may be incurring additional expenses that do not support the business of the University.

Additionally, we reviewed hospitality expense claims which were reimbursed under the University's Visiting Scholar program. Expenses claimed under the program were allowable based on the Letter of Invitation (Letter) which outlined reimbursable expenses for each professor under the program and set out maximum dollar thresholds. However, we noted that although the Letter stated that only expenses incurred for accommodations and meals would be reimbursed, allowances were made for several exceptions related to expenses outside of the allowable living expenses per the Letter. If reimbursements are made for expenses not deemed as allowable in the Letter, there is a risk that the University may be incurring additional expenses that do not support the business of the University.

Recommendation #9

The Director, Financial Operations should update expense claim processes and practices so that claims are not processed unless all requirements of the Expense Policy have been met.

Management Action Plan

Plan to address the issue/recommendation:

Management agrees with OIAD's recommendations and has committed to the following action plans:

- 1) Will revise our expense policy to add clarity to process.
- 2) Will develop an online training session to educate all users.

3) Will review a new sampling process in finance to ensure greater assessment of expenses submissions.

Anticipated completion date	Assigned responsibility	Current status of action taken
Apr-22	Director, Financial Operations	Some Progress

Recommendation #10

The Director, Financial Operations should update the guidelines for the Visiting Scholar program to clarify allowable expenses and to ensure that compliance with the BPSAA is maintained.

Management Action Plan

Plan to address the issue/recommendation:

Management agrees with OIAD's recommendations and has updated the Visiting Scholar program in January 2021 to allow for other cost of living expenses (other than rent and meals). We will add clarity by inserting some examples of eligible and ineligible expenses.

Anticipated completion date	Assigned responsibility	Current status of action taken
Oct-21	Director, Financial Operations	Some Progress

8. Alignment of Procurement and Expense policies and procedures with the Broader Public Sector Accountability Act (BPSAA)

Low

As a designated Broader Public Sector (BPS) organization, Ontario Tech is required under the BPS Accountability Act (BPSAA) to comply with directives issued by the Management Board of Cabinet. The BPS Procurement and Travel Meal Hospitality Expense (TMHE) Directives include mandatory requirements with which the institution must comply. These requirements are intended to ensure organizations can demonstrate processes exist to consider the code of ethics, as well as ensure that value for money is achieved.

The majority of the Ontario Tech's procurement policies and procedures were compliant with the BPSAA. However, the following additional inclusions are required:

- Update the policy and procedure to reflect the need to include the final procurement agreement in all procurement bids
- Include a reference to the Interim Measures, released by the Ontario Public Service on March 18, 2019 for procurement of goods and services >\$100K. These measures have been designed to support consistency in procurement-related decisions during the transition to a centralized procurement model.

Additionally, we reviewed the institution's Expense Policy and Procedure for compliance with the TMHE Directive. Generally, Ontario Tech's policies and procedures were found to be aligned with the Directive, with the exception of the following required additions:

- Provide direction to employees regarding expense overpayments.
- Provide guidance to indicate employees must submit all claims before leaving the organization.

Without each element of the BPS Directives directly embedded into the institution's policies and procedures, there is a risk that the institution may not comply with the Broader Public Sector requirements.

Recommendation #11

The Director, Financial Operations should update the procurement and TMHE policies and procedures to include all elements of the BPSAA Directives, as well as reference the procurement interim measures.

Management Action Plan

Plan to address the issue/recommendation:

Management agrees with OIAD's recommendations and has committed to updating our purchasing and expense policy/procedures. We will look to address these recommendations in our revised documents.

Anticipated completion date	Assigned responsibility	Current status of action taken
Jun-22	Director, Financial Operations	Limited Progress

9. Alignment of Invoice Signing Authority Policy with current practices

Low

Policies are designed to provide guidance to employees to ensure consistent practices across the organization. Ontario Tech has a Signing Authority Policy in place to specify the signing requirements for various types of contracts, acquisitions, agreements. The

policy is in effect to enable senior administrators to structure and manage their responsibilities in an effective and efficient manner.

We noted that the current Policy required a minimum of two signatures for all invoices, however, the practice was to have only one signatory on invoices to confirm receipt of goods or services. Inconsistencies between the policy and practices may result in expenses being incurred for goods or services that were not received in alignment with the agreed upon terms.

Recommendation #12

The Director, Financial Operations should revisit the invoice signing authority requirements and ensure practices align with the Signing Authority Policy.

Management Action Plan

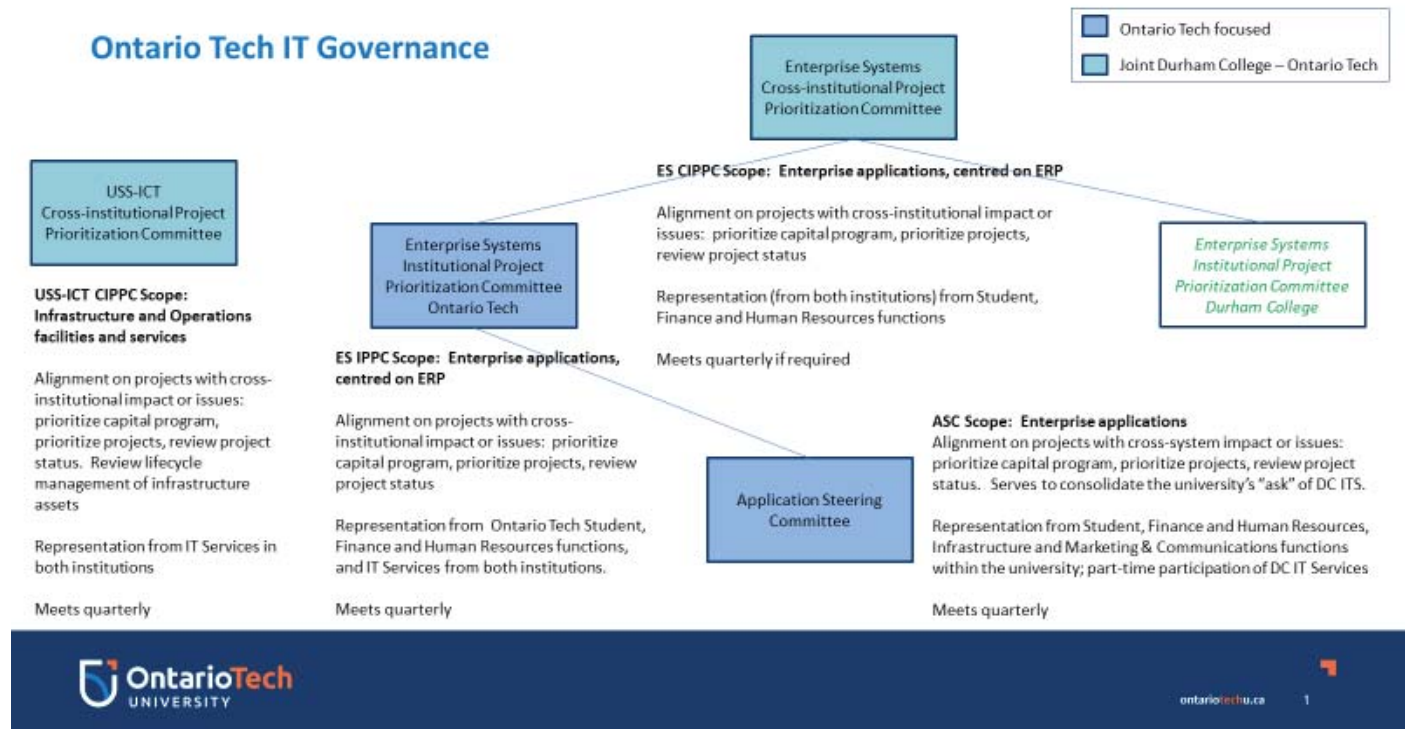
Plan to address the issue/recommendation:

Management agrees with OIAD's recommendations and has committed to reviewing the signing authority policy which was updated in June 2021 to ensure that our practices are properly documented. We will update the policy/procedures where necessary.

Anticipated completion date	Assigned responsibility	Current status of action taken
Apr-22	Director, Financial Operations	Not started

Appendices

Appendix A: Ontario Tech University IT Governance Structure



Appendix B: Information Systems Audit and Control Association's Control Objectives for Providing IT Governance

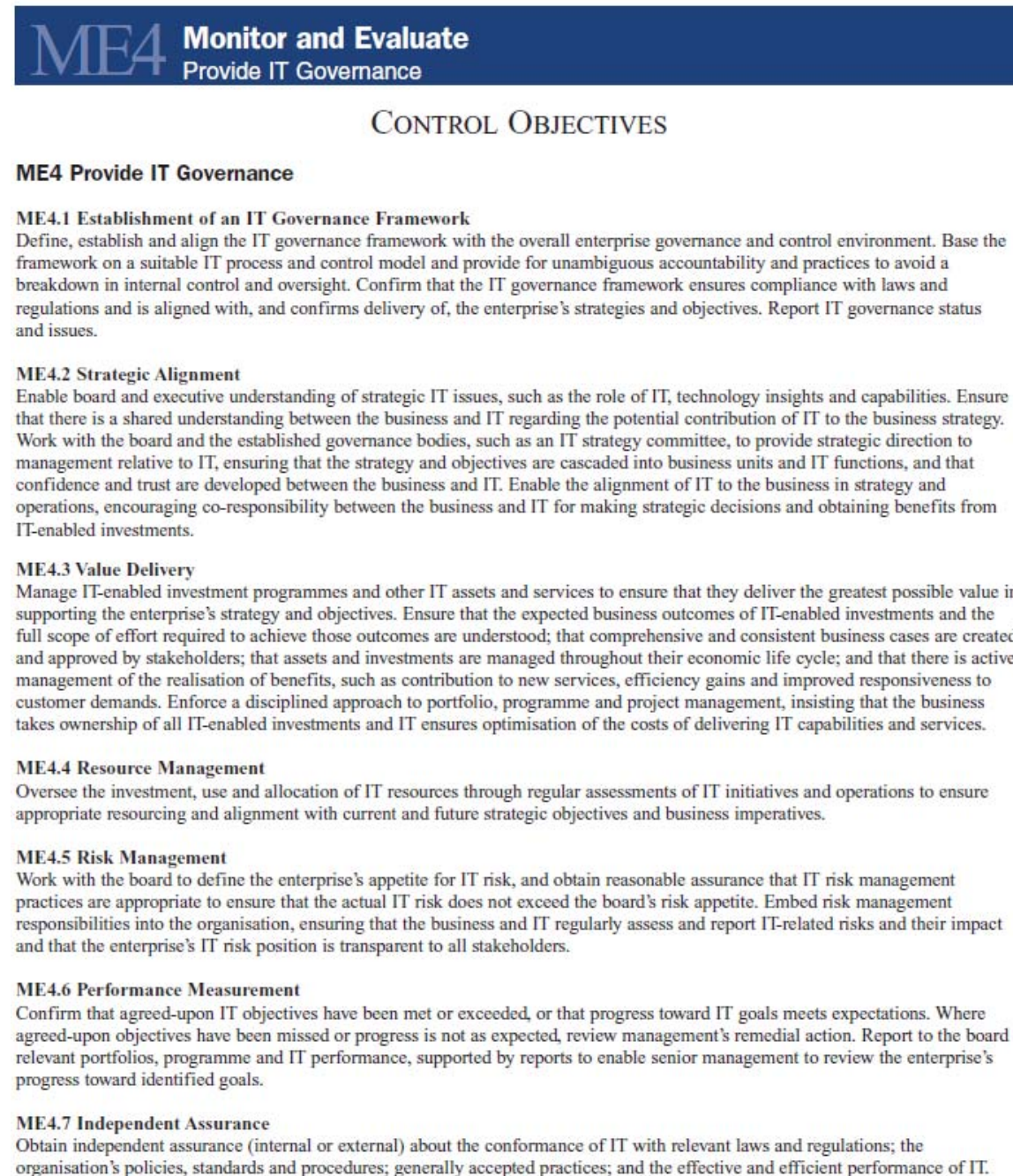
The table below may be leveraged by Ontario Tech to complete a self-assessment of IT governance.

		Process Capability Levels (see figure 1 below)					
		Level 0 Incomplete	Level 1 Performed	Level 2 Managed	Level 3 Established	Level 4 Predictable	Level 5 Optimizing
Control Objectives (see figure 2 below)	ME4.1 Establishment of an IT Governance Framework						
	ME4.2 Strategic Alignment						
	ME4.3 Value Delivery						
	ME4.4 Resource Management						
	ME4.5 Risk Management						
	ME4.6 Performance Measurement						
	ME4.7 Independent Assurance						

Figure 1 – Process Capability Levels

Process Level	Capability
0 (Incomplete)	The process is not implemented or fails to achieve its process purpose. At this level, there is little or no evidence of any systematic achievement of the process purpose.
1 (Performed)	The implemented process achieves its process purpose.
2 (Managed)	The performed process is now implemented in a managed fashion (planned, monitored and adjusted) and its work products are appropriately established, controlled and maintained.
3 (Established)	The managed process is now implemented using a defined process that is capable of achieving its process outcomes.
4 (Predictable)	The established process now operates within defined limits to achieve its process outcomes.
5 (Optimizing)	The predictable process is continuously improved to meet relevant current and projected business goals.

Figure 2 – Control Objectives



Appendix C: Background

Ontario's Universities and Colleges are governed by the Board of Governors for each institution. In accordance with the applicable Acts, the Ministry of Colleges and Universities (the Ministry or MCU) has representation on the Board of Governors up to the allowable number of Lieutenant Governor in Council (LGIC) appointments included under the applicable legislation.

Each university is established by way of an Act which creates the university and sets out the governance framework. Each university is also responsible for establishing its by-laws based on its requirements. The Ministry does not provide any additional policy framework for universities. However, the Ministry does provide operating and capital funding to publicly assisted postsecondary educational institutions (22 universities including the Northern Ontario School of Medicine and 24 colleges).

Operating and capital funding is disbursed to colleges and universities through a variety of grants. The total approved operating funding and grants for MCU and for publicly assisted universities:

	2021/22	2019/20
Operating Grants to Universities	\$3.6B	\$3.6B

Operating grants contributed approximately 33% of the total revenue for universities in the year 2019-20. During the same period, domestic and international fees contributed 49% to revenue of universities. The percentage of operating grants have continuously declined over the last 10 years with operating grants representing 48% of the total revenue in the year 2009-10.

It is the responsibility of the governing board and senior administrators of the University to identify, track, and address financial pressures and sustainability issues. The Ministry has a financial stewardship role.

Ontario Tech was granted university status in 2002 and has approximately 9,900 undergraduate students and 815 graduate students, international student enrolment accounted for approximately 8% of enrolment in 2019-20. Ontario Tech is governed by both a Board of Governors and an Academic Council. In 2019-20, MCU allocated \$73.9M in operating grants to Ontario Tech.

Ontario Tech Debenture

An expansion of Ontario Tech's campus was undertaken with the assistance of a \$60M capital grant from the province and no additional funding was provided. Due to the additional capital requirements and based on the recommendation of an external reviewer the government permitted Ontario Tech to issue a \$220M debenture

guaranteed by Durham College⁴ (6.351%⁵, semiannual payments April 15 and October 15, 30 years) in 2005. The bonds are held by the Bank of New York, and the bondholders are out of province and country. The payments total \$16.5M annually comprising of both capital and interest.

In 2011, MCU signed a transfer payment agreement with Ontario Tech, where the Ministry committed \$13.5M/year through a debenture grant. This grant replaced other MCU funding averaging \$10M annually. MCU also made a payment of \$6.75M to Ontario Tech to offset some of the repayments Ontario Tech made from 2004-2010. Ontario Tech is responsible for \$3M out of the \$16.5M/year through its operating funds.

As of March 31st, 2020, the debenture's total principal and interest paid is \$247.5M (2019: \$231M). Of this amount \$196.5M was funded by MCU and the other \$51M was funded by the University. As at March 31, 2020 \$217.4M has been used to finance capital assets. The fair value of the debenture is \$194.3M (2019: \$205.7M); which is comprised of both outstanding principal and interest payments discounted at market rates available to the University at the financial statement date. The amount of the principal outstanding was \$158.1M. \$61.9M of the principal has been repaid. The debenture is scheduled to be repaid in full by 2035.

⁴ Guarantee will be a direct, senior unsecured obligation of the College and will rank pari passu [at the same rate] with all of the College's other senior unsecured and unsubordinated obligations. The guarantee is limited to the assets held by the College and will have no recourse to the consolidated revenue fund of the Province of Ontario.

⁵ Interest rate is a fixed rate.

Appendix D: Objectives, Scope and Criteria

Objectives

The objectives of this audit were to assess the effectiveness of the following at Ontario Tech University:

- Governance and controls in place at Ontario Tech to oversee, monitor and report on the institution's financial position.
- Controls over the processes for financial management and compliance to components of the Broader Public Sector Act.

These objectives were evaluated in light of the criteria provided below.

Scope

Our scope period for this audit was from April 1, 2019 to March 31, 2021 and was focused on the financial operations and internal controls at the postsecondary institution. For the purposes of this engagement Ontario Tech was selected for review:

Our scope included the following:

- Obtained details of revenue streams including operating funding and special purpose grants.
- Conducted interviews with management and staff to discuss administrative management, financial and reporting processes.
- Reviewed the board governance and financial oversight processes.
- Obtained relevant process documentation to fully understand risks and to assess the state of internal controls at the University.

The engagement was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

Criteria

1. Appropriate governance structure is in place to monitor and oversee Ontario Tech's financial management and financial position. This should include reporting to management and to the Board, and action taken where deemed necessary.
2. Appropriate processes and controls pertaining to financial management are in place. These may include cash flow management, budgeting and forecasting, and reporting.
3. Organization structure with roles, responsibilities and accountabilities are clearly documented to support governance, processes and controls in place over financial management and reporting.

4. Appropriate processes and controls are in place to support compliance with the Broader Public Sector Act, including procurement, have been established and implemented at Ontario Tech University.

