



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

June 15, 2018

TO: Southern Oregon University Board of Trustees, Executive and Audit Committee

FROM: Sabrina Prud'homme, University Board Secretary

RE: Notice of Regular Meeting and Notice of Quorum of the Executive and Audit Committee

The Executive and Audit Committee of the Southern Oregon University Board of Trustees will hold a regular meeting on the date and at the location set forth below.

The topics of the meeting will include an internal audit annual report as well as discussion and action on the 2018-19 internal audit plan. There also will be a discussion regarding matters of board governance.

The meeting will occur as follows:

Friday, June 22, 2018
9:30 a.m. to 11:30 a.m. (or until business is concluded)
Hannon Library, DeBoer Room, 3rd Floor, Room #303

Meeting materials are available on the board's website: governance.sou.edu.

Additionally, a quorum of the committee is expected to be present during the interview of a candidate for the university's vice president for enrollment management and student affairs. This meeting will be on June 21, 2018 from 11:00 a.m. to 12:00 p.m. in the Hannon Library, room 329.

The Hannon Library is located at 1290 Ashland Street, on the Ashland campus of Southern Oregon University. **If special accommodations are required or to sign-up in advance for public comment, please contact Kathy Park at (541) 552-8055 at least 72 hours in advance.**



Board of Trustees
Executive and Audit Committee Meeting
June 22, 2018

Call to Order / Roll / Declaration of a Quorum



**Board of Trustees
Executive and Audit Committee Meeting**

**Friday, June 22, 2018
9:30 a.m. – 11:30 a.m. (or until business concludes)
DeBoer Room, Hannon Library**

AGENDA

Persons wishing to participate during the public comment period shall sign up at the meeting.
Please note: times are approximate and items may be taken out of order.

- | | | | |
|---------|----------|---|---|
| | 1 | Call to Order/Roll/Declaration of a Quorum | Chair Bill Thorndike |
| | 1.1 | Welcome and Opening Remarks | |
| | 1.2 | Roll and Declaration of a Quorum | Sabrina Prud'homme,
SOU, Board Secretary |
| | 1.3 | Agenda Review | Chair Thorndike |
| | 2 | Public Comment | |
| 15 min. | 3 | Reports | |
| | 3.1 | Internal Audit Annual Report | Ryan Schnobrich, SOU,
Internal Auditor |
| 5 min. | 4 | Consent Agenda | |
| | 4.1 | Approval of January 19, 2018 Meeting Minutes | Chair Thorndike |
| | 5 | Action Items | |
| 20 min. | 5.1 | 2018-19 Internal Audit Plan | Ryan Schnobrich |
| | 6 | Information and Discussion Items | |
| 30 min. | 6.1 | Governance Discussion | Chair Thorndike |
| | 6.1.1 | Board Policy Review | |
| | 6.1.2 | Board Evaluations and Exit Interviews | |

**Board of Trustees
Executive and Audit Committee Meeting**

**Friday, June 22, 2018
9:30 a.m. – 11:30 a.m. (or until business concludes)
DeBoer Room, Hannon Library**

AGENDA (Continued)

6.1.3 New Trustee Orientation

6.1.4 Board Officer Election Process

5 min.	6.2 Future Meetings	Chair Thorndike
7	Adjournment	Chair Thorndike

Public Comment

Reports



Southern Oregon University
Internal Audit Annual Report
Fiscal Year 2018

Prepared By
Ryan Schnobrich, C.P.A.
Internal Auditor

June 22, 2018

Introduction

This report outlines the Internal Auditor's accomplishment of the fiscal 2018 Internal Audit Plan.

This is the second full fiscal year of Internal Audit's on-campus presence. The theme for last year was "balance continued capacity building with value-added engagement." More time was spent last year on value-added engagement, specifically investigative services, than was planned (Exhibit A). Investigative services directly contributes to an ethical culture and, like much of my role, is a direct embodiment of our value of "excellence, continuous improvement and accountability". This came at a cost to capacity building and consulting services.

I am sincerely appreciative of the considerable support I have received throughout this last year from my esteemed campus colleagues and fellow Oregon higher education internal audit practitioners. I am appreciative of the professional training I received this year from the Association of College and University Auditors and The Institute for Internal Auditors. Training included enterprise risk management, collaborating with compliance, fraud detection and deterrence, digital forensic investigation techniques, identifying deception through physical language and verbal cues, and auditing information technology security.

Engagements Carried Over From Last Year

I started the fiscal year by completing investigative services regarding the bank fraud for the General Counsel and advising ASSOU on performing their review of last year's student fee process.

Assurance Services

I stopped the audit of Student Life's (mandatory incidental) student fee process and engaged management. I encouraged communication regarding this topic between the various constituents throughout the year. The General Counsel is assisting the ASSOU Bylaws Committee. There is ongoing discussion regarding revising administrative policy and procedure to be in compliance with ORS 352.105.

As previously approved by the Board, the topic of the Human Resources audit was changed from personnel file management practices to the irregular employment agreement process. I stopped this audit as well and engaged management. The Director of Human Resources is discussing the process with the Director of the Service Center.

As previously approved by the Board, The Director of Housing and Dining requested an audit of key control practices. During engagement planning it was identified that what she really needs is consulting assistance. You will see this change when we discuss the internal audit plan for next year.

I completed the annual assessment of management responsibilities and annual assessment of management's control of fraud risk. The reports are posted on Internal Audit's Board reporting website.

Consulting Services

In addition to miscellaneous consulting requests, there were five consulting engagements in effect this past year:

As previously presented to the Board, The Director of Financial Aid requested that our consulting activities begin after they acquire additional compliance assistance. Therefore, I intend for this engagement to carry over to next year.

I advised the new Director of Campus Recreation on process design, internal controls, risk management, governance and similar aspects of opening the new Student Recreation Center.

Athletics sought guidance with employee onboarding procedures, compliance processes related to student athlete eligibility, and general cross-departmental administrative integration. An engagement outline was created, but discussions soon turned to numerous “micro-integrations” across campus. I encouraged further dialogue with the Service Center, Business Services, Human Resources, etc.

The Service Center is continuing to evaluate processes, specifically those that would benefit from digitization. Therefore, I intend for this engagement to carry over to next year as well.

Finally, I provided guidance and encouragement regarding enterprise risk management focused on information technology, which culminated in a presentation to the President and her cabinet.

While recommendations and suggestions were made, the consulting engagements did not result in reports to the Board.

Investigative Services & Coordination with Management’s Compliance Function

I processed twenty-two new allegations last fiscal year and finalized many others. I generated four investigation reports to the Board.

I appreciate how executive management has been working through these topics. I do not want the time it takes for the Board to receive a final report to be viewed as anything other than the necessary time for management to make the best decisions. At a minimum, the Chair of the Board is advised of material, percolating issues.

My roles isn’t revenue generating so I focus on doing more with less and driving my costs down where I can without compromising quality. The Board has indicated that they are supportive of additional resources for Internal Audit. I would rather recommend that additional resources be focused on increasing management’s capacity for compliance management. I generate a lot of material that requires the General Counsel’s review and input. If management had a Compliance Coordinator or similar capacity, management could more quickly process my work product and implement my recommendations.

Coordination with External Auditors

Each year, as part of the single audit, our external auditors, CliftonLarsonAllen, interview me regarding management's internal control structure and progress in implementing enterprise risk management. We review and discuss my reports to the Board in confidence.

Risk Assessment

As I become aware of them, I continue to note key risks, key internal controls by risk type and greatest opportunities in a risk and control matrix. I will mention