Appendix E: Audit Risk Ranking Categories

Overall Audit Report Risk Rating – Risk Ranking if one or more of the criteria are met under each column

1 Low (Enhancements Required)	2 Medium (Improvement Required)	3 Medium-High (Significant Improvement Required)	4 High (Immediate Action Required)
<ul style="list-style-type: none"> • Key controls are adequately and appropriately designed, and are operating effectively to support ministry objectives and manage risks • Audit recommendations resulted in only minor enhancements to the effectiveness or efficiency of controls and processes • Minor corrective action and oversight by management is needed 	<ul style="list-style-type: none"> • A few key control weaknesses require enhancements to better support program objectives and manage risks, and/or a few key controls are not operating effectively • Audit recommendations resulting in some enhancements to the effectiveness or efficiency of controls and processes • Corrective action and oversight by management is needed 	<ul style="list-style-type: none"> • Numerous key control weaknesses require significant improvement to support program objectives and manage risks, and/or some key controls are not operating effectively • Audit recommendations resulting in numerous enhancements to the effectiveness or efficiency of controls and processes • Corrective action and oversight by senior management is required in near future 	<ul style="list-style-type: none"> • Key controls are not adequately designed and/or are not operating effectively, or there is an absence of appropriate key controls to support ministry objectives and manage risks • Audit recommendations resulting in major enhancements to the effectiveness or efficiency of controls and processes • If audit becomes aware of any suspected/confirmed fraud by management or staff • Corrective action and oversight by senior management is required immediately

Individual Audit Issues – Risk Ranking if one or more of the criteria are met under each column

1 Low Risk (Satisfactory Controls)	2 Medium Risk (Control Need Some Improvements)	3 Medium-High Risk (Control Need Significant Improvements)	4 High Risk (Controls Not Satisfactory)
<ul style="list-style-type: none"> • Risk(s) are mostly being addressed by internal control systems • Risk(s) associated with potential control failures exist but are not material or significant to the objectives • Internal controls (design & operating effectiveness) are well managed and measured for effectiveness • Additional evaluation criteria (if required) 	<ul style="list-style-type: none"> • Risk(s) are not consistently being addressed by internal control systems and require improvements/enhancements • Risk(s) associated with potential control failures exist and can be material or significant to the objectives • Internal controls (design & operating effectiveness) processes are consistently implemented but not measured for effectiveness • Additional evaluation criteria (if required) 	<ul style="list-style-type: none"> • Risk(s) are not adequately being addressed by internal control systems and require significant improvements/enhancements • Risk(s) associated with potential control failures are material or significant to the objectives • Internal controls (design & operating effectiveness) are not consistently implemented • Additional evaluation criteria (if required) 	<ul style="list-style-type: none"> • Due to the absence of effective risk management practices, management is unable to identify, monitor or control significant risk/exposure • Risk(s) associated with potential control failures are highly material or highly significant to the objectives • Internal controls (design & operating effectiveness) are not formalized and are performed in an ad-hoc and reactive manner • Additional evaluation criteria (if required)

Appendix F: List of Audit Observations, Recommendations and Risk Rankings

Scope Area	Detailed Issues / Observations	Risk Ranking Category based on Appendix E	Recommendation	Management Action Plan and Responsible Personnel	Management Action Plan Expected Completion Date
Financial and IT Governance	<p>1. Detailed financial information reporting to the Board and/or Board sub-committees. The following elements were not included in the financial information reported to the Board: financial health assessment ratios at the time of budgeting, analysis of project completion against percent of funds used for capital projects currently underway, and detailed information about key risks and mitigation plans.</p>	Medium	<p>R1. Consider opportunities to add additional components to Board reporting materials to facilitate oversight and decision-making capabilities.</p>	<p>The University will forecast financial health indicators in the budget, highlight in-year projects quarterly (incl. percent of project completion vs. funds used), and provide a summary of work done by the Board to understand and ensure appropriate mitigation of high and foundational risks.</p> <p>Implementation Owner: VP Administration and University Secretary & General Counsel</p>	06/30/2022

Scope Area	Detailed Issues / Observations	Risk Ranking Category based on Appendix E	Recommendation	Management Action Plan and Responsible Personnel	Management Action Plan Expected Completion Date
			R2. Review the timelines for budget approval and/or implement compensating controls to ensure that unapproved expenditures are not being incurred.	The University will implement controls to ensure unapproved expenditures are not being incurred. Implementation Owner: VP Administration	03/31/2022
Financial and IT Governance	2. Board reporting of Financial KPIs and/or KRIs. KPIs were being re-established and were therefore not being tracked/communicated to the Board. KRIs have not been established by the University.	Medium	R3. Continue to work towards the establishment of financial KPIs and should consider the establishment of KRIs, leveraging benchmarks established by the Council of Ontario Universities (COU). Once established, track these indicators and develop a process to update the Board on progress of strategic goals.	A comprehensive set of KPIs and KRIs are being developed for reporting on an annual basis. The KPIs will include financial health indicators, Strategic Mandate Agreement (SMA3) metric report and integration with the institutional risk register.	06/30/2022

Scope Area	Detailed Issues / Observations	Risk Ranking Category based on Appendix E	Recommendation	Management Action Plan and Responsible Personnel	Management Action Plan Expected Completion Date
				Implementation Owner: AVP Planning	
Financial and IT Governance	3. Defined rankings for Board skills monitoring framework. The Board Skills Matrix was completed by each Board member who ranked their skill level on a scale of 1 to 4, however, there was no description for what each ranking meant, leaving an element of subjectivity in the assessment.	Low	R4. Develop guidelines or definitions for each skill ranking level to support consistency in skill assessments completed by Board members.	Guidelines for each skill ranking level will be implemented for the start of the next board year. Implementation Owner: University Secretary & General Counsel	08/31/2022
Financial and IT Governance	4. IT governance structure review and linkage to the Board. The IT governance structure did not define linkages to the Board; therefore, reports on IT governance matters were not provided to the Board regularly. Further, the Shared Services	Medium	R5. Define linkages between the IT Governance Committees and the Board to include regular reporting on IT governance and risk matters.	The University will review IT governance structures to establish a clear linkage to the Board linking IT strategy to items such as new projects, cyber-security and risks.	04/30/2022

Scope Area	Detailed Issues / Observations	Risk Ranking Category based on Appendix E	Recommendation	Management Action Plan and Responsible Personnel	Management Action Plan Expected Completion Date
	Agreement included unfinalized and outdated components.		<p>R6. A formal process to review, update and finalize the Agreement and related Work Description Documents should be established to ensure that it reflects current business requirements, and IT services and arrangements. Work Description Documents should also include the reporting requirements of that service. of that service.</p>	<p>Implementation Owner: VP Administration</p> <p>The University will work with Durham College to update and finalize the IT Work Description Documents.</p> <p>Implementation Owner: VP Administration</p>	08/31/2022
Financial Management	5. Formalization of Cash Management Policy. A formalized	Medium	R7. Consider formalizing cash management	Cash management practices will be formalized.	04/30/2022

Scope Area	Detailed Issues / Observations	Risk Ranking Category based on Appendix E	Recommendation	Management Action Plan and Responsible Personnel	Management Action Plan Expected Completion Date
	cash management model/policy was not established to govern the institution's short-term cash needs and separate temporarily idle cash from the main operating bank account.		policies to optimize the management of temporarily idle cash in the short-term.	Implementation Owner: Executive Director, Financial Planning & Reporting	
Procurement and Expenses, incl. Compliance with the BPSAA	6. Management of corporate credit cards. Some corporate cards were issued on a departmental basis instead of to individual employees. Select seasonal employees were also cardholders.	Medium	R8. Ensure that there is a process in place to issue corporate cards only to individual employees and deactivate/suspend cards when employees (incl. seasonal employees) leave the organization.	The University will transition department cards to individuals and ensure cards for contract employees are inactivated when their contract ends. Implementation Owner: Director, Financial Operations	12/31/2021

Scope Area	Detailed Issues / Observations	Risk Ranking Category based on Appendix E	Recommendation	Management Action Plan and Responsible Personnel	Management Action Plan Expected Completion Date
Procurement and Expenses, incl. Compliance with the BPSAA	7. TMHE expense claim processes and practices. Not all expense claims were in full compliance with the University's expense policy. Further, opportunities exist to clarify the expense policies and procedures and improve Finance Department review of expense claims. Finally, guidelines for allowable expenses under the Visiting Scholar program were not being adhered	Medium	R9. Update expense claim processes and practices so that claims are not processed unless all requirements of the Expense Policy have been met.	The expense policy will be revised, online training session will be developed to educate all users and a sampling process will be established to ensure greater assessment of expenses. Implementation Owner: Director, Financial Operations	04/30/2022

Scope Area	Detailed Issues / Observations	Risk Ranking Category based on Appendix E	Recommendation	Management Action Plan and Responsible Personnel	Management Action Plan Expected Completion Date
	to in a consistent manner.		R10. Update the guidelines for the Visiting Scholar program to clarify allowable expenses and ensure that compliance with the BPSAA is maintained.	The Visiting Scholar program was updated in 2021 to allow for other cost of living expenses. Clarity will be added by inserting some examples of eligible and ineligible expenses. Implementation Owner: Director, Financial Operations	10/31/2021
Procurement and Expenses, incl. Compliance with the BPSAA	8. Alignment of Procurement and Expense policies and procedures with the BPSAA. Generally, Ontario Tech's policies and procedures aligned to the BPSAA Directives, however, some exceptions were identified. Further, the Procurement policy and	Low	R11. Update the procurement and TMHE policies and procedures to include all elements of the BPSAA Directives, as well as reference the procurement interim measures.	Purchasing and expense policies/procedures will be updated to address these recommendations. Implementation Owner: Director, Financial Operations	06/30/2022

Scope Area	Detailed Issues / Observations	Risk Ranking Category based on Appendix E	Recommendation	Management Action Plan and Responsible Personnel	Management Action Plan Expected Completion Date
	procedures did not reference the Interim Measures for procurement.				
Procurement and Expenses, incl. Compliance with the BPSAA	9. Alignment of Invoice Signing Authority Policy with current practices. The Policy required that two signatures were required to confirm receipt of goods/services on all invoices, however, the practice in place was to have only one approver confirm receipt of the goods/services.	Low	R12. Revisit the invoice signing authority requirements and ensure practices align with the Signing Authority Policy.	The signing authority policy which was updated in June 2021 will be reviewed to ensure that our practices are properly documented. We will update the policy/procedures where necessary Implementation Owner: Director, Financial Operations	04/30/2022

Appendix G: OIAD Contacts

This engagement is conducted by the Education Audit Branch:

Shelina Ally, Senior Internal Auditor

Leandra Giancola, Audit Project Manager

Abhishek Gupta, Senior Internal Auditor

Prem Kokal, Senior IT Audit Specialist

Stephen Reingold, Senior IT Audit Specialist

Reviewed by

Shirley D'Souza, Senior Audit Manager

Erika Cotter, Director

Appendix H: Distribution List

Distribution of the final report is to the following:

Shelley Tapp, Deputy Minister, Ministry of Colleges and Universities (MCU)

Kelly Shields, Assistant Deputy Minister, Postsecondary Education Division,
MCU

Dr. Steven Murphy, President and Vice Chancellor, Ontario Tech University

Sanjeev Batra, A/Chief Internal Auditor, Ontario Internal Audit Division, Office of
the Comptroller General, Treasury Board Secretariat

Sector Audit Committee and Permanent Guests

Ontario Internal Audit Committee (OIAC) and Permanent Guests

Audit and Accountability Committee (AAC) Chair's Office

Appendix I: Acronyms

AVP	Associate-Vice President
BPS	Broader Public Sector
BPSAA	Broader Public Sector Accountability Act
COU	Council of Ontario Universities
KPI	Key Performance Indicator
KRI	Key Risk Indicator
LGIC	Lieutenant Governor in Council
MCU	Ministry of Colleges and Universities
OECM	Ontario Education Collaborative Marketplace
OIAD	Ontario Internal Audit Division
SMA	Strategic Mandate Agreement
TMHE	Travel, Meal and Hospitality Expense
VOR	Vendor of Record

**Financial Update
Report to the Audit and Finance Committee**

February 23, 2022

Ontario Tech University - Operating Forecast Summary

For the year ending March 31, 2022 (in '000s)

The table below shows the variance of the year-end forecast vs the approved 2021/22 budget

April 1, 2021 - March 31, 2022				
	Total Annual Budget	Y/E Forecast	Fav. (Unfav.) Budget vs. Forecast \$ / %	
Revenue				
Grants	81,677	89,824	8,147	10%
Tuition	82,951	88,644	5,694	7%
Student Ancillary	12,305	12,319	15	0%
Other	14,969	13,516	(1,454)	-10%
Total Revenue	191,902	204,303	\$ 12,401	6%
Expenditures				
Academic/ACRU	80,845	83,140	(2,296)	-3%
Academic Support	37,497	41,183	(3,686)	-10%
Administrative	29,979	30,592	(613)	-2%
Sub-total	148,321	154,915	(6,594)	-4%
Purchased Services	12,749	12,396	353	3%
Total Ancillary/Commercial	8,546	8,023	523	6%
Debenture Interest Expense	9,312	9,312	(0)	0%
Total Operating Expenses	178,927	184,645	\$ (5,718)	-3%
Net Contribution from Operations	\$ 12,975	\$ 19,658	\$ 6,684	52%
Capital Expenses	4,897	8,155	(3,259)	-67%
Principal Repayments - debenture/leases	8,078	8,078	0	0%
Total Net Surplus	\$ 0	\$ 3,425	\$ 3,425	N/A
Other Disclosures - funded from prior years reserves or external financing				
Utilization of prior year reserves	\$ -	\$ 200	\$ (200)	0%
New Building - loan	\$ 22,300	\$ 21,418	\$ (882)	-4%

2021/22 Operating Forecast

Summary

Based on Nov 1, 2021 official fall enrolment count, and Dec 14, 2021 expense forecast submissions from budget holders, the net operating surplus for the year is projected to be approximately \$3.4M against an original balanced budget.

Total revenue is favourable \$12.4M (or 6% against original budget), and includes \$5.7M tuition fees due to higher than expected enrolment, \$8.1M unexpected grants in support of virtual learning, student support and facilities renewal. These increases are offset by \$1.5M unfavourable variance in other revenues attributable to the ongoing impact of COVID-19 on commercial activities such as ACE, food services, athletics and parking.

Total operating and capital expenses increased \$9.0M (or 5% against original budget), of which \$8.1M (or 90%) is funded by the unexpected grants received and/or recognized in the current year, with remaining increase reflecting additional investment in student scholarships and recruitment costs.

Below are the variances of the year-end forecast to the approved budget:

Enrolment

FTE's	2020/21 actual	2021/22 approved budget	2021/22 Nov 1 update *	Nov 1 update vs approved budget
Undergraduate				
Domestic	8,291	7,802	8,312	510
International	521	559	625	66
Graduate				
Domestic	443	415	434	19
International	193	239	296	57
Total FTE's	9,448	9,015	9,667	652

** Nov 1 update reflects official fall enrolment count to the Ministry. With four enrolment count dates over the year, this is currently an estimate until final winter count in February 2022.

2021/22 Operating Forecast (continued)

Enrolment

Increases in enrolment are attributable to a higher than expected number of returning students, offset by a decrease of 10% in first-year domestic undergraduate intake which will have a flow-through impact in the outer years' enrolment.

Core Operating Grant remains flat as under the new funding formula implemented by the Ministry in 2017/18, the funding for domestic students for the current year remains at the 2016/17 level. Current eligible undergraduate and graduate enrolment projection is within the +/- 3% of the University's corridor midpoint.

Revenues

Total revenues are favourable \$12.4M to budget:

- 1) Grants are \$8.1M favourable to budget and pertain to additional specific grants received and recognized in the current year, and for which there are corresponding offsetting expenses. Significant grants include \$2.5M of e-campus Ontario grant to support the evolution of virtual teaching and learning, \$2.3M COVID support grant deferred from the prior year to cover current year expenses, \$1.7M additional funding for campus facilities renewal and lab renovations and \$0.9M for student work placement.
- 2) Tuition is showing an upside of \$5.7M against budget due to the higher than budgeted enrolment for both domestic and international students (see Enrolment table above).
- 3) Other revenues are unfavourable \$1.5M due to the loss in our commercial revenues for ACE, food services, parking, and the athletic facilities, mostly attributable to the ongoing impact of COVID-19 and the lower than expected number of faculty, staff and students on campus.

Expenses

Total operating expenses are unfavourable \$5.7M to budget:

- 1) Academic units are unfavourable \$2.3M against budget and includes \$1.6M expenses funded by the e-campus and other grants (see "Grants" under "Revenues" above) and additional support allocated to instruction based on enrolment growth.
- 2) Academic Support units are unfavourable \$3.7M and includes \$1.3M of expenses funded by the e-campus grant (see "Grants" under "Revenues" above), \$1.0M in entrance scholarships as a higher than expected number of students met the eligibility criteria, \$0.5M increase in recruitment costs, and other immaterial variances.
- 3) Commercial Expenses are showing a positive variance of \$0.5M and is attributable to cost savings to offset decreased revenues in ACE, food services, parking and athletic facilities (see "Other revenues" under "Revenues" above).

2021/22 Operating Forecast (continued)

Capital

Capital Expenses are unfavourable \$3.3M, and includes \$2.6M capital investment in IT (to accommodate flexible hybrid learning and work environment) and Facilities infrastructure, all of which are fully funded by the provincial COVID support grant and additional facilities renewal grant, and \$0.7M for Nursing labs in Shawenjigewining building, funded by the new Ontario TERF (Training Equipment and Renewal Fund) grant.

Conclusion

The current forecast is showing a net surplus of \$3.4M based on current spending plans and the current COVID situation in the Region and the Province.

Subject to Board approval, actual surplus at the end of the year will be internally restricted to comply with contractual obligations and/or policy (e.g. unspent faculty start-up and professional development or unspent student ancillary fees which are restricted for use in future years), to invest in student aid and to reserve for the university's capital plan for infrastructure improvements.

COMMITTEE/BOARD REPORT

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: Board Audit and Finance Committee

DATE: February 23, 2022

PRESENTED BY: Sarah Cantrell, AVP Planning and Strategic Analysis

SUBJECT: 2022-23 Tuition Fees

BACKGROUND/CONTEXT & RATIONALE:

The tuition fee framework, released by the provincial government in December 2018, regulates all publicly funded programs and allows for tuition fee differentiation based on program and program year.

The framework initially had all domestic tuition rates decrease by 10% in 2019-20, then remain at this rate for 2020-21. As there has not been a release of a new framework for the 2022-23 academic year this, document assumes that rates will remain frozen and therefore, will remain the same as seen in the 2019-20 and 2020-21 academic years. The current fees are compliant with the existing tuition fee framework, and are being used for planning purposes. When a new tuition fee framework is released, the University will explore potential opportunities and implications for tuition fee adjustments at that time.

International or cost recovery programs are not included in the limits imposed by the provincial framework.

Recommended international tuition fees for programs were informed by comparative analysis of international fees within the sector for similar programs. The majority of Ontario Tech programs were below the system average. Recommended adjustments bring Ontario Tech tuition fee levels closer to the average of competing programs. International fee increases have been proposed for the first year of programs with a commitment to capping further tuition fee increases in years 2, 3 and 4 (for undergraduate programs) to no more than 5% per year.

Concomitant investments in international student scholarships and bursaries are being made to support undergraduate students. Support for research-mode international graduate students is provided through student funding packages (e.g. GITS and/or Dean's Graduate Scholarships, Teaching Assistantships, and supervisor-funded Graduate Research Assistantships). SGPS

has an annual fund to provide scholarships to full-time international graduate students in research master's and PhD programs.

RESOURCES REQUIRED:

N/A

IMPLICATIONS:

The rates proposed in this document have been made to remain compliant with the provincial government's tuition framework. Revenue projections for the 2022-23 Budget use the proposed tuition levels. If there are reductions to the rates we would need to explore further reductions to expenses to offset the change.

ALIGNMENT WITH MISSION, VISION, VALUES & STRATEGIC PLAN:

The fees recommended will allow Ontario Tech to continue to provide quality undergraduate and graduate programs.

ALTERNATIVES CONSIDERED:

The fees presented below bring Ontario Tech fee levels closer to the average of competing programs in the sector.

CONSULTATION:

These rates were present to deans and Academic Council. Both groups noted concern around the proposed increase to international tuition for the Masters in Computer Science. Originally proposed to have a 15% increase to year 1, after consultation it was adjusted to mirror the increase of 5% in other research based international Masters at this time. After a comparative review of fees charged by competing programs offered by universities in Ontario, we recommend increases as permitted by the latest framework in all programs as outlined in the accompanying appendix table.

COMPLIANCE WITH POLICY/LEGISLATION:

The current fees are in compliance with the existing tuition fee framework.

NEXT STEPS:

Update tuition within Ontario Tech's student information system and website.

MOTION FOR CONSIDERATION:

That the Audit & Finance Committee hereby recommends the 2022-2023 tuition fees, as presented, for approval by the Board of Governors.

SUPPORTING REFERENCE MATERIALS:

- Appendix 1: Recommendations for Ontario Tech 2022-23 tuition fees

Appendix 1: Recommendations for Ontario Tech 2022-2023 tuition fees Undergraduate Domestic

	2021-2022	2022-2023	Rate of Increase 21/22 to 22/23
BA, BAsC, BEd, BHSc, BSc., BSc & Mgt, UG Diploma			
First Year	\$5,982.80	\$5,982.80	0.0%
Second Year	\$5,956.38	\$5,956.38	0.0%
Third Year	\$5,926.62	\$5,926.62	0.0%
Fourth Year	\$5,920.76	\$5,920.76	0.0%
Fifth Year	\$5,914.98	\$5,914.98	0.0%
BCom			
First Year	\$8,088.28	\$8,088.28	0.0%
Second Year	\$8,049.76	\$8,049.76	0.0%
Third Year	\$8,011.44	\$8,011.44	0.0%
Fourth Year	\$8,003.52	\$8,003.52	0.0%
BIT			
First Year	\$9,031.18	\$9,031.18	0.0%
Second Year	\$9,022.42	\$9,022.42	0.0%
Third Year	\$9,013.68	\$9,013.68	0.0%
Fourth Year	\$8,991.78	\$8,991.78	0.0%
BEng, BEng & Mgmt, BTech			
First Year	\$9,390.18	\$9,390.18	0.0%
Second Year	\$9,381.24	\$9,381.24	0.0%
Third Year	\$9,372.30	\$9,372.30	0.0%
Fourth Year	\$9,283.04	\$9,283.04	0.0%
Fifth Year	\$9,159.26	\$9,159.26	0.0%
BSc, BSc & Mgt (Computer Science)			
First Year	\$6,339.90	\$6,339.90	0.0%
Second Year	\$6,333.84	\$6,333.84	0.0%
Third Year	\$6,327.84	\$6,327.84	0.0%
Fourth Year	\$6,321.78	\$6,321.78	0.0%
Fifth Year	\$6,321.64	\$6,321.64	0.0%
BScN, BHA			
First Year	\$6,100.68	\$6,100.68	0.0%
Second Year	\$6,094.76	\$6,094.76	0.0%
Third Year	\$6,088.84	\$6,088.84	0.0%
Fourth Year	\$6,082.92	\$6,082.92	0.0%

Undergraduate International

	2021-22	2022-23	Rate of Increase 21/22 to 22/23
BA, BASc, BEd, BHSc, BSc, BSc & Mgt			
First Year	\$26,541.38	\$29,195.50	10.0%
Second Year	\$23,084.14	\$27,868.44	5.0%
Third Year	\$22,982.30	\$24,238.34	5.0%
Fourth Year	\$22,867.38	\$24,131.40	5.0%
Fifth Year	\$22,844.84	\$24,010.74	5.0%
BCom			
First Year	\$29,439.86	\$32,383.84	10.0%
Second Year	\$25,605.04	\$30,911.84	5.0%
Third Year	\$25,483.12	\$26,885.28	5.0%
Fourth Year	\$25,386.02	\$26,757.26	5.0%
BIT			
First Year	\$30,734.36	\$35,344.50	15.0%
Second Year	\$26,730.94	\$32,271.06	5.0%
Third Year	\$26,705.00	\$28,067.48	5.0%
Fourth Year	\$26,679.06	\$28,040.24	5.0%
BEng, BEng & Mgmt, BTech			
First Year	\$34,615.84	\$39,808.20	15.0%
Second Year	\$30,106.80	\$36,346.62	5.0%
Third Year	\$30,078.14	\$31,612.14	5.0%
Fourth Year	\$30,049.50	\$31,582.04	5.0%
Fifth Year	\$29,763.30	\$31,551.96	5.0%
BSc, Computer Science			
First Year	\$28,125.62	\$32,344.46	15.0%
Second Year	\$24,462.00	\$29,531.90	5.0%
Third Year	\$24,438.70	\$25,685.10	5.0%
Fourth Year	\$24,415.44	\$25,660.62	5.0%
Fifth Year	\$24,392.16	\$25,636.20	5.0%
BScN, BHA			
First Year	\$27,064.36	\$29,770.78	10.0%
Second Year	\$23,538.98	\$28,417.56	5.0%
Third Year	\$23,516.12	\$24,715.92	5.0%
Fourth Year	\$23,492.84	\$24,691.92	5.0%

Graduate Domestic Program Based

	2021-22	2022-23	Rate of Increase 21/22 to 22/23
MA (SSH), MHSc, MSc			
All Years	\$7,579.30	\$7,579.30	0.0%
MASc, MEng, MEngM			
All Years	\$8,859.94	\$8,859.94	0.0%
MSc in Nursing			
All Years	\$8,761.50	\$8,761.50	0.0%
MBAI			
All Years		\$27,090.00	
PhD			
All Years	\$7,579.30	\$7,579.30	0.0%
Doctor of Education			
All Years		\$10,530.00	
Graduate Diploma			
Diploma in Accounting	\$8,103.06	\$8,508.20	5.0%
Diploma in Nuclear Technology	\$5,906.62	\$5,906.62	0.0%
Diploma in Nuclear Design Engineering	\$5,906.62	\$5,906.62	0.0%
Diploma in Engineering Management	\$5,906.62	\$5,906.62	0.0%
Diploma in Police Leadership		\$7,579.30	

Credit Based (per 3-credit course)

	2021-22	2022-23	Rate of Increase 21/22 to 22/23
MEd, MA in Education			
All Years	\$1,576.47	\$1,576.47	0.0%
Graduate Diploma			
Education & Digital Technology	\$1,576.47	\$1,576.47	0.0%
Work Disability Prevention	\$1,576.47	\$1,576.47	0.0%
MITS			
All Years	\$1,257.52	\$1,257.52	0.0%

Graduate International Program Based

	2021-22	2022-23	Rate of Increase 21/22 to 22/23
MA (SSH), MHSc, MSc			
All Years	\$19,166.00	\$20,124.30	5.0%
MASc			
All Years	\$21,250.60	\$22,313.12	5.0%
MEng, MEngM			
All Years	\$27,581.58	\$28,960.64	5.0%
MSc in Nursing			
All Years	\$22,130.32	\$23,236.82	5.0%
MBAI			
All Years		\$45,000.00	
PhD			
All Years	\$19,166.00	\$19,166.00	0.0%
Doctor of Education			
All Years		\$17,374.50	
Graduate Diploma			
Diploma in Accounting	\$12,154.59	\$13,370.04	10.0%
Diploma in Nuclear Technology	\$18,387.72	\$19,307.10	5.0%
Diploma in Nuclear Design Engineering	\$18,387.72	\$19,307.10	5.0%
Diploma in Engineering Management	\$18,387.72	\$19,307.10	5.0%
Diploma in Police Leadership		\$20,124.30	

Credit Based (per 3-credit course)

	2021-2022	2022-2023	Rate of Increase 21/22 to 22/23
MEd, MA in Education			
All Years	\$2,263.04	\$2,602.50	15.0%
Graduate Diploma			
Education & Digital Technology	\$2,263.04	\$2,602.50	15.0%
Work Disability Prevention	\$2,263.04	\$2,602.50	15.0%
MITS			
All Years	\$3,451.46	\$3,796.61	10.00%

English for Academic Purposes (EAP) Program

			Rate of Increase
	2021-22	2022-23	21/22 to 22/23
All Levels	\$3,041.29	\$3,041.29	0.0%

COMMITTEE REPORT

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: Audit & Finance Committee

DATE: February 23, 2022

PRESENTED BY: Brad Maclsaac, VP Administration

SUBJECT: 2022-23 Ancillary Fees

COMMITTEE/BOARD MANDATE:

The committee is responsible for overseeing the financial affairs of the university including reviewing and recommending approval of the tuition fees and ancillary fees.

We are seeking the committee’s recommendation of the proposed 2022-23 ancillary fees for approval by the Board of Governors.

BACKGROUND/CONTEXT & RATIONALE:

Provincial policy requires that a negotiated Compulsory Ancillary Fees protocol exists between the board of governors of each university and their student association. For Ontario Tech our agreed upon protocol, signed in 2010, creates a committee that consists of three student and three administrative representatives. Under the terms of the current Ontario Tech protocol fees under the Bank of Canada, Consumer Price Index average, in September each year, do not require committee approval. Some of the categories that increased were those mandated by outside vendors (i.e. health plans) or offered in conjunction with Durham College (i.e. Campus Recreation and Wellness).

For clarity, CPI is an indicator of changes in consumer prices experienced by Canadians. It is obtained by comparing, over time, the cost of a fixed basket of goods and services purchased by consumers. Normally, the prices of certain CPI components can be particularly volatile. During COVID we have seen much larger fluctuations than usual; hence, the reason we use CPI-median as our tracker. This is a measure of core inflation corresponding to the price change located at the 50th percentile of the distribution. This measure helps filter out extreme price movements specific to certain components.

The September 2021 median CPI is 2.9%. The recommended **average increase for 2022-2023 is 1.8%**. This figure does not include contractual increases to items such as health insurance plan under OTSU purview nor the individual society and TELE rates. Looking through the lines two items of note include the fact that some TELE fees have been decreased 15 – 30%

based on savings we were able to achieve in bulk software packages. You will also note some larger increases (12 – 15%) in OTSU items related to student clubs, programming and events; but, this is on small dollar figures and this was done in partnership with administration to ensure the bottom line average was under CPI. It is important to note that in 2021-2022 OTSU froze these fees such that the full university wide increase could be placed in Student Success Support.

As we know that every dollar counts to students we have been watching our combined tuition and ancillary rates carefully and make any adjustments with this in mind. Our rates are higher than other Ontario institutions due to our smaller size and the fact that we have two capital projects (~\$350) approved through student referendum. Additionally, we have costs due to our dedication to providing a Technology Enhanced Learning Environment and Sustainable Campus. For many students this actually saves them money rather than having them go out and buy the materials independently. For example, the Durham Region Bus Pass saves students about 65% on a monthly adult rate.

RESOURCES REQUIRED:

N/A

IMPLICATIONS:

Altering the fees will alter our ability to provide specific services.

ALIGNMENT WITH MISSION, VISION, VALUES & STRATEGIC PLAN:

The fees recommended will allow Ontario Tech to continue to provide quality undergraduate and graduate services and experiences to its students.

ALTERNATIVES CONSIDERED:

Each fee change was reviewed by the Ancillary fee Committee.

CONSULTATION:

A request for fees was sent out to all unit leads and Ontario Tech Student Union in December. The committee met to evaluate and decide on changes. Instead of applying the CPI to all fees the Student Union and management discussed, and agreed to, reallocating the increase to a new student success fee that would enhance academic advising services.

COMPLIANCE WITH POLICY/LEGISLATION:

The increases are compliant with provincial policy and Ontario Tech's ancillary fee protocol.

NEXT STEPS:

Update ancillary fees within Ontario Tech's student information system and website.

MOTION FOR CONSIDERATION:

That the Audit and Finance Committee hereby recommends the 2022-23 ancillary fees as presented, for approval by the Board of Governors.

Compulsory Ancillary Fees

(Note: **New Fees for 2022/23 are highlighted in green**)

Flat Fees. FT and PT.	2021-22	2022-23	% Inc
Career Readiness	70.14	71.54	2.0%
Health Services (general)	27.31	27.85	2.0%
Mental Health Services	66.86	68.20	2.0%
Health and Wellness	15.28	15.59	2.0%
Sport and Recreation	91.68	93.51	2.0%
Campus Open Access	33.80	34.48	2.0%
Student Safety and Accessibility	86.18	87.90	2.0%
Student Success Support	31.70	32.33	2.0%
Physical and Virtual Infrastructure Enhancements	154.06	157.14	2.0%
Student ID	19.14	19.52	2.0%
Charged to FT each term			
U-Pass (Winter only)	288.90	294.50	1.9%
Flat Fees Paid half Fall and half Winter. FT and PT.			
Campus Clubs	4.90	5.49	12.0%
Campus Life and Events	11.42	13.13	15.0%
Community and Social Programming	10.86	12.49	15.0%
Convocation	6.77	6.90	2.0%
Georgian Engagement Services	204.74	208.83	2.0%
Instructional Resource	144.52	144.52	0.0%
Student Engagement	68.82	70.20	2.0%
Student Learning	118.46	120.83	2.0%
Student Representation and Leadership	9.10	9.28	2.0%
Student Societies	3.34	3.41	2.0%
Student Society Fee FBIT	13.56	13.83	2.0%
Student Society Fee FEAS/FESNS	18.68	19.06	2.0%
Student Society Fee FHSc	10.00	10.20	2.0%
Student Society Fee FSCI	15.00	15.30	2.0%
Student Society Fee	0.00	7.50	
Technology-enriched Learning FBIT Non-Gaming	154.38	154.38	0.0%
Technology-enriched Learning FBIT -Gaming	488.52	341.96	-30.0%
Technology-enriched Learning FEAS	236.08	200.69	-15.0%
Technology-enriched Learning FESNS	225.86	200.69	-11.1%
Technology-enriched Learning FEDU	224.10	224.10	0.0%
Technology-enriched Learning FEDU	112.00	112.00	0.0%
Technology-enriched Learning FHSc	161.32	161.32	0.0%
Technology-enriched Learning FSCI	184.08	156.47	-15.0%
Technology-enriched Learning FSSH	133.56	133.56	0.0%

Technology-enriched Learning Undeclared	157.38	157.38	0.0%
Wellness and Support Services	11.44	11.67	2.0%
World University Services of Canada	2.76	2.81	2.0%
Flat Fees Paid half Fall and half Winter. FT only			
Benefit Plan Coordination	24.38	24.38	0.0%
USU Building	101.06	105.86	4.7%
Campus Recreation and Wellness Centre	176.04	177.94	1.1%
Varsity Sports	78.90	80.48	2.0%
Flat Fees Paid once per yr. (Fall or as admitted). FT only.			
Health & Dental - Fall	284.64	284.64	0.0%
Health & Dental - Winter	230.10	230.10	0.0%
Health & Dental -Summer	175.56	175.56	0.0%
Legal Protection Program - Fall	31.64	31.64	0.0%
Legal Protection Program - Winter/Summer	21.09	21.09	0.0%
International Health Insurance - Fall	756.00	756.00	0.0%
International Health Insurance - Winter	504.00	504.00	0.0%
International Health Ins.UHIP - Summer	252.00	252.00	0.0%
Flat Fees Paid once per yr. (Fall or as admitted). FT and PT			
Nursing Mask fee	45.00	45.00	0.0%
Nursing Levey for CNSA	10.00	10.00	0.0%
Graduate Diploma in Accounting	250.00	250.00	0.0%
Flat Fees Paid at time of Course Registration			
Internship/Coop	624.24	636.72	2.0%
Business - INFR 2421U	10.00	10.00	0.0%
Business - BUSI 4701U	5.00	5.00	0.0%
Medical Laboratory Fee - MLSC 1010U	61.14	61.14	0.0%
Medical Laboratory Mask Fee - MLSC 4400U	45.00	45.00	0.0%
Nursing Lab Supply Fee - NURS 1003U	50.94	50.94	0.0%
Nursing Lab Supply Fee - NURS 2810U	30.56	30.56	0.0%
Nursing Lab Supply Fee - NURS 2820U	50.94	50.94	0.0%
Kinesiology Lab Supply Fee - HLSC 3476U	20.38	20.38	0.0%
Kinesiology Lab Supply Fee - HLSC 3475U	10.18	10.18	0.0%
Education Placement Fee (each term)	78.12	78.12	0.0%

- *Nursing licensing exam fee under review with student referendum. If that passes we will add that fee for a later date*

COMMITTEE REPORT

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: Audit and Finance Committee (A&F)

DATE: February 23, 2022

PRESENTED BY: Brad Maclsaac, VP Administration

SUBJECT: Overseeing Investments – Proposed Process

COMMITTEE MANDATE:

The Audit & Finance Committee is responsible for overseeing the investment of the university's endowment funds (Funds), which includes the following responsibilities:

- i) Overseeing the investment of the Funds in accordance with the university's Statement of Investment Policies ("SIP").
- ii) Overseeing the performance of the Investment Manager, including the Investment Manager's compliance with their mandate.

Leading up to the restructuring of the Investment and Audit & Finance Committees, the Investment Committee tasked management to outline a process that would:

- Ensure governors had the relevant information to fulfill their fiduciary obligations; and
- increase focus on strategy.

We are seeking the committee's feedback on the proposed approach to investment oversight.

BACKGROUND/CONTEXT & RATIONALE:

Over January 2022, a working group of A&F [Laura Elliot (A&F Chair), Stephanie Chow (past Investment Committee Chair & A&F Vice-Chair) and Doug Ellis (subject matter expert)] met to review a proposed process for A&F's oversight of the Funds moving forward. The focus of this discussion related to how much information A&F would require and how often it needed to be presented.

The working group used information gathered by a May 2021 survey that was sent to all Investment Committee members to help outline the overall investment objective with a keen eye on assessing their opinion of institutional risk appetite. Additionally, management interviewed a number of other institutions about their process. Based on this information, the working group highlighted the key responsibilities for

A&F committee members, which include:

- The operational review of the portfolio (i.e. is the Investment Manager complying with the provisions set out in the SIP, including staying within the asset mix range?) and is the Investment Manager meeting our targeted performance expectations over a 5-year return rate?
- The strategic review of the overall investment objective which is to obtain the best possible total return on investments that is commensurate with the degree of risk that Ontario Tech is willing to assume in obtaining such return.

WORKING GROUP RECOMMENDATIONS:

To accomplish this as efficiently as possible, the working group is recommending the following approach:

- 1) General structure: Based on the survey, the working group suggests that twice a year review would be sufficient.
 - Meeting 1: PH&N will come in once a year to focus on strategy. This session is non-public to allow the manager to speak directly to the investment strategies and how they specifically impacted Ontario Tech's portfolio. The content includes information on investment process and approach that is not to be disseminated to clients not directly invested in the strategy. They will also report on ESG compliance as required by the SIP.
 - Meeting 2: VP Admin will present the quarterly report once a year in public session. It will focus on letting the committee know how we are doing with targets such as returns vs. benchmark and portfolio composition vs. SIP.

The team will also come to A&F as necessary for items such as funds looking to be outside of the approved range or as new strategic opportunities arise.

- 2) Timing: the A&F dates do not align with the investment quarterly reports as they are completed end March, June, Sept, Dec and need a month to put together. The working group also reviewed the A&F workplan to see if they can balance out the annual standing items (ie budget presentations) and recommends the following timing:
 - *Meeting 1 on PH&N strategy will normally occur in June.*
 - *Meeting 2 on SIP review will normally occur in February (December performance).*

Management will continue to review the quarterly statements and meet with the Investment Manager as necessary.

- 3) Investment Manager Performance: the working group discussed how often a review of the Investment Manager's performance should occur and determined an internal review every three but no more than 5 years. Management will specifically review items such as: sector comparisons, investment fees to return rates and other value for money indicators. External review may be requested by the Board as deemed necessary. In November 2019 a third-party review was conducted. This can be found on the internal portal.

The intent of the reviews focus on a balance between ensuring the investment team "stays hungry" but also not so often that we become seen as an institution with quick turn over of engagement. The investment of institutional endowments is a long-term strategy.

- 4) Supporting documents: The working group noted that while supporting information related to the funds we invest in and the opportunities that may arise are interesting, the A&F packages are already large. The working group proposed adding supporting documentation to a separate

folder in the Board portal, which would include information such as: expanded quarterly reports and trends packages for those members who wish to read more. Management should try to populate that at least twice a year and preferably in months when A&F or full Board is not meeting.

- 5) Board Training: to ensure committee members feel comfortable with their fiduciary role with respect to investment oversight, the working group talked about training and summary of key terms that provides guidance on the type of considerations a Board committee should think about when reviewing investment performance. Sample questions will be placed in the supporting documents folder.

We are seeking the committee's feedback on the proposed approach.

SUPPORTING REFERENCE MATERIALS:

N/A



BOARD OF GOVERNORS
Audit & Finance Committee

Minutes of the Public Session of the Meeting of Wednesday, November 24, 2021
2:00 p.m. to 3:20 p.m., Videoconference

Members: Laura Elliott (Chair), Stephanie Chow, Douglas Ellis, Mitch Frazer, Thorsten Koseck, Dale MacMillan, Steven Murphy, Dietmar Reiner,

Staff: Becky Dinwoodie, Jackie Dupuis, Cheryl Foy, Barb Hamilton, Krista Hester, Lori Livingston, Brad MacIsaac, Susan McGovern, Pamela Onsiong

Regrets: Kim Slade, Roger Thompson

Guests: Sylvie Bardin, Chelsea Bauer, Toba Bryant, Mike Eklund, Christine McLaughlin, Namdar Saniei, Hannah Scott

1. Call to Order

The Chair called the meeting to order at 2:01 p.m.

2. Agenda

Upon a motion duly made by D. Ellis and seconded by T. Koseck, the Agenda was approved as presented.

3. Conflict of Interest Declaration

None.

4. Chair's Remarks

The Chair welcomed the committee to their first meeting of the Board year. She also acknowledged that it was the first committee meeting following the restructuring of the Investment and Audit & Finance Committees. She welcomed the newest members of the committee: Doug Ellis, Thorsten Koseck, and Kim Slade. The Chair commented that she is looking forward to continuing to work with committee members to advance the committee's mandate, which has been updated to incorporate oversight of the investment of the university's endowment funds.

The Chair noted it has been a difficult fall as people navigate their way back to work and try to balance working from home and working in the office. It is understandable that there will be challenges ahead.

5. President's Remarks

The President welcomed the committee members back. He acknowledged the faculty and staff who have gotten students through another semester. The President reported on a recent presentation given by Stephen Marsh to Academic Council. S. Marsh shared his innovations in his home classroom. The President thanked L. Livingston for steering us through COVID. He advised the committee that the focus is on September 2022, learning the lessons from the past two years and placing students at the centre of the experience.

The President reported on the Woman for STEM Summit that took place in October. This initiative is important in helping build a pipeline of women in STEM disciplines, as well as providing bursaries and scholarships, and opportunities for mentorship. The President also shared the great news with respect to the university's rankings - Maclean's ranked the university ninth in the category of primarily undergraduate universities. He acknowledged the work of the Registrar, Joe Stokes, in making sure ranking agencies have what they need to acknowledge Ontario Tech for our growth.

The President also discussed the launch of Canada's International Atomic Energy Agency Collaborating Centre at the university. Ontario Tech is the first university in Canada to have a collaborating centre. The trajectory of the university is strong and he looks forward to discussing the budget with the committee today.

The Chair echoed the President's comments about the presentation by S. Marsh and observed the excitement of the attendees of the session.

6. Annual Terms of Reference Review

B. Dinwoodie provided an overview of the committee's updated terms of reference. There was a question about how many times the committee meets per year and B. Dinwoodie confirmed that the committee meets four times a year.

7. Finance

7.1. Strategic Risk Discussion: Financial Sustainability - Reserves

B. MacIsaac provided a high level overview of the accompanying reports. He highlighted the following key points:

- important for the committee to be aware that there are often unexpected things that happen that result in a surplus;

- the university is sometimes mandated to collect a reserve (e.g. Health & Wellness Centre); and
- important to set aside funds for deferred maintenance.

The committee had a robust discussion about reserves, which included the following comments and questions:

- the background paper was clear and written at the right level for the committee;
- strategy of deferred maintenance - Does that increase the university's risk or cost? Are we creating a risk that we need to be cognizant of?
 - B. MacIsaac advised that as many of the university's buildings are newer, we have not had to discuss deferred maintenance very often; however, as our buildings age, it is important to set aside funds to save for repairs.
- 10-year asset plan - What are the assets we would need to replace to ensure business continuity?
 - D. MacMillan advised that the Government of Canada recently published a fixed asset review and she provided the website link (<https://www.canada.ca/en/treasury-board-secretariat/corporate/reports/improving-results-2017-horizontal-departmental-reviews/horizontal-fixed-asset-review-executive-summary-final-report.html>).
- How do you manage these funds (visibility/transparency) and show withdrawals?
 - transparency can be improved;
 - manage funds with fixed/hybrid model - equipment and units update annually - must provide better information on IT projects; and
 - with respect to the budget process, there is greater transparency on what money is being spent on.
- Where are capitalization rates sourced, particularly for unique facilities?
 - Capitalization rates close to inflation but some differ depending on type of equipment.
- If the university were to increase enrolment, what would we need to do to accommodate 18,000 students?
 - Campus Master Plan shows how the university and Durham College could grow to 20,000 students each.

- B. Maclsaac advised that the COU standards were developed a long time ago and are high compared to what we need today; a COU task force has been tasked with reviewing and updating those standards – (e.g. being in Oshawa, the university needs more space for food services than an institution located in downtown Toronto).
- Hybrid learning actually requires more space than less space, as there is a need for more smaller interactive engagement spaces.
- L. Livingston added that it is also important to create as equitable environments as we can between north and downtown campuses.
- What is the impact of online learning? Should campus be expanded if many students will be learning online?
 - B. Maclsaac advised that while the university will not be returning to the old ways of instruction, if half of students are online and the other half in class, the university must enhance the IT infrastructure as well as in class infrastructure; investment in IT/Cloud will also be required and it is estimated that a \$5m investment over several years would be needed; most of the digital infrastructure is the technology needed to do hybrid learning.
 - If we only focused on reserves, we used to set aside \$3.5m per year and have not done so the past 2 years. The plan for next year is to set aside \$2.5m for our starting point.
- How often are internal restrictions reviewed?
 - P. Onsiung advised that the restrictions are reviewed quarterly.
- There was a discussion about the usage rate of classroom space and examining revenue generation opportunities for space not being used at night and on weekends that align with the university's mission.
 - S. Murphy added that we must also think about how we can bring community members onto campus and promote the university as a community hub.
- How do the recommendations set out in the accompanying paper roll into the financials?
 - B. Maclsaac clarified that when it comes to the end of the year, management will make a recommendation as to what to set aside in light of a deficit/surplus.

7.2. Second Quarter Financial Reports

P. Onsiong reviewed the financials with the committee. She highlighted the forecasted budget surplus due to an upside in revenues due to better than expected enrolment. She also noted the shortfall for domestic intake that will have a flow through for future years. P. Onsiong also highlighted the unanticipated grants, COVID support funding, eCampus Ontario grants, and grants for maintenance. These have all been allocated to cover specific expenses (reflected in academic support and capital expenses). P. Onsiong also discussed the increasing recruitment costs to support enrolment growth and scholarships. There has also been an additional \$4.3m of capital expenses, 35% covered by operating investment and 65% covered by grants. The university has invested \$21m in the new building with the remainder covered by financing. P. Onsiong and B. Maclsaac responded to questions from the committee. In response to a question about whether the enrolment numbers are being overly optimistic, B. Maclsaac advised that as we look at the short term, it is a very positive indicator. The university brought in and retained more students than anticipated. Further, the international intake is above the 2-year plan. He noted that it is the second year in a row that we missed domestic intake numbers, which will have a flow through effect. We will have to focus on recruitment and retention to make up for that shortfall. It remains difficult to anticipate what the ongoing impacts of COVID will have on international travel.

7.3. Budget Assumptions

B. Maclsaac reviewed the key budget assumptions. He emphasized that priorities drive the budget and not the other way around. In order to increase revenue, we must increase the number of students. Total enrolment is anticipated to be down next year compared to this year. Total revenues are up because of the increase in international students and international tuition, whereas domestic enrolment is anticipated to remain flat. Further, there is a \$6m increase in full-time labour.

L. Livingston discussed the strategic priorities that are driving the budget. The Integrated Academic and Research Plan captures the university's priorities and is updated annually in consultation with the university's units. The key areas of priority are:

- mental health and supporting EDI initiatives;
- recruitment;
- innovative programming;

L. Livingston advised that they anticipate \$75m in asks for only \$3.5m in surplus. After a number of years of cutbacks, it is a good position to be in to invest for the future. There was a discussion regarding the next steps, which include town halls and stakeholder engagement.

L. Livingston and B. MacIsaac responded to comments and questions from the committee, which included:

- When units are invited to present asks, how are one-time asks versus long-term asks approached?
 - This year, units can request base or one-time asks – the last few years, units were limited to one-time asks;
- Member expressed support for the priorities set out in the accompanying report - investment in human resources will be required.
- Is management comfortable with the enrolment assumptions?
 - L. Livingston confirmed that they are comfortable with the assumptions; the university is being cautious about relying on international students by limiting international growth and diversifying the markets from which we recruit our students (e.g. Africa, Vietnam).

8. Investment Oversight

8.1. Annual Review of Statement of Investment Policies (SIP)

B. MacIsaac discussed the background work that was done by the Investment Committee last year to update the SIP. He provided an overview of the proposed changes to the SIP that were set out in more detail in the accompanying report.

Upon a motion duly made by T. Koseck and seconded by D. MacMillan, the Audit and Finance Committee unanimously recommended the proposed amendments to the Statement of Investment Policies, as presented, for approval by the Board of Governors.

9. Consent Agenda:

9.1. Minutes of Public Session of A&F Meeting of June 16, 2021

9.2. Minutes of Public Session of Investment Meeting of June 2, 2021

Upon a motion duly made by D. MacMillan and seconded by S. Chow, the Consent Agenda was approved as presented.

10. For Information:

10.1. Freedom of Expression Annual Report

11. Other Business

12. Adjournment

There being no other business, upon a motion duly made by T. Koseck, the meeting adjourned at 3:21 p.m.

Becky Dinwoodie, Secretary

DRAFT

Audit & Finance Committee

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: Audit & Finance Committee

DATE: February 23, 2022

FROM: Brad MacIsaac, Vice-President Administration

SUBJECT: Procurement Procedures

AUDIT & FINANCE COMMITTEE MANDATE:

The Audit and Finance Committee will be consulted and is the deliberative body for the establishment of Legal, Compliance and Governance Policies and Procedures, as reflected in the university's Policy Framework.

The attached Procurement Procedures are being presented to A&F for approval. The policy will remain unchanged.

BACKGROUND/CONTEXT & RATIONALE:

- The existing procurement procedure was approved in 2012, with various amendments over time.
- In 2019 Finance undertook a data analytics cycle of several key areas related to procurement. The results noted room for improvement and also that relevant legislation (i.e. Broader Public Sector Procurement Directive) had evolved.
- A project to update the Procedures was commenced in 2020 using the results of the above analysis and benchmarking with over 15 Universities.
- Significant changes in the proposed Procedures include:
 - Clarification of the scope – to exclude a list of items that are by definition 'sole source',
 - Increases to the purchasing dollar thresholds – both as to when quotes are to be obtained, and where necessary, the number of competitive quotes,
 - Clarification and increases to the dollar thresholds regarding the process for 'waivers' – i.e. when it is acceptable to not have competitive quotes,

- Inclusion of legislative requirements regarding purchases subject to trade agreements, and
- Updating guidance regarding of restricted and/or regulated items.

The goal for the updated Procedures is to maintain the highest standard for governance, while adding clarification to the users of this procedures to make the application simplified and more efficient. Of note the updated version was reviewed by the Ontario Internal Audit Division as part of the 2021 MCU audit. OIAD was satisfied with the overall proposed procedures.

ALIGNMENT WITH MISSION, VISION, VALUES & STRATEGIC PLAN:

Up-to-date Procurement standards that comply with relevant legislation, demonstrate value-for-money processes, and are operable in a clear and efficient manner are clearly aligned with the Mission, Vision, Values.

CONSULTATION:

The procedures were reviewed by a cross-section of stakeholders who provided input. The proposals were reviewed with the Policy Advisory Committee (June, 2021), Academic Council (January 2022) and the Administrative Leadership Team (February, 2022).

COMPLIANCE WITH POLICY/LEGISLATION:

These proposed Procedures comply with the new Broader Public Sector Procurement Directives, Canadian Free Trade Agreement (CFTA) and Comprehensive Economic Trade Agreement (CETA). The Canadian Free Trade Agreement (CFTA), a pan-Canadian trade agreement that replaced the Agreement on Internal Trade (AIT), and took effect on July 1, 2017. The Canada-European Union (EU) Comprehensive Economic and Trade Agreement (CETA) took effect on September 21, 2017. These trade agreements support the exchange of goods and services between Ontario and other countries and provinces.

NEXT STEPS:

- Upon approval, the updated procedures will be posted in the university's Policy Library.

MOTION FOR CONSIDERATION:

That the Audit and Finance Committee hereby approves the Procurement of Goods and Services – Procedures, as presented.

SUPPORTING REFERENCE MATERIALS:

- Procurement of Goods and Services – Procedures

Classification	LCG 1131.01
Parent Policy	Procurement of Goods and Services Policy
Framework Category	Legal, Compliance and Governance
Approving Authority	Audit and Finance Committee
Policy Owner	Vice President Administration
Approval Date	DRAFT FOR REVIEW
Last Updated	<i>To be completed after approval</i>
Review Date	<i>To be completed after approval</i>
Supersedes	<i>To be completed after approval</i>

PROCUREMENT OF GOODS AND SERVICES – PROCEDURES

PURPOSE

1. The purpose of these Procedures is to complement the Procurement of Goods and Services Policy by serving to define and guide individuals in fulfilling their responsibilities and obligations throughout each phase of the procurement process. These procedures are consistent with the Broader Public Sector Procurement Directive, Supply Chain Code of Ethics, Canadian Free Trade Agreement, Canada-European Union Comprehensive Economic and Trade Agreement, and have been developed to ensure that all goods and services are acquired by the University through a process that is open, fair and transparent.

DEFINITIONS

2. For the purposes of these Procedures the following definitions apply:

“Accessibility” means the degree of ease that something (e.g. goods, service, facilities) can be used and enjoyed by persons with a disability. The term implies conscious planning, design and/or effort to ensure it is barrier-free to persons with a disability.

“Accessible Procurement” means determining what is required for a product or service to be accessible, and either consulting with persons with disabilities, finding ways to procure something that meets those requirements or, documenting why this is not possible and what will be done if an accessible alternative is requested.

“Contract” means any document, or other evidence, of an intention to establish a binding legal relationship between the University and one or more third parties.

“CFTA” means Canadian Free Trade Agreement.

“CETA” means Canadian European Trade Agreement.

“Goods” means moveable property, as well as the costs of installing, operating, maintaining or manufacturing such moveable property which are purchased, rented or leased by the University, including raw materials, products, equipment and other physical objects of every kind and description whether in solid, liquid, gaseous or electronic form, unless they are procured as part of a general construction contract. It includes capital items, such as furniture, research equipment,

telecommunications and computers, peripheral equipment and acquisitioned software where there is a one-time license fee and other items that have a useful life greater than one year.

Goods also include materials and equipment used for research purposes, such as controlled goods, animals, biohazardous, radioactive and other hazardous materials and equipment. The acquisition of these materials requires additional procurement procedures as outlined in Appendix B.

“Services” means any intangible product that does not have a physical presence. No transfer of possession or ownership takes place when services are sold, and they (1) cannot be stored or transported, (2) are instantly perishable, and (3) come into existence at the time they are bought and consumed. This includes construction related services.

“Consulting Services” is limited to the provision of expertise or strategic advice that is presented for consideration and decision-making. This does not include contractors who are performing work on a fee for service basis and who are NOT providing strategic/decision-making advice (e.g. police officers, specialists for disabilities, sign language interpreters, etc.). Consulting services are subject to different procurement practices than all other goods and services. A working list of common services procured by universities that would be deemed consulting services is provided in Appendix A.

“Limited Tendering” means a procurement method whereby the procuring entity contacts a supplier or suppliers of its choice.

“Procurement by Invitation” means the request of a bid, quote or proposal by the purchaser or Procurement Department.

“Purchase Order” means a written offer made by a purchaser to a vendor that formally sets out the terms and conditions of the proposed transaction.

“Purchaser” means the Ontario Tech Department that is initiating the purchase.

“Open Procurement” means a competitive procurement process open to all qualified and interested bidders.

“Requisition” means the process of initiating documentation for the applicable Means of Procurement.

“Regulated and Restricted Goods” means certain goods and services that require additional technical and/or regulatory approval or other review from a designated approving department to ensure they comply with internal university standards, licenses and regulatory requirements.

“Budgeting” means the process of determining whether there are sufficient funds available to commit the University to the purchase.

“Commitment” means the act of formally binding the University to a purchasing agreement.

“Receipt” means the physical receipt of the purchased goods or services by University personnel.

“Payment” means the processing of payment and transfer of funds from the University to the vendor, supplier or contractor.

SCOPE AND AUTHORITY

3. These Procedures apply to all purchases of Goods, Services or Consulting Services at the University.

4. These Procedures do not apply to payments related to employment or honoraria.
5. The Vice President Administration, or successor thereof, is the Policy Owner and is responsible for overseeing the implementation, administration and interpretation of these Procedures.

PROCEDURES

6. Procurement Principles

6.1. Segregation of Duties

The University requires that at least three of the following five functional procurement roles are segregated between different departments or, at a minimum, between different individuals:

- a) Requisition
- b) Budgeting
- c) Commitment
- d) Receipt
- e) Payment

6.2. Signing Authority and Approval

All Goods and Services purchased at the University must be approved at the outset by the appropriate authority signing authority. Requirements for procurement are determined by the type of Good or Service to be purchased, as well as the financial (pre-tax) threshold of the expenditure. If the amount of a purchase is amended or increased after the order has been authorized, the revised total expenditure (original amount plus increase) will be used to determine approval authority.

6.3. Types of Purchase

The procurement process to be followed is determined by the type of purchase to be made: (a) Goods and Services, or (b) Consulting Services.

7. Threshold Values and Means of Procurement

- 7.1.** The means by which goods and services are procured is determined by the total value of the item, before tax, in accordance with the chart below and as described in the subsequent sections of this procedure. The total cost will include the cost of associated warranties, maintenance and service agreements.

MEANS OF PROCUREMENT	REQUIREMENTS	THRESHOLDS
CONSULTING SERVICES		
Purchase Order	Three written quotations (by invitation)	\$0-\$99,999.99
Purchase Order	Open competitive process	\$100,000 or more

GOODS AND SERVICES		
Purchasing Card or approved invoice processed through Accounts Payable	Authorized cardholder and approval based on Signing Authority Registry	\$0 - \$9,999.99
Purchase Order	Two written quotations (by invitation)	\$10,000 - \$24,999.99
Purchase Order	Three written quotations (by invitation)	\$25,000 - \$99,999.99
Purchase Order	Open competitive process	\$100,000 or more

7.2. Any attempt to circumvent or otherwise manipulate the thresholds used to determine the means of procurement (e.g., dividing a single procurement into multiple procurements) is strictly prohibited, and will result in delay of the purchase as the individual undertaking the requisition will be required to obtain additional quotes.

7.3. Under special circumstances, Limited Tendering may be used to have the quotation requirement waived.

8. Competitive Procurement

8.1. All Goods and Services valued greater than \$10,000 will be procured by an invitational or open competitive procurement process. An open competitive procurement process may be used, regardless of value, due to the high-profile nature of the requirement, at the discretion of the Procurement Department, or where required by an external organization.

9. Open Competitive Procurement

9.1. All Goods and Services that are valued at greater than \$100,000 must be procured through an Open Procurement in order to solicit and evaluate bids in a fair, impartial manner prior to the issuing of a Purchase Order.

9.2. The Open Competitive Procurement process involves the following four stages:

- a) Development of a bid request;
- b) Posting and receipt of bid requests;
- c) Evaluation of bid requests; and
- d) Contract and award notification.

9.3. Detailed information and guidance regarding each of the above stages is included in Appendix C.

10. Purchase Orders

10.1. A Purchase Order must be used for all purchases of Consulting Services regardless of value, as well as Goods and Services, as required by the Threshold Values.

10.2. There are certain Goods and Services for which a Purchase Order may not be acceptable or appropriate. Such items may be procured through alternative means such as cheque requisitions, or expense reports.

10.3. Items exempt from a Purchase Order include the following:

- a) Customs
- b) Courier and freight charges
- c) Conference or seminar fees
- d) Course registration fees
- e) Debt payments, including interest payments
- f) Donations
- g) Elevator license fees
- h) Insurance premiums
- i) Inter-institutional expenses or transfers
- j) Investments and related fees
- k) Leasehold payments
- l) Membership fees
- m) Petty cash items
- n) Real property charges
- o) Recruitment agency fees
- p) Refunds
- q) Registry fees
- r) Sponsorship fees
- s) Subscription fees
- t) Support Allowance fees
- u) Taxes and charges
- v) Travel expenses
- w) Utilities
- x) Vehicle license fees
- y) Animal Care Veterinarian Services
- z) Patent Agents

11. Purchase Requisitions

11.1. A purchase requisition is a document used as part of the accounting process to initiate a merchandise or supply purchase. A purchase requisition identifies the business need for the Goods or Services and ensures appropriate controls are in place to monitor the legitimacy of a purchase.

- 11.2.** All requisitions regardless of Purchase Order type must include:
- a) Valid Banner ID/Supplier Number
 - b) Contact information of purchaser;
 - c) Vendor contact information;
 - d) Product or quote information including quote number, item description, catalogue or order number, quantity, pricing, and unit of measure, etc.;
 - e) Date by which Goods and Services must be received;
 - f) Account information (fund, org, account);
 - g) Quotation, justification to validate the use of Limited Tendering;
 - h) Where applicable any separate agreement and a note on restricted goods as outlined in Appendix B.
- 11.3.** If the supplier does not have a valid Banner ID/supplier number, the individual initiating the transaction must complete the Supplier Setup Form. The Procurement Department will then check the validity of the Supplier through the Canadian Revenue Agency website and internet search before the Supplier record is established.
- 11.4.** Purchase requisitions must be created and approved using the online Web Requisition portal and accompanied by the appropriate supporting documentation. There are requisitions for two types of Purchase Orders:
- a) **Regular Purchase Order:** Generally used for Goods and Services purchased at the time and paid for in a lump sum.
 - b) **Blanket Purchase Order:** A blanket Purchase Order is an order of Goods and/or Services processed by the University with a supplier that contains multiple delivery dates scheduled over a fiscal year, sometimes at predetermined prices. It is normally used when there is a recurring need for Goods and/or Services. Accordingly, items are purchased under a single Purchase Order rather than processing a separate Purchase Order each time Goods and/or Services are needed.
- 12. Equipment Standards**
- 12.1.** Purchases of IT hardware, including laptops, tablets, workstations, monitors, printers and servers, with the exception of research hardware, must be selected from the list of standard hardware models and purchased or leased through a Purchase Order from the designated preferred vendor, as established by Information Technology Services (ITS).
- 13. Furniture**
- 13.1.** Requisitioners are asked to consult OCIS by phone or through a Service Desk request before purchasing office or classroom furniture to ensure that there is not existing inventory that would meet the requirements.
- 14. Lab Consumable Supplies and Minor Equipment**
- 14.1.** Before purchasing Lab Supplies & Equipment please contact centralstores@ontariotechu.ca
- 15. Lab Chemicals, and regulated and restricted goods**
- 15.1.** These items cannot be purchased using a purchasing card unless exempt by the appropriate signing authority. See Appendix B for more information regarding regulated and restricted goods.

- 15.2.** All lab chemicals, and regulated and restricted goods will be purchased using a Purchase Order or through an authorized individual to ensure compliance with applicable legislation and regulations, and University policy and procedures.
- 15.3.** All Purchase Order of lab chemicals, and regulated and restricted goods must be signed off by the appropriate signing authorities: Biosafety Officer, Radiation Safety Officer, designated official (controlled goods), Health and Safety Officer (designated substances), or Animal Care Coordinator in the Office of Research Services (animal care and use).
- 15.4.** When completing a purchase requisition for any of the Restricted Items Requiring a Purchase Order, the following information must be included in the comments section of the requisition form:
- a) Researcher/ Purchaser name;
 - b) Certificate/permit approval number as assigned by the relevant research compliance committee (Animal Care Committee, Biosafety Committee or Radiation Safety Committee);
 - c) Indicate if the material is biohazardous, radioactive, animals, controlled goods, hazardous. In rare circumstances, restricted items may be purchased using an alternative procurement method (e.g. purchasing card); however, prior approval must be sought from the Office of Research Services (Biosafety officer/Radiation Safety officer/Animal Care Coordinator).

16. Execution of Purchase Orders and Purchasing Agreements

- 16.1.** On receipt of an approved purchase requisition, the Procurement Department will execute a Purchase Order which includes terms and conditions prior to the provision of Goods and Services and communicate this to the Purchaser and vendor. Unless a Purchase Order is issued under a separate written purchasing agreement between the purchaser and the vendor, the Purchase Order and any attachments are the sole agreement between the parties.
- 16.2.** All purchasing agreements will include:
- a) Cancellation or termination clauses, as appropriate. When conducting complex procurements, the university may consider the use of contract clauses that permit cancellation or termination at critical project life-cycle stages.
 - b) The specific term of the agreement and any options to extend the agreement. Any change or amendment to the term of a purchasing agreement will be made in accordance with the Signing Authority Registry and Approval Procedures and requires review by the Procurement Manager.

17. Receipt of Goods

- 17.1.** All Goods are to be delivered to Shipping/Receiving, unless otherwise specified in the purchase requisition. Goods must be accompanied by a packing slip that indicates the Purchase Order number.
- 17.2.** Shipping/Receiving will contact the Purchaser to indicate arrival of the order. The Purchaser or designate is responsible for signing the packing slip to validate that the Goods received are in accordance with the Purchase Order.
- 17.3.** If Goods received are not in accordance with the Purchase Order, the Purchaser is responsible for following up with the vendor, in consultation with the Procurement Department.

18. Payment of Invoices

18.1. Payment through Accounts Payable would be through remitting the invoice, along with other required documentation (e.g. a cheque requisition), to Accounts Payable.

18.2. All invoices must be sent directly to Accounts Payable by the vendor. Invoices will be forwarded by Accounts Payable to the purchaser for approval prior to payment. All invoices for Goods submitted by the Purchaser for payment must be accompanied by a signed packing slip and sent to Accounts Payable.

19. Return of Goods

19.1. For any Good that needs to be replaced or returned, it is the responsibility of the Purchaser to contact the vendor and make the appropriate arrangements in consultation with the Procurement Department. Where the replacement or return requires a change to the terms of the original Purchase Order, the purchaser will contact the Procurement Department to initiate the change.

20. Trade Agreements

20.1. General

The University will ensure the provisions of both the CFTA and CETA are considered during procurement activities and throughout the competitive tendering process. Both trade agreements are similar; however, CFTA is triggered first since that treaty has far lower thresholds for publicly tendering.

20.2. CFTA

CFTA will apply for the procurement thresholds listed on <https://www.cfta-alec.ca/procurement/covered-procurement-thresholds/>

*Rates are in CDN currency and subject to inflation adjustment.

20.3. CETA

CETA will apply for the procurement thresholds listed on: <https://www.canada.ca/en/treasury-board-secretariat/services/policy-notice/contracting-policy-notice-2019-4-trade-agreements-thresholds-update.html>

* Amounts are in CDN currency and subject to inflation adjustment

20.4. Valuation

In estimating the value of a procurement for the purpose of ascertaining whether it is a covered procurement, a procuring entity will include the estimated maximum total value of the procurement over its entire duration, whether awarded to one or more suppliers, taking into account all forms of remuneration, including premiums, fees, commissions and interest; and if the procurement provides for the possibility of options, the total value of such options.

21. Limited Tendering

21.1. Limited Tendering represents a departure from the required number of quotes, as set out above, and must be accompanied by a waiver setting out the rationale for limited tendering. Limited tendering must be approved in advance of the purchase by the following:

- a) Purchases \$10,000 - \$25,000: the waiver must be approved by the Procurement Manager and Director of Financial Operations.
- b) Purchases over \$25,000 the waiver must be approved by the Procurement Manager and the Vice President Administration.

- c) Purchases of consulting services requires the waiver to be approved by the Procurement Manager, the Vice President Administration, and the President.

21.2. All such requests for using Limited Tendering must be approved in advance before the procurement process begins. If the Limited Tender is not approved in advance it runs the risk of not being approved and the vendor not being paid.

21.3. Requests for Limited Tendering

In order to obtain approval for Limited Tendering, the purchaser must make a formal request to the Procurement Department with a written explanation as to why it would be impracticable or otherwise inappropriate to put the Good or Service out for competitive procurement. Such requests should include specific requirements of the Good or Service, evidence that an objective market analysis has been undertaken and that the cost charged by the vendor is fair and reasonable. If the Good or Service is being purchased through a distributor of the manufacturer, a letter from the manufacturer should be obtained indicating a sole source distributor relationship exists between the parties.

21.4. Granting Use for Limited Tendering

The use of Limited Tendering may be granted in the following special, limited circumstances:

- a) If no tenders were submitted or no suppliers requested participation or if no tenders conformed to the essential requirements of the tender documentation or no suppliers satisfied the conditions for participation or if the submitted tenders were collusive (provided that the requirements of the tender documentation are not substantially modified);
- b) If the goods or services can be supplied only by a particular supplier and no reasonable alternative or substitute goods or services exist for any of the following reasons:
 - i. the requirement is for a work of art;
 - ii. the protection of patents, copyrights, or other exclusive rights;
 - iii. due to an absence of competition for technical reasons;
 - iv. the supply of goods or services is controlled by a supplier that is a statutory monopoly;
 - v. to ensure compatibility with existing goods or to maintain specialized goods that must be maintained by the manufacturer of those goods or its representative;
 - vi. work is to be performed on property by a contractor according to provisions of a warranty or guarantee held in respect of the property or the original work;
 - vii. work is to be performed on a leased building or related property, or portions thereof, that may be performed only: by the lessor; or
 - viii. the procurement is for subscriptions to newspapers, magazines, or other periodicals;
- c) For additional deliveries by the original supplier of goods or services that were not included in the initial procurement, if a change of supplier for such additional goods or services: (i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, software, services, or installations procured under the initial procurement; and (ii) would cause significant inconvenience or substantial duplication of costs for the procuring entity;

- d) If strictly necessary, and for reasons of urgency brought about by events unforeseeable by the University, the goods or services could not be obtained in time using open tendering;
- e) For goods purchased on a commodity market;
- f) If a procuring entity procures a prototype or a first good or service that is developed in the course of, and for, a particular contract for research, experiment, study, or original development. Original development of a first good or service may include limited production or supply in order to incorporate the results of field testing and to demonstrate that the good or service is suitable for production or supply in quantity to acceptable quality standards, but does not include quantity production or supply to establish commercial viability or to recover research and development costs;
- g) For purchases made under exceptionally advantageous conditions that only arise in the very short term in the case of unusual disposals such as those arising from liquidation, receivership, or bankruptcy, but not for routine purchases from regular suppliers;
- h) If a contract is awarded to a winner of a design contest provided that: (i) the contest has been organized in a manner that is consistent with the principles of Chapter 5 of CFTA, in particular relating to the publication of a tender notice; and (ii) the participants are judged by an independent jury with a view to a design contract being awarded to a winner;
- i) If goods or consulting services regarding matters of a confidential or privileged nature are to be purchased and the disclosure of those matters through an open tendering process could reasonably be expected to compromise government confidentiality, result in the waiver of privilege, cause economic disruption, or otherwise be contrary to the public interest.

21.5. Preferred Vendors

Preferred vendors are established via a contract or agreement with the University following a competitive procurement process. Agreements for preferred vendors have set terms, conditions and/or pricing over a fixed period of time in order to maximize its ability to achieve the best economic value for its expenditures. A current list of preferred vendors is available through the Procurement Department.

- 21.6.** Where the University has established such contracts or agreements, Goods and Services should be purchased against these contracts from these preferred vendors.

MONITORING AND REVIEW

- 22.** These Procedures will be reviewed as necessary and at least every three years. The Procurement Manager, or successor thereof, is responsible to monitor and review these Procedures.

RELATED POLICIES AND PROCEDURES

- 23.** Accessibility Policy
 Procurement of Goods and Services Policy
 Academic Staff Employment Policy
 Conflict of Interest in Research Policy
 Gift Acceptance Policy
 Designated Substance Permit
 Health and Safety Policy
 Radiation Safety Manual
 Biosafety Manual

Policy on the Care and Use of Animals in Research and Teaching
Statement of Investment Policy and Procedures
Procedures for the Determination of Contractor Status
Risk Management Policy
Signing Authority Registry and Approval Procedures
Supply Chain Code of Ethics
Expenses Policy
Expenses Procedures
Safe Disclosure Policy
Safe Disclosure Procedures
Contract Management Policy
Legal Review of Contracts Procedures
Supply Chain Code of Ethics

APPENDIX A: NON-CONSULTING AND CONSULTING SERVICES

The following is a list of services that are commonly used by universities and that would be deemed to be “Services”, and not “Consulting Services” as defined in the Procurement Directive under the Broader Public Sector Financial Accountability Act (Bill 122).

1 - NON-CONSULTING SERVICES		
REVIEWS (predominantly subject matter experts)	Academic departmental/peer reviews Faculty/decanal review Division reviews Endowed chair reviews Dean initiated reviews Reviewers for chair selection processes Governance reviews Research/scientific reviews	Research/curriculum development/expertise Accreditation reviews Undergraduate and graduate program reviews Clinical program reviews/clinical trial reviews Thesis defense and reviews Independent review of a student’s evaluation Evaluation specialists or performance measurement specialists
SPEAKERS	Invited Facilitators for retreats (sometimes working on strategic plans) and workshops	Invited Speakers – for lectures, research seminars, endowed lecture series, continuing educational series programs, continuing professional development series
TRAINING	Training sessions	ITS course trainers
TECHNICAL SERVICES	Design and print agencies Program brochure design/printing/ mailing Annual report / newsletter design services/printing Technical writers, copy and writing editors or case writers – speech and article writers Business plan writing Consultants to write analytical summaries of specific government conferences Project management Business development Web design/maintenance Graphic services Videotaping and production for teaching support materials Photographers	Event planning or management services TSSA – Technical Safety Standards Association ESA – Electrical Safety Association BI&I – insurance company, that does inspections DJ services Couriers Sports game officials Translation services/transcription services English language training provided by Applied Language Associates Onsite ergonomists Implementation services for proprietary equipment (usually through an RFP) Security services Police officers ¹ Specialists for disabilities ¹

	AV support/recording of continuing education programs Audio support/equipment rental for convocation and outdoors	Sign language interpreters ¹ Musicians ¹
IT SERVICES	Scheduling system maintenance Cable installers Hosting services (servers and web) Design analysis for ITS hardware/software/facilities	Computer programmers hired to develop surveys/databases Service on equipment/software where service or warranty no longer applies
HR/STAFFING	Non-continuing non-employment remuneration (NCNER) compensation Retired faculty members paid through NCNERs Preceptor payments Psychologists HR counselling/coaching services Career advisors offering training, coaching and assistance with applications and career strategies for students Career transition consultants	Benefit provider -employee assistance program (family counselling) Benefit provider -mental health and addiction counselling Compensation and evaluation providers health, dental, insurance benefit plan administration services Mediators Investigators Recruitment specialists
FINANCIAL / MONEY MANAGEMENT	Moneris/PSIgate Investment management services related to pension plans and endowments Custodial investment services related to pension plans and endowments Banking services Procurement and travel card providers Insurance brokerages	Actuarial services Contingency based auditors (for tax recovery) Consulting services related to pension plan and endowments in regards to investment managers and market trends Audit services related to the pension plan and endowments financial statements Auditing and accounting agencies
2 - SERVICES THAT CAN BE EITHER CONSULTING OR NON-CONSULTING SERVICES²		
BUSINESS PLANNING	Strategic planning consultant	Management services
FINANCIAL MANAGEMENT BASED	Consulting services related to pension plan communication and actuarial reporting	Consulting services related to health, dental, and insurance benefit plans and administrative services
LICENSED PROFESSIONAL SERVICES	Legal services related to pension plans and labour issues ³ Legal fees for consultation ³ Legal advice/services related to clinical care ³	

1. The Ministry of Finance has agreed these items are non-consulting services
2. Most of these services can be either consulting or non-consulting services. The differentiating factor is whether or not the service is "thinking" or strategic versus tactical in nature. Actual consulting services must be competitively bid regardless of value or signed off by President/Board of Governors.
3. Exempt under Canadian Free Trade Agreement (CFTA) therefore not required to be competitively bid but will require President or Board of Governors sign-off.

APPENDIX B: PURCHASES OF RESTRICTED ITEMS

1. In the interest of user and public safety, the purchase, use and disposal of restricted items is subject to provincial, federal and, in some cases, international legislation and regulations, in addition to University policy and procedures. *To ensure compliance with applicable legislation and regulations, and University policy and procedures, all restricted items will be purchased using a Purchase Order, and must be signed off by the appropriate signing officials: Biosafety Officer, Radiation Safety Officer, designated official (controlled goods), Health and Safety Officer (designated substances), or Animal Care Coordinator Office of Research Services (animal care and use).*
2. **Restricted Items Requiring a Purchase Order**
 - 2.1. **Controlled goods** as listed in the Controlled Goods List, a schedule to the Defence Production Act. This includes military, strategic, and military-related goods and technology, as well as dual-use goods and technology as identified in Group 2 (not all items), Item 5504 and Group 6 (all items), of the Export Control List. This also includes any US-origin good or technology that is a “defence article” as defined under the ITAR or non-US origin goods that is manufactured using “technical data” of United States origin, as defined under the ITAR if the “technical data” is a “defence article”.
 - 2.2. **Animals** used for research and/or teaching purposes as regulated by Canadian Council on Animal Care (CCAC) and OMAFRA Animals for Research Act.
 - 2.3. **Controlled substances or controlled drugs** used for research/teaching purposes as defined by Health Canada, Office of Controlled Substances (OCS) as any type of drug that the federal government has categorized as having a higher-than-average potential for abuse or addiction. Controlled substances are listed in Schedules I, II, III, IV and V of the Controlled Drugs and Substances Act (CDSA) of Canada and Part G (Controlled) and Part J (Restricted) of the Food and Drug Regulations, under the Food and Drugs Act of Canada. Controlled status applies to the drugs themselves, their salts and derivatives and to diagnostic or test kits containing these drugs.
 - 2.4. **Hazardous Materials**, as defined by the Ontario Occupational Health and Safety Act in its Workplace Hazardous Materials Information System (WHMIS) Regulation. These items must have WHMIS labels and be accompanied by a current Safety Data Sheet (SDS), and may also require transportation of dangerous goods (TDG) documentation.
 - 2.5. **Designated Substances** as defined by the Ministry of Labour I Regulation 833 – Control of Exposure to Biological or Chemical Agents.
 - 2.6. **Human Pathogens and Toxins and/or Biohazardous materials** used for research and/or teaching purposes, including possession, use, import and export of human pathogens and toxins as defined and regulated by the Public Health Agency Canada (PHAC) and the Canadian Food Inspection Agency (CFIA).
 - 2.7. **Radioactive material or devices containing radioactive material and/or producing nuclear radiation** as defined and regulated by the Canadian Nuclear Safety Commission (CNSC).

- 2.8. Devices emitting electromagnetic radiation, including microwaves, ultraviolet, x-ray and lasers (class 3b/4 lasers) as regulated by the Ontario Occupational Health and Safety Act.**

APPENDIX C: OPEN COMPETITIVE PROCUREMENT

DEVELOPMENT OF A BID REQUEST

1. Needs Identification

- 1.1. To ensure that the University obtains the most appropriate goods and/or services, the needs and objectives of the anticipated purchase, including all Accessibility requirements, must be well defined and communicated to potential vendors through a bid request.
- 1.2. Bid requests are normally executed through a “Request for Proposal (RFP)”, which requests vendors to supply solutions for the delivery of complex products or services or to provide alternative options or solutions using predefined evaluation criteria in which price is not the only factor.
- 1.3. Where the results of informal supplier or product research are insufficient, formal processes such as a Request for Information (RFI) or Request for Expression of Interest (RFEI) may be used if warranted, taking into consideration the time and effort required to conduct them.
 - a) A “Request for Expressions of Interest (RFEI)” is a document used to gather information on supplier interest in an opportunity or information on supplier capabilities/qualifications and helps the organization to gain a better understanding of the capacity of the supplier community to provide the services or solutions needed.
 - b) A “Request for Information (RFI)” is a document issued to potential suppliers that sets out a general or preliminary description of a problem or need and requests information or advice about how to better define the problem or need, or alternative solutions.
- 1.4. A response to RFI or RFEI must not be used to pre-qualify a potential supplier and must not influence the chances of the participating suppliers from becoming the successful proponent in any subsequent opportunity.
- 1.5. The University may also gather information about supplier capabilities and qualifications through a Request for Supplier Qualification (RFSQ). This mechanism may be used either to identify qualified candidates in advance of expected future competitions or to narrow the field for an immediate need. The terms and conditions of the RFSQ document must contain language that disclaims any obligation of the University to call on any supplier to provide goods or services as a result of pre-qualification.
 - a) Allow suppliers to apply at any time for inclusion on the pre-qualify suppliers list.
 - b) Allow all qualified suppliers to participate in a particular procurement, unless the procuring entity states in the notice of intended procurement any limitation on the number of suppliers that will be permitted to tender and the criteria for selecting the limited number of suppliers.
 - c) If the University rejects a supplier's request for participation in a procurement or application for inclusion on the pre-qualify suppliers list, ceases to recognize

a supplier as qualified, or removes a supplier from a pre-qualify list, the University will promptly inform the supplier and, on request of the supplier, promptly provide the supplier with a written explanation of the reasons for its decision.

- 1.6. In developing bid requests, Accessible Procurement must be followed in the procurement process of the good, service or facility. Accessibility staff may be consulted to ensure a fair evaluation of Accessibility requirements. If it is determined that there are no Accessibility requirements to the goods, services or facilities being procured or that the Accessibility requirements are deemed not to be practicable, this decision and its explanation must be documented by the Procurement Department. A copy of this explanation will be made available to a member of the public upon request.

2. Evaluation Criteria

- 2.1. The criteria that will be used to evaluate the monetary and non-monetary aspects of the anticipated purchase, and the relative weighting of each factor, must be developed and defined as part of the bid request process. The criteria will serve to facilitate the review of competing bids and ensure that the goods and/or services under consideration will meet the needs and objectives of the University.
- 2.2. The criteria to be used in evaluating potential vendors will include such monetary factors as price, quality, cost trends, lead-time, flexibility, technical capabilities and Accessibility requirements. In addition, potential vendors must also be:
 - a) Financially solvent and in good standing with the University;
 - b) In compliance with provincial, federal and international laws, regulations and trade agreements; and
 - c) In compliance with the technical requirements/deliverables of the tender document;
- 2.3. The methodology and process to be used in assessing the submissions must also be set out in advance, including the method of resolving a tie score. If the evaluation criteria is to be altered after the bid request is posted, an addendum must be made to the competitive procurement documents. Bid requests must also state that the addendum has been received, reviewed and will be complied with.
- 2.4. The University may request suppliers to provide alternative strategies or solutions as a part of their submission. Such alternative criteria must be established prior to posting of the bid request and cannot be considered unless they are explicitly requested in the competitive procurement documents.

3. Bid Requests

- 3.1. Documents pertaining to bid requests will be drafted by the Procurement manager, in consultation with the purchaser. All bid requests must clearly state:
 - a) The bid submission date and closing time. Suppliers must be given a minimum response time of 15 calendar days. Procurements that are high complexity, high risk and/or procurements that meet CETA thresholds will be accorded a response time of at least 30 calendar days;

- b) The criteria, and weighting of the criteria, that will be used to evaluate submissions, along with the methodology to be used in assessing submissions;
- c) A statement that submissions that do not meet the minimum requirements and/or minimum technical evaluation score will be disqualified;
- d) The proposed term of the agreement and any options to extend the agreement (extending the term of agreement beyond that set out in the competitive procurement document amounts to non-competitive procurement where the extension affects the value and/or stated deliverables of procurement);
- e) The cancellation or termination clauses, as appropriate;
- f) The University's standard insurance clauses;
- g) A bid resolution clause.

3.2. Bid request documents regardless of value must contain a form of agreement as defined by the Office of the University Secretariat and General Counsel Documents must be reviewed and approved by that office prior to their issuance. In circumstances where an alternative procurement strategy has been used (i.e., a form of agreement was not released with the procurement document), the agreement between the University and the successful supplier must be defined formally in a signed written contract before the provision of supplying goods or services commences. Where an immediate need exists for goods or services, and the University and the supplier are unable to finalize the form of agreement, an interim purchase order or letter of intent may be used. The justification of such decision must be documented and approved by the appropriate authority.

4. Posting and Receipt of Bid Requests

- 4.1.** Communications with potential suppliers concerning the posting of bid requests, both invitational and open, and acceptance of responses will be carried out by the Procurement Department to ensure the integrity of the competitive procurement process. In addition, the following must be adhered to:
- a) The initial communication of any proposal must be communicated to all vendors at the same time;
 - b) All vendor responses must be due at the same time;
 - c) Any changes in due dates, requirements or information pertaining to the proposal or bid request must be communicated to all vendors at the same time and through the same method;
 - d) The bid proposal should be received in accordance with the bid documentation guidelines;
 - e) Any late proposals will not be accepted and will be returned to the supplier upon request;
 - f) All proposals and bid requests and responses and any subsequent feedback must be documented.
- 4.2.** Calls for open competitive bid requests by the University will be posted by the Procurement Department on the electronic tendering system that is readily

accessible by all Canadian and international suppliers (i.e. Biddingo). In addition, a selected or recommended group of suppliers may be invited to respond.

5. Evaluation of Bid Requests

- 5.1.** An evaluation team must be established and framework developed to provide business, legal, technical, and financial input into the review and evaluation of bid proposals. All members of the evaluation team must be aware of the restrictions related to the use and distribution of confidential and commercially sensitive information collected through the competitive procurement process. They must also refrain from engaging in activities that may create or appear to create a conflict of interest and must sign a conflict-of-interest declaration and non-disclosure of confidential information agreement.
- 5.2.** Each evaluation team member must complete an evaluation matrix based on multiple, pre-defined evaluation criteria to rate each of the submissions. Records of evaluation scores must be retained in accordance with the University's Records Classification and Retention Schedule. Evaluators must ensure that everything they say or write about submissions is fair, factual, and fully defensible.
- 5.3.** All qualified suppliers will be evaluated according to the same criteria and process. The submission that receives the best ranking and meets all mandatory requirements set out in the competitive procurement document must be declared the winning bid. The University must not discriminate or exercise preferential treatment in awarding a contract to a supplier as a result of a competitive procurement process.
- 5.4.** The basis for supplier selection will be the best value, which may not be the lowest bidder. Best value will be based on predetermined criteria such as (but not limited to); quality, service, added value, partnership initiatives, availability to meet delivery or service requirements, warranties, lesser ongoing operational costs, etc. The University reserves the right to conduct discussions with selected suppliers for the purpose of "purchase by negotiation" in certain circumstances such as (but not limited to): the lowest bid received substantially exceeds the estimated cost of the goods, limited or reduced project funding, change to scope unknown at time of bid request, etc.
- 5.5.** Bids will not be opened publicly unless determined by the University that a public opening is deemed appropriate.

6. Contract Award Notification

- 6.1.** For Open Procurement, once the agreement between the successful supplier and the University is executed, the Procurement Department will post a notification of the contract award on the electronic tendering system within 72 days after the award of the agreement between the successful supplier and the University, in the same manner as the procurement documents were posted, listing the name of the successful supplier.
- 6.2.** All unsuccessful suppliers will be notified by the Procurement Department and will be informed of their entitlement to request a de-briefing within 60 calendar days.

- 6.3.** Any disputes arising from the competitive procurement process, the methods employed or decisions made in the administration of a proposal, tender, or quotation must be must be dealt with in an ethical, fair, reasonable, and timely fashion.

7. Tender Dispute Resolution

- 7.1.** Should a supplier wish to review the decision of the University in any respect of any material aspect of the tender process and subject to having a debriefing, the supplier will submit an appeal in writing to the Procurement Department within 10 days of such a debriefing. Any appeal in writing that is not received in a timely manner will not be considered and the supplier will be notified in writing. A protest in writing will include the following:

- a) A specific identification of the provision and/or procurement procedure that is alleged to have been breached;
- b) A specific description of each act alleged to have been breached in the procurement process;
- c) A precise statement of the relevant facts;
- d) An identification of the issues to be resolved;
- e) The supplier's arguments and supporting documentation; and
- f) The supplier's requested remedy.

- 7.2.** The manager, Procurement will respond, in writing, to the supplier within 10 days of receiving the tender protest. Should the supplier still not agree with the University's resolution, they can request a subsequent meeting with the CFO of the University. Should the supplier still not agree with the resolution they may bring the matter to the attention of an agreed upon mediator with no substantial interest in the outcome, to receive and consider the complaint and make appropriate findings and recommendations with respect to the complaint. Should both parties fail to agree on the identity of a mediator, or should mediation fail to bring about a resolution to the dispute, such dispute will then be transferred to a single arbitrator. The arbitrator will be appointed by agreement between the parties or, in default of agreement, such arbitrator will be appointed by a Judge of the Ontario Court of Justice (General Division) upon the application of any of the said parties.

8. Contract Management

- 8.1.** The terms and conditions of any contractual agreement with vendors must be reviewed and approved by the manager of Procurement and the Director, Risk Management and Insurance and if the contract is facilities related, the director, Office of Campus Infrastructure and Sustainability. The University New Contract Control Form must be signed by the appropriate individuals listed on the form before sending the contract for final, formal senior level signature in accordance with the Signing Authority Registry.
- 8.2.** Payments must be made in accordance with provisions of the contract. All invoices must contain detailed information sufficient to warrant payment. Any overpayments must be recovered in a timely manner.

- 8.3.** Assignments must be properly documented. Supplier performance must be managed and documented, and any performance issues must be addressed.
- 8.4.** To manage disputes with suppliers throughout the life of the contract, the University should include a dispute resolution process in their contracts.
- 8.5.** For Services, the University must:
- a) Establish clear terms of reference for the assignment. The terms should include objectives, background, scope, constraints, staff responsibilities, tangible deliverables, timing, progress reporting, approval requirements, and knowledge transfer requirements.
 - b) Establish expense claim and reimbursement rules compliant with the Broader Public Sector Expenses Procedure and ensure all expenses are claimed and reimbursed in accordance with these rules.
 - c) Ensure that expenses are claimed and reimbursed only where the contract explicitly provides for reimbursement of expenses.

COMMITTEE REPORT

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: Audit & Finance Committee
DATE: February 23, 2022
FROM: Brad Maclsaac, VP, Administration
SUBJECT: Revised Statement of Investment Policies

COMMITTEE/BOARD MANDATE:

The Board is responsible for governing and managing the financial affairs of the university. A&F is responsible for overseeing the management of the university's investments (Funds) in accordance with the university's Statement of Investment Policies (SIP). This includes, but not limited to: reviewing on an annual basis the SIP and making appropriate recommendations to the Board.

We are recommending that A&F recommend the proposed revisions to the SIP for approval by the Board to ensure more accuracy in reporting and accountability.

BACKGROUND/CONTEXT & RATIONALE:

In May 2021 a survey was sent to all investment committee members to help outline the overall investment objective with a keen eye on assessing their opinion of institutional risk appetite as a university official. At that time the committee noted that it is important to keep a longer-term view (i.e five years rather than three) on the performance. Note, normally industry practice does not report on four-year returns. In June 2021 the recommended changes to the SIP were approved; however, one item related to the time weighted rate of return was not captured. In section 7 Performance Expectations we need to alter from a four-year review to five:

7.0 Portfolio Returns

The portfolio is expected to earn a pre-fee rate of return in excess of the benchmark return over the most recent ~~four~~five-year rolling period. Return objectives include realized and unrealized capital gains or losses plus income from all sources. Returns will be measured quarterly, and calculated as time-weighted rates of return.

In order to meet the university's disbursement requirements, investments need to earn a minimum level of income, measured over a ~~four~~five-year rolling market cycle. The minimum recommended level is defined as the sum of the following items:

Minimum disbursement requirement	3.5%
Investment management fees	0.5%
Capital preservation amount	<u>2.0%</u>
Minimum Rate of Return	<u>6.0%</u>

Note: The disbursement requirement and capital preservation amounts will be reviewed, and updated as required.

IMPLICATIONS:

These changes are intended to make the SIP document fully functional.

MOTION for CONSIDERATION:

- *That the Audit & Finance Committee hereby recommends the proposed amendments to the Statement of Investment Policies for approval by the Board of Governors, as presented.*

SUPPORTING REFERENCE MATERIALS:

- none

COMMITTEE REPORT

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: Audit and Finance Committee

DATE: February 23, 2022

PRESENTED BY: Brad Maclsaac, VP Administration

SUBJECT: Investment Portfolio Update

COMMITTEE MANDATE:

The Audit & Finance Committee is responsible for overseeing the investment of the university's endowment funds (Funds), which includes the following responsibilities:

- i) Overseeing the investment of the Funds in accordance with the university's Statement of Investment Policies ("SIP").
- ii) Overseeing the performance of the Investment Manager, including the Investment Manager's compliance with their mandate.

BACKGROUND/CONTEXT & RATIONALE:

To assist in managing the annual investment performance, in summer 2021 the committee asked the leadership team to take a greater role in reviewing the portfolio. The Committee recommended receiving updates twice a year with management bringing forward updates if needed (i.e. changes outside of the Investment Manager's purview). To ensure greater accountability in this realm the university reallocated internal resources to create a new position: Manager of Trust, Treasury and Controls. The overall investment objective is to obtain the best possible total return on investments that is commensurate with the degree of risk that Ontario Tech is willing to assume in obtaining such return.

As of December 2021, the performance summary (attached) shows that we are:

- staying within the asset mix range as outlined on slide four (SIP section 6.1),
- meeting our performance expectations as outline on slide two where it shows our annual rate of return of 8.8% which exceeds our target and the benchmark (SIP section 7.1).

SUPPORTING REFERENCE MATERIALS:

PH&N presentation – Ontario Tech December 2021 Performance Update.



Wealth Management
PH&N Investment Counsel

Presentation to:

Ontario Tech University

Leila Fiouzi, CFA
Senior Investment Counsellor

Taylor Woodward, CFA
Investment Counsellor

Connor Glassco, CFA
Associate Investment Counsellor

Jacinta O'Connor, CFA
Associate Portfolio Manager

February 15, 2022

Summary Investment Returns

December 31, 2021

Market Value: Investment Account \$ 34,886,928
Cash Account \$ 65,206

	Three Months (%)	One Year (%)	Three Years (%)	Five Years (%)	Since Inception (%)*
Ontario Tech University¹	4.4	12.1	11.4	8.8	8.4
<i>Benchmark**</i>	3.8	10.8	11.6	8.2	7.7
Difference	+0.6	+1.3	-0.2	+0.6	+0.7
*Inception date Aug 31, 2010					
Ontario Tech University (Cash A/C)²	0.1	0.3	1.2	1.3	1.2
<i>FTSE Canada 30 Day T-Bill Index</i>	0.0	0.1	0.8	0.9	0.8
Difference	+0.1	+0.2	+0.4	+0.4	+0.4
*Inception date Nov. 30, 2013					

¹ Reflects University of Ontario Institute of Technology account.

* Inception date for Ontario Tech University account is September 1, 2010. Inception date for Ontario Tech University (Cash A/C) is December 1, 2013.

** Current Custom benchmark: 15% FTSE Canada Short Term Overall Bond Index; 20% FTSE Canada Universe Bond Index; 20% S&P/TSX Capped Composite Index; 30% MSCI World Net Index (C\$); 5% MSCI Emerging Markets Net Index (C\$); 10% Canadian CPI+4%.

Note: All performance is shown gross of annual investment management fees of 43 basis points

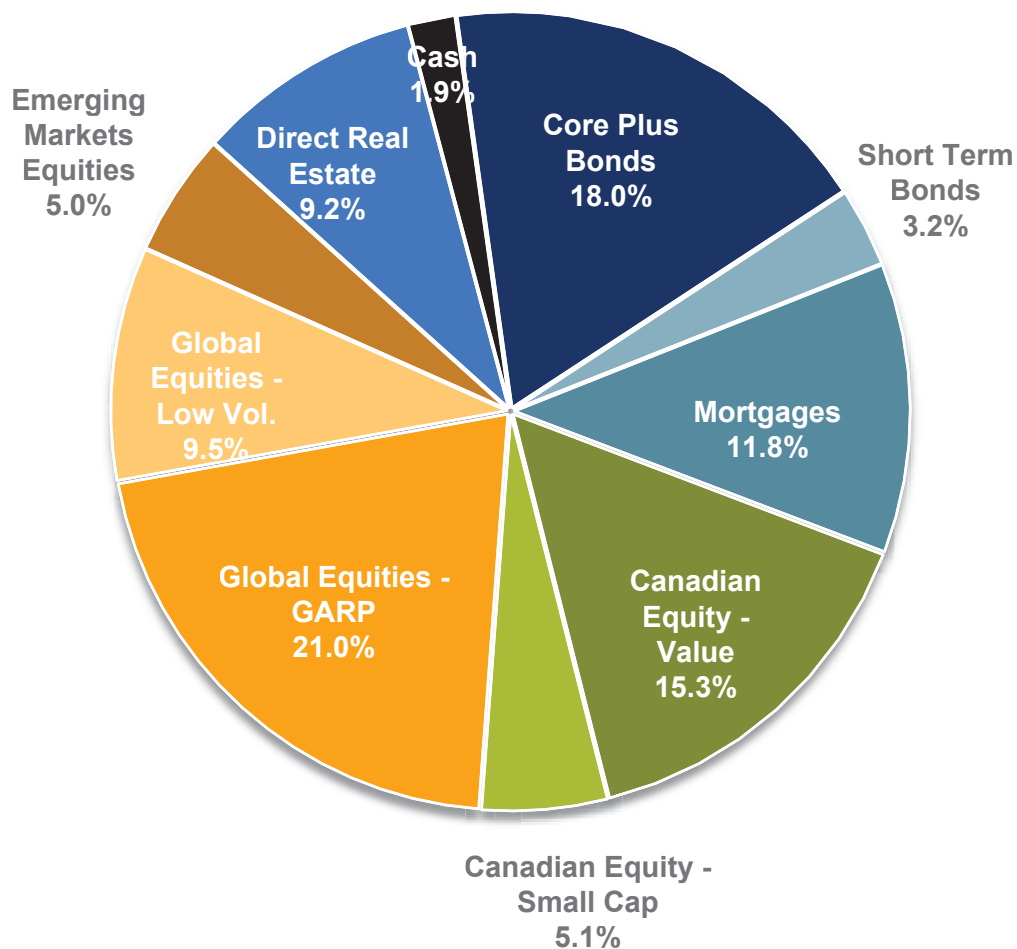


Consolidated Portfolio Valuation - 2021	
<i>Portfolio Value (Dec. 31/20)</i>	\$ 31,449,530
Interest Received	\$ 407,222
Dividends Received	\$ 311,566
Change in Market Value	\$ 3,034,989
Fees	(\$161,239)
Net Cash Flow (deposits – withdrawals)	(\$89,936)
Portfolio Value (Dec.31/21)	\$ 34,952,134

} **\$3,753,778**

Ontario Tech University¹

Asset Mix as at December 31, 2021



Funds	Target Allocation (%)	Current Allocation (%)	Approved Range (%)
Cash and Cash Equivalents	0.0	1.9%	0-10
Mortgages / Short Term Bonds	15.0	15.0	0-25
Core Plus Bonds	20.0	18.0	15-35
Canadian Equities	20.0	20.4	10-30
Global Equities	30.0	30.5	20-45
Emerging Markets Equities	5.0	5.0	0-10
Direct Real Estate	10.0	9.2	0-15

¹ Reflects University of Ontario Institute of Technology account

² Short Term Bond exposure pending allocation to mortgages.



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Wealth Management
PH&N Investment Counsel

COMMITTEE/BOARD REPORT

SESSION:

Public
Non-Public

ACTION REQUESTED:

Decision
Discussion/Direction
Information

TO: Audit & Finance Committee

DATE: February 23, 2022

PRESENTED BY: Brad MacIsaac, VP Administration

SUBJECT: Ontario Tech Credit Rating

COMMITTEE/BOARD MANDATE:

The committee is responsible for overseeing the financial affairs of the university with respect to all financial reporting/ internal control functions, budget approvals, risk management and other internal/ external audit functions at the university. The committee also oversees the university’s compliance program.

We are providing this report to the committee to assist with the fulfilment of the committee’s financial oversight mandate, and as required by the covenants in the university’s debenture.

BACKGROUND/CONTEXT & RATIONALE:

Ontario Tech has issued debt (debentures) initially valued at \$220M. Covenants in the First Supplemental Indenture Agreement require annual credit ratings from two credit rating agencies. The University uses Dominion Bond Rating Services (DBRS) and Moody’s Investor Service.

This report provides an update on Ontario Tech credit ratings, which were issued in December 15, 2021 (Moody’s) and December 16, 2021 (DBRS).

Both have remained at previous levels: Moody’s has confirmed our Credit Rating at A1 - Stable. DBRS has confirmed our Credit Rating as A (low) – Stable. Although Ontario Tech ratings have trended positively over the past five years, our credit rating remains at the low end of the range in our sector. This is due to high debt levels which are a consequence of the Provincial choice to have Ontario Tech fund its own initial infrastructure costs.

In reaffirming their ratings, both agencies acknowledged Ontario Tech's positive operating results while highlighting the pressures caused by flat government grants and frozen tuition framework especially in the uncertain times caused by COVID. Neither noted concerns with the declining reserves as we were clear on our plans for internally financed large capital projects instead of taking on new debt. Moody's noted the university has been successful in the past with similar financing strategies, with the goal of replenishing reserves following internal draws.

IMPLICATIONS:

Credit ratings assess a debtor's ability to pay back debt by making timely interest payments and the likelihood of default. It affects the interest rate that a security pays out, with higher ratings leading to lower interest rates. A credit rating also facilitates the trading of securities on a secondary market. For Ontario Tech, an improved credit rating would result in lower borrowing costs on future debts.

NEXT STEPS:

Continue working with DBRS and Moody's to provide information, highlight Ontario Tech's operational improvements, and to ensure our credit rating accurately reflects the university's fiscal position.

SUPPORTING REFERENCE MATERIALS:

Moody's Credit Opinion – Dec 2021

DBRS Rating Report – Dec 2021

Rating Report

University of Ontario Institute of Technology

DBRS Morningstar

December 16, 2021

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Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	A (low)	Confirmed	Stable
Series A Senior Unsecured Debentures	A (low)	Confirmed	Stable

Rating Update

On November 30, 2021, DBRS Limited (DBRS Morningstar) confirmed the University of Ontario Institute of Technology's (the University or Ontario Tech) Issuer Rating and Series A Senior Unsecured Debentures (the Debentures) rating at A (low). Both trends are Stable. In recent years, the University's credit profile has been supported by a strengthening academic profile, ongoing student demand for its science, technology, engineering, and mathematics (STEM) program offerings, positive operating results, and debt reduction. However, the ratings are constrained by Ontario Tech's limited financial flexibility as represented by DBRS Morningstar's calculation of expendable resources. In addition, the challenging operating environment and provincial policy uncertainty remain obstacles for all public universities in the Province of Ontario (Ontario or the Province; rated AA (low) with a Stable trend by DBRS Morningstar).

Despite recent operating pressures arising from the Coronavirus Disease (COVID-19) pandemic, Ontario Tech generated positive consolidated results in 2020–21 (surplus of \$15.1 million) mainly driven by strict spending control and revenue growth from enrolment, additional government grant funding, and unrealized gains on investment. In March 2021, the provincial government announced new targeted funding for universities it considered were most severely affected by the pandemic. Ontario Tech received \$4.8 million in additional, temporary operating funding under this new targeted funding. (See DBRS Morningstar's commentary [Ontario Provides Relief Funding for Severely Affected Universities.](#))

The University anticipates balanced operating budgets through the near to medium term as campus facilities have gradually re-opened and with the resumption of international student travel. Despite growing competition, the University continues to see growth in both its international and domestic enrolment.

The University's debt burden remains the highest among DBRS Morningstar-rated Ontario universities at roughly \$19,900 per full-time equivalent (FTE) student, although the circumstances surrounding Ontario Tech's debt burden remain unique in the Ontario context. The Province supports a large share of the University's annual debt-servicing costs through a restricted debt-servicing grant. While the legal obligations rest with the University, this arrangement effectively results in approximately one fifth of its debenture debt being serviced through its general operations (e.g., unrestricted operating grants, tuition

revenue). Following the addition of \$25.0 million new long-term debt in F2022 and based on Ontario Tech's most recent enrolment forecast for the current year (November 24, 2021), DBRS Morningstar believes that debt per FTE ratio will remain elevated at more than \$20,000 over the next few years, before gradually declining with debt amortization.

DBRS Morningstar does not expect the ratings to shift materially in the near term. However, sustained positive operating results and debt reduction, together with favourable resolution of operating and policy uncertainty, could lead DBRS Morningstar to consider changing the trend to Positive. Though unlikely, DBRS Morningstar could lower the rating if there is a significant and sustained deterioration in operating outlook and, thereby, the University's financial risk assessment.

Financial Information

	For the year ended March 31				
	2021	2020	2019	2018	2017
Operating result (adjusted, \$ millions)	15.1	(2.6)	6.9	15.4	12.6
Debt per FTE (\$)	19,898	21,796	22,682	23,363	24,702
Expendable resources to debt (%)	11.4	11.3	17.3	13.6	9.4
Interest coverage ratio (times)	2.7	2.0	2.5	3.1	2.8
Surplus-to-revenue (five-year rolling average) (%)	4.5	3.4	4.5	5.0	5.2

Issuer Description

Ontario Tech is located in Oshawa, Ontario, and provides career-oriented university programs and transitional programs to enable college graduates to complete university degrees. The University was established in 2002 and has an enrolment of more than 9,000 FTEs. Ontario Tech has developed a strong reputation for its STEM programming and industry partnerships.

Rating Considerations

Strengths

1. Provincial support

Universities are stable institutions and a critical component of the public sector. Access to high-quality postsecondary education remains a priority for the Province. As such, universities in Ontario and across Canada benefit from stable and consistent revenue sources. Government grants and tuition fees typically account for around 85% of revenue for Ontario Tech.

2. Established reputation

Ontario Tech has grown rapidly since its establishment in the early 2000s and has developed a strong reputation in several high-demand, engineering- and technology-related fields. The University ranks reasonably well in Canada for a new and small university and is well established in the Durham Region (Oshawa). Ontario Tech's name recognition remains limited outside the Greater Toronto Area (GTA) but is improving with a growing alumni base and improved branding/visibility.

3. Effective financial management practices

Financial management practices have improved significantly over the past several years. The University has developed effective budget and planning processes, improved internal and external reporting, and made its operations more effective and cost efficient.

4. Defined contribution pension plan

Ontario Tech has a defined contribution pension plan, which alleviates the risk of meeting future benefit payments for retired employees. Defined benefit plans are the norm for Canadian universities.

Challenges

1. Constrained policy environment and limited control of revenue

Canadian universities have limited control over their main revenue sources — tuition fees and government grants. The Province imposed a 10% reduction on tuition fees for domestic students in regulated programs for 2019–20 and has effectively frozen domestic enrolment and operating grants. This limits the University's ability to increase revenue to meet rising costs. For Ontario Tech, this resulted in a revenue loss of \$9.4 million (2019–20) and \$12.0 million (2020–21).

2. Cost pressures and pandemic impacts

Underlying cost pressures are somewhat detached from the University's revenue drivers. Canadian universities' expense bases are largely fixed and growing in the form of tenured faculty, unionized support staff, externally mandated student aid requirements, and large infrastructure footprints. In recent years, inherent cost pressures have outpaced provincially controlled revenue growth for many DBRS Morningstar-rated universities. Ontario Tech has less operational flexibility to adjust to the constrained operating environment than larger, more established universities. The University responded to the pandemic with campus closure and a transition to online learning, which resulted in adverse financial impacts on income and some additional expenses toward student assistance, technology investments, and sanitization and extensive cleaning in F2021.

3. Limited balance sheet flexibility

Ontario Tech incurred losses for several years after its establishment in 2002, resulting in an accumulated deficit and a negative net-asset position. Over the last several years, net assets have risen, supported by positive operating results. Nevertheless, as a relatively small institution that has operated primarily in a constrained funding environment, Ontario Tech's balance sheet has limited financial flexibility compared with most other DBRS Morningstar-rated universities.

3. Sizable debt burden

Ontario Tech has the highest debt burden among DBRS Morningstar-rated Ontario universities at about \$19,900 per FTE; however, the debt burden and its funding are unique among Ontario universities because the amortizing Debentures, issued when the University was established, are largely serviced by restricted debt-servicing grants from the Province. Effectively, Ontario Tech services one fifth of its debenture debt with general operations (e.g., unrestricted operating grants, tuition fees).

Operating Performance

2021–22 Budget and Interim Forecast

The University uses an incremental budget model and prepares its budget on a modified cash basis. The budget's scope differs somewhat from that of the audited financial statements, but variances between bottom-line results are clearly identified.

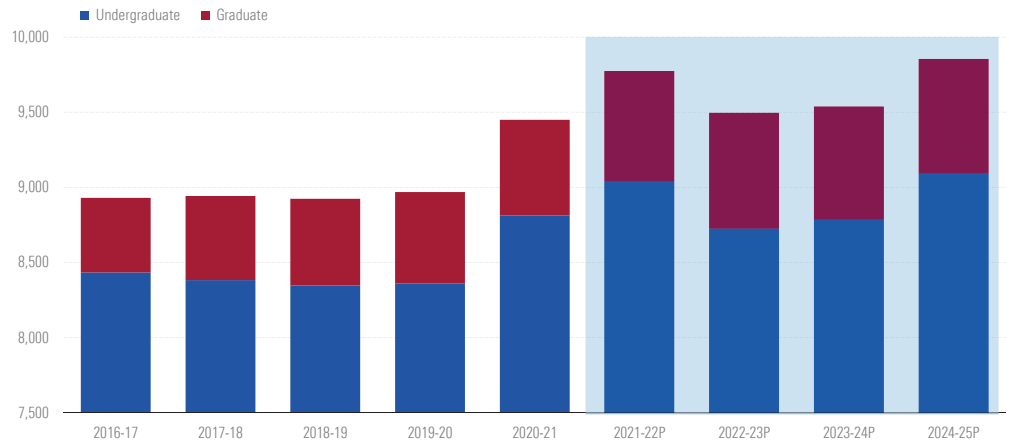
Based on the most recent financial update (six months ended September 30, 2021), Ontario Tech is forecasting a modest operating surplus in 2021–22. Estimated operating revenue is 4.9% higher than the original budget primarily because of stronger-than-anticipated enrolment (particularly returning students). Notwithstanding total enrolment growth, DBRS Morningstar understands that lower domestic first-year intake in F2020 and F2021 is likely to weigh on total enrolment over the next four to five years.

In 2021–22, the University increased tuition fees for international undergraduate students by 10% (new students) and 5% (returning students).

Provincial core operating grant is in line with the Province's funding formula under the Strategic Mandate Agreement with Ontario Tech. The University also received modest additional one-time grants to support virtual learning, student awards, coronavirus supports (deferred from the prior year), and facilities renewal.

The University anticipates expenses will be moderately higher (+2.4% relative to budget). Increased spending on salaries and benefits is driven by negotiated salary increases and limited new (largely part-time) hiring. Supplies and expenses will also increase as campus facilities gradually re-open.

A material portion of the University's ancillary operations (such as, bookstores, food services, and housing) is outsourced to external vendors or is managed by Durham College of Applied Arts and Technology (DC). As ancillary revenue is set to gradually increase as on-campus activity resumes, any adverse impact on consolidated results in the interim should be limited.

Exhibit 1 Enrolment (FTEs)

Operating Outlook

The University's strategy, as outlined in the 2021–23 Integrated Academic-Research Plan, identifies four areas of focus: creating a sticky campus, learning reimagined, tech with a conscience, and partnerships. To this end, Ontario Tech will provide increased supports to all stakeholders (students, staff, industry partners, etc.) to create a cohesive education framework that is focused on research and innovation, adaptability to an evolving operating environment, equity and inclusion in learning, teaching and research, and an ongoing emphasis on technological/digital integration.

Ontario Tech's academic profile has improved over the past decade but remains relatively weak compared with larger and more established universities in Ontario. The University has limited visibility outside the GTA. The University rebranded itself Ontario Tech University in 2019 and started to make changes to the campus to improve its attractiveness as a destination for students. Although some of the initiatives will be delayed because of the pandemic, the University will continue to explore addition of new facilities, more student- and community-oriented spaces, and improved food services.

For the 2022–23 fiscal year, Ontario Tech anticipates a balanced budget supported by slightly higher tuition revenue and limited growth in spending. Total enrolment will remain pressured owing to fierce competition for domestic students and limited opportunities for in-person student recruitment. Nevertheless, the University continues to explore innovative avenues for student outreach and nontraditional learning. In addition, tuition revenue will be constrained by the ongoing freeze on domestic tuition fees.

Over a longer term, the University expects the proportion of international students (as a share of total enrolment) will increase to around 15% to 20%. The targeted level is comparable with many other DBRS Morningstar-rated universities but well below the highs seen at some universities and colleges. At the same time, Ontario Tech anticipates the outlook for domestic enrolment should also begin to improve

with favourable demographic projections for the greater Toronto region and as the University's strategic enrolment initiatives progress.

2020–21 Results

Ontario Tech reported a surplus of \$15.1 million in 2020-21, following a small deficit of \$2.6 million in 2019–20. Despite pandemic-led operating pressures, Ontario Tech generated positive consolidated results in 2020–21 mainly driven by strict spending control, revenue growth from enrolment, additional government grant funding, and unrealized gains on investment.

Total adjusted revenue increased (+1.5%) mainly driven by a healthy growth in enrolment (+5.4%) and new pandemic-related operating government supports (\$2.5 million). Tuition revenue increased by 3.1% supported by higher overall enrolment and tuition fee growth for international students. International students represented more than 9% of total headcount as at year-end F2021.

Although there was no additional grant for domestic enrolment growth, the Province provided new funding supports to the University through the pandemic (e-campus grant, coronavirus support, etc.). In addition, revenue benefited from higher research grants (+12.4%), unrestricted donations (+50.6%), and other revenue (+9.8%). These increases offset declines in other student fees (-18.8%), ancillary operations (-92.9%), and interest income (-28.6%). The pandemic prompted universities to move the majority of their operations online, which resulted in lower ancillary revenue for most Ontario universities that DBRS Morningstar rates.

Total expense declined (-6.8%) as the University implemented broad-based in-year spending reductions. Spending on salaries and benefits declined (-1.0%) because of some hiring and other program deferrals; savings in supplies and expenses (-24.3%) and purchased services (-16.8%) were largely due to reduced on-premise activities because of the pandemic-led closures and a decrease in discretionary activities (travel, conferences, etc.). Expenses decreased modestly across other categories.

As at March 31, 2021, net assets were \$102.8 million (+21.2% YOY) mainly as the University invested in capital assets. While still weaker than many Ontario universities, the University's net asset position has improved considerably over the last decade through its efforts to strengthen the balance sheet.

Capital

Capital investment was \$29.8 million in F2021, compared with \$28.5 million in the prior year. The University's major projects (the Automotive Centre of Excellence (ACE) Enhancement Project, and a new academic and student building (Shawenjigewening Hall)) are complete or nearing completion, despite temporary delays and some cost overruns in the ACE project.

Ontario Tech does not contemplate any major capital projects over the medium term, but will continue to expand its presence in downtown Oshawa as it moves from leased space to University-owned properties; reimagines use of space to accommodate anticipated enrolment growth in future years; and a broader proportion of programming that is delivered virtually. At an estimated project cost of

approximately \$35 million (including a parking facility), Ontario Tech will seek to consolidate leased spaces in downtown to develop a dedicated educational hub.

Including deferred maintenance, the University anticipates investments of up to \$2 million annually toward refurbishing/renovation/upgrade of existing infrastructure. As the University grows, there are options to extend several of the existing facilities. For instance, the new Shawenjigewining Hall can be expanded to add 12,000 square feet of space for an additional cost of \$4 million.

In 2020, Ontario Tech depleted much of its capital reserve as it completed certain large projects during the year (Software and Informatics Research Centre and Shawenjigewining Hall). This reserve declined from around \$15 million (2019) to less than \$4 million in 2020. The University indicated to the board that financial sustainability and rebuilding of reserves remain a key priority for the leadership team.

Ontario Tech's deferred maintenance (DM) needs are limited because most buildings were built in the 2000s. The University estimated (in November 2021) that more than 60% of the building infrastructure is in great condition. Although still small, deferred maintenance needs are likely to grow over time as existing infrastructure ages, with the University anticipating roughly \$20 million deferred maintenance by 2040.

As at fiscal year-end 2021, the University estimated DM of \$2.8 million and an overall facilities condition index of 0.009, which is considered very manageable. Ontario Tech intends to allocate around \$2.0 million for DM spending—funded by the Province's Facility Renewal Program. Taken together with \$85 million planned new construction over the next two decades, the University will look to set aside nearly \$2.5 million annually in the form of DM reserves.

Debt and Liquidity

Ontario Tech's total adjusted debt was \$188.0 million as at fiscal year-end 2021, down from \$195.5 million for the prior fiscal year. On a per-student basis, this equates to roughly \$19,900 per FTE and is the highest among DBRS Morningstar-rated universities. The University's debt comprises \$151.5 million in amortizing Debentures, \$36.2 million in capital leases, and \$0.3 million in other long-term debt. Ontario Tech's debt continues to amortize by roughly \$7.0 million annually.

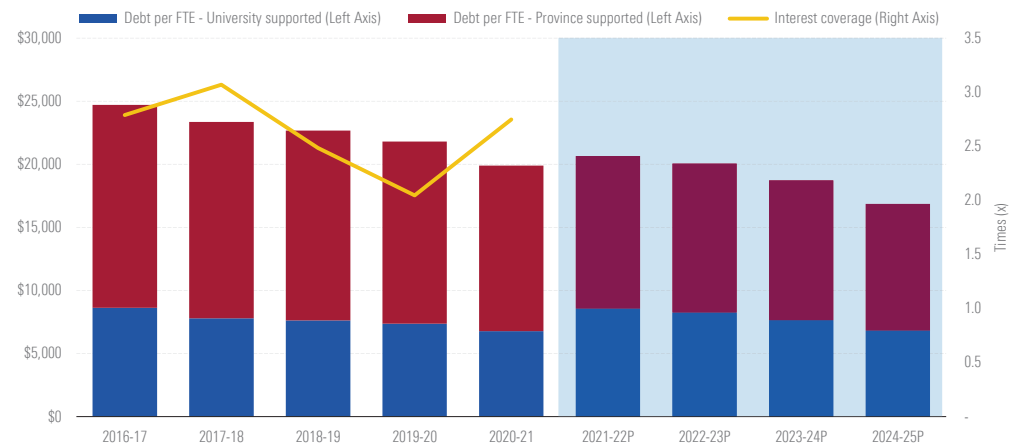
Ontario Tech's debt burden is significant and unusual in the Ontario context, reflecting a policy decision made by the Province when the University was established in the early 2000s. The Province provides Ontario Tech with a flat \$13.5 million annual restricted grant aimed at ensuring the University's financial sustainability and mitigating the risk of default. The grant covers more than 80% of the annual \$16.5 million requirement for principal and interest. While the legal obligation rests with the University and the grants flow through Ontario Tech, the Province is effectively servicing over 80% of the Debentures.

DBRS Morningstar continues to view Ontario Tech's debt burden as elevated among Ontario universities but acknowledges the unique circumstances surrounding the debt. Excluding the portion of the debt effectively serviced by the Province would yield a debt burden of \$64.0 million or \$6,700 per FTE (tending

toward the lower end among DBRS Morningstar-rated Ontario universities). The Province has provided Ontario Tech with assurances that the restricted grant will continue until the Debentures are fully repaid in 2034, although the payments are subject to conditions and require annual legislative approval. Nevertheless, DBRS Morningstar is confident that the Province will continue to provide the grants until the debt is retired because of the importance of postsecondary education to the provincial government, the political consequences resulting from the failure of a publicly funded and regionally important university, and the grant’s relatively small size in the broader provincial budget. A material reduction in the grant would challenge the University’s finances and put downward pressure on the credit profile.

Debt-servicing costs continue to decline as certain existing debt amortizes, with total interest costs representing about 6.5% of total expense. Interest coverage improved to 2.7x, compared with 2.0x in the prior year.

Exhibit 2 Debt per FTE and Interest Coverage



Sources: Ontario Tech and DBRS Morningstar. P = projection.

The University’s balance sheet has improved significantly over the last 10 years, supported by ongoing effort to improve operating results and financial management practices. Ontario Tech’s net assets have risen because of increase in capital assets and modest accumulation of reserves. Debt has declined steadily over much of the past decade. Nevertheless, and consistent with the rating, the University’s balance sheet exhibits less flexibility than many other DBRS Morningstar-rated universities.

Expendable resources comprise a subset of net assets, including unrestricted net assets, most internally restricted net assets, and internally restricted endowments. DBRS Morningstar assesses Ontario Tech’s expendable resources to be \$21.4 million, or a modest 11.4% of total debt outstanding at March 31, 2021. The construction of the new Shawejigewening Hall resulted in the University drawing down on its reserves during 2020-21 fiscal year, offset by unexpected government funding supports. Over the medium to long term, DBRS Morningstar expects the University’s expendable resources to be supported by positive operating results and as the University sets aside capital reserves for future projects.

The University maintains a \$17.0 million operating bank line with a major Canadian bank that was undrawn as of March 31, 2021. In 2021, Ontario Tech also added a \$25.0 million construction nonrevolving credit facility (bankers' acceptance loan) with a Canadian chartered bank; none drawn as of this report.

Unlike most DBRS Morningstar-rated universities, Ontario Tech does not have a defined benefit pension plan, which alleviates longer-term funding risks. The University does not report any long-term obligations associated with employee future benefits.

Outlook

Following the addition of \$25.0 million new long-term debt related to the construction of the Shawsjigewening Hall and based on Ontario Tech's enrolment forecast in the current year (November 24, 2021), DBRS Morningstar believes that debt per FTE ratio will remain elevated over the near to medium term. DBRS Morningstar estimates that debt will be more than \$20,000 per FTE over the next two years, before gradually declining thereafter as existing debt amortizes.

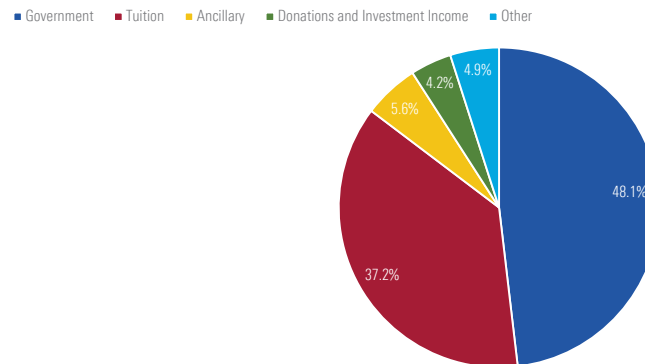
Durham College Guarantee

DC unconditionally and irrevocably guarantees the punctual performance of all obligations related to the Debentures, plus all accrued interest starting on the date that payment is demanded. The language of the guarantee is comprehensive and consistent with DBRS Morningstar criteria requirements. The DC guarantee was important at the time of DBRS Morningstar's initial rating of Ontario Tech in 2004; however, since that time, the guarantee's importance has diminished as the University gained scale.

University Funding in Ontario

Canadian universities in the Province generally have three key sources of revenue for their core teaching and research activities: (1) government grants, (2) student fees, and (3) donations and investment income. For Ontario Tech, these accounted for more than 89% of total revenue in 2020–21, which is comparable with other DBRS Morningstar-rated universities.

Provincial government funding remains one of the primary sources of revenue for universities across the country, although its relative importance remains under pressure in most provinces because of strained finances and competing priorities. Over time, this has led to a gradual shift in the relative shares of revenue provided by operating grants, which have declined, and tuition fees, which have increased.

Exhibit 3 Revenue Breakdown (2020–21)

Sources: Ontario Tech and DBRS Morningstar.

Government Funding (Provincial and Federal; 48.1%)

Government funding includes operating grants, research grants, and contracts as well as capital grants. Operating grants are the most important and stable revenue source.

The Province and universities have signed new SMAs that establish performance-based funding targets for the 2020–21 to 2024–25 fiscal years. This is a change from the previous enrolment-oriented funding model. SMA3 will include a set of 10 performance metrics, with funding consequences if the University does not meet the negotiated performance targets. However, the Province has decoupled funding from performance targets (i.e., stable funding) for two years until 2022–23.

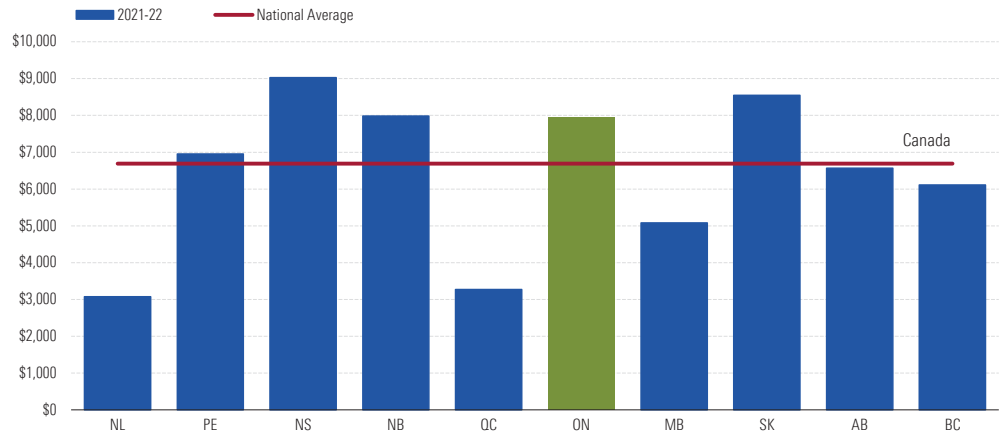
Research and capital grants are another important source of funding. The federal government typically provides 65% to 75% of all public research funding, whereas the Province provides the bulk of capital funding. Since the announcement of the global coronavirus pandemic in March 2020, the federal and provincial governments have provided additional funding for financial assistance to students and universities to offset some pandemic-related costs.

Tuition (37.2%)

On January 17, 2019, the Province announced a revised tuition fee framework for regulated domestic programs at Ontario universities and colleges. The framework required Ontario universities to reduce tuition fees for domestic funding (eligible programs by 10% in 2019–20). Tuition fees for eligible programs will be maintained at that level for the 2020–21 and 2021–22 academic years.

International student fees are not regulated by the Province and are generally set to recover the full costs of international student enrolment.

Exhibit 4 Average Provincial Undergraduate Tuition Fees (\$)



Source: Statistics Canada.

Donations and Investment Income (4.2%)

Unrestricted donations and investment income, recognized on the statement of operations, represent a modest portion of the University’s total revenue. Endowed contributions and investment income earned by the externally restricted endowments are recognized as changes in net assets and are not captured on the statement of operations until they are spent, at which point they are recorded as revenue.

As a relatively new university with a small alumni base, fundraising efforts have been modest. Ontario Tech focuses on the local community and companies in the region that have a stake in the University. The University has an eight-year, \$50 million fundraising campaign underway. To date, the University has raised \$29.7 million in pledges and donations.

Ontario Tech’s endowment has risen steadily over the years and amounted to \$24.4 million, or \$2,577 per FTE as of March 31, 2021. This is relatively low in comparison with other DBRS Morningstar-rated universities.

Statement of Operations (Adjusted)

(\$ Thousands)	For the year ended March 31				
	2021	2020	2019	2018	2017
Revenues					
Student tuition fees	79,533	77,110	80,152	78,266	74,818
Other student fees	11,742	14,455	12,546	13,466	13,774
Government operating grants	67,221	64,046	63,768	61,786	60,150
Research grants	12,638	11,246	10,444	10,467	9,640
Debenture grant	13,500	13,500	13,500	13,500	13,500
Unrestricted donations	2,809	1,865	1,573	1,934	1,090
Interest income	1,132	1,586	1,520	1,166	865
Amortization of deferred capital contributions	9,612	9,559	9,238	9,036	8,796
Ancillary operations	231	3,265	3,734	3,600	3,993
Other revenue	15,481	14,093	15,136	19,107	15,791
Total Revenues	213,899	210,726	211,610	212,328	202,417
Expenses					
Salaries and benefits	113,243	114,363	106,246	97,530	96,519
Student aid, financial assistance and awards	12,720	12,839	12,479	11,478	-
Supplies and expenses	23,281	30,760	31,081	31,608	36,581
Amortization of capital assets	23,090	23,752	23,676	23,730	24,859
Interest expense	12,930	13,443	13,862	14,317	14,823
Other expenses	13,491	18,125	17,398	18,268	17,031
Total Expenses	198,755	213,283	204,743	196,931	189,813
Operating Surplus (Deficit), as Reported	15,144	(2,557)	6,867	15,396	12,604
Capital Expenditures	29,800	28,535	16,351	25,139	28,176

Statement of Financial Position (Adjusted)

(\$ Thousands)	As at March 31				
Assets	2021	2020	2019	2018	2017
Cash and short-term investments	53,127	49,392	62,161	52,195	56,796
Receivables	18,002	17,727	15,901	15,705	13,777
Inventories and prepaid expenses	2,182	2,328	2,300	1,861	1,862
Long-term investments	31,947	26,137	26,809	25,682	29,633
Capital assets	405,979	396,613	392,097	399,588	399,940
Other assets	1,810	-	-	-	-
Total Assets	513,047	492,197	499,268	495,030	502,007
Liabilities and Net Assets					
Liabilities					
Payables and accrued liabilities	32,995	27,506	29,614	25,821	34,634
Deferred revenue	28,244	22,206	20,300	19,580	20,879
Long-term debt	151,845	158,532	164,820	170,744	181,891
Capital lease obligations	36,174	36,954	37,596	38,167	38,673
Deferred capital contributions	161,008	162,196	161,099	162,549	164,582
Total Liabilities	410,266	407,395	413,430	416,861	440,658
Net Assets					
Unrestricted net assets	1,230	4,504	3,264	(1,296)	(10,744)
Internally restricted net assets	20,127	17,589	31,786	29,811	31,574
Equity in capital assets	57,074	39,174	28,946	28,613	20,902
Endowment – externally restricted	24,350	23,536	21,843	21,040	19,617
Total net assets	102,781	84,803	85,839	78,169	61,349
Total Liabilities and Net Assets	513,047	492,197	499,268	495,030	502,007
Contingencies and Commitments					
Operating lease obligations	8,473	10,197	11,915	13,634	14,733

Calculation of Free Cash Flow (Adjusted)

(\$ Thousands)	For the year ended March 31				
	2021	2020	2019	2018	2017
Operating balance as reported	15,144	(2,557)	6,867	15,396	12,604
Amortization	23,090	23,752	23,676	23,730	24,859
Other noncash adjustments	(15,637)	(7,125)	(9,981)	(9,502)	(10,932)
Cash Flow from Operations	22,597	14,070	20,563	29,624	26,531
Change in working capital	11,398	(2,055)	3,878	(12,039)	10,071
Operating Cash Flow After Working Capital	33,995	12,015	24,441	17,586	36,601
Net capital expenditures ¹	(22,336)	(17,879)	(8,562)	(18,136)	(17,083)
Free Cash Flow	11,660	(5,864)	15,879	(550)	19,518

¹ Gross capital expenditures less restricted/deferred contributions for capital purposes received during the year.

Summary Statistics (Adjusted)

	For the year ended March 31				
	2021	2020	2019	2018	2017
Total Students (FTEs)	9,449	8,969	8,924	8,942	8,929
Undergraduate (%)	93	93	94	94	94
Graduate (%)	7	7	6	6	6
Annual change (%)	5.4	0.5	-0.2	0.1	3.2
Enrolment (Headcount)	10,674	10,390	10,348	10,273	10,154
Domestic (%)	93	93	94	94	93
International (%)	7	7	6	6	7
Operating Results					
Surplus (deficit; \$ thousands)	15.1	-2.6	6.9	15.4	12.6
- As % of revenue	7.1	(1.2)	3.2	7.3	6.2
- As % of revenue (five-year rolling average)	4.5	3.4	4.5	5.0	5.2
Revenue Mix					
Government funding (federal and provincial; %)	48.1	46.7	45.8	44.6	45.5
Student fees (%)	37.2	36.6	37.9	36.9	37.0
Ancillary (%)	5.6	8.4	7.7	8.0	8.8
Donations and investment income (%)	4.2	1.6	1.7	1.6	1.8
Other (%)	4.9	6.7	6.9	8.9	7.0
Debt and Liquidity					
Total long-term debt (\$ millions)	188.0	195.5	202.4	208.9	220.6
- Per FTE student (\$)	19,898	21,796	22,682	23,363	24,702
Interest costs as share of total expense (%)	6.5	6.3	6.8	7.3	7.8
Interest coverage ratio (times)	2.7	2.0	2.5	3.1	2.8
Expendable resources (\$ millions)	21.4	22.1	35.0	28.5	20.8
As a share of long-term debt (%)	11.4	11.3	17.3	13.6	9.4
Endowments (Market Value)					
Total market value (\$ millions)	24.4	23.5	21.8	21.0	19.6
Per FTE student (\$)	2,577	2,624	2,448	2,353	2,197
Annual change (%)	3.5	7.7	3.8	7.3	8.0

Rating History

Issuer	Debt	Current	2020	2019	2018	2017	2016
University of Ontario Institute of Technology	Issuer Rating	A (low)	A (low)	A (low)	A (low)	A (low)	BBB (high)
University of Ontario Institute of Technology	Series A Senior Unsecured Debentures	A (low)	A (low)	A (low)	A (low)	A (low)	BBB (high)

Related Research

- *Rating Public Universities*, May 5, 2021.
- *Ontario Provides Relief Funding for Severely Affected Universities*, March 22, 2021.

Previous Report

- University of Ontario Institute of Technology: Rating Report, January 15, 2021.

Notes:

All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com. Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of University of Ontario Institute of Technology

15 Dec 2021

Toronto, December 15, 2021 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of University of Ontario Institute of Technology and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review discussion held on 10 December 2021 in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

The A1 rating of the University of Ontario Institute of Technology (Ontario Tech) reflects strong operating cash flows and solid wealth levels from cash and investments. The rating also reflects provincial debt service subsidies which support the university's debt affordability and provides debentureholder security. Credit challenges include a history of provincially mandated tuition freezes, as well as operating challenges through reduced demand for commercial/ancillary services and elevated pandemic-related expenses. Ontario Tech has seen strong international student enrolment during the pandemic which, coupled with significant expense containment efforts to address pressures, significantly cushions the financial impact on the university. The A1 rating incorporates a baseline credit assessment (BCA) of a3 and a high likelihood of extraordinary support coming from the Province of Ontario (Aa3) in the event that the university faced acute liquidity stress.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodologies used for this review were Higher Education Methodology published in August 2021 and Government-Related Issuers Methodology published in February 2020. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

This announcement applies only to EU rated, UK rated, EU endorsed and UK endorsed ratings. Non EU rated, non UK rated, non EU endorsed and non UK endorsed ratings may be referenced above to the extent necessary, if they are part of the same analytical unit.

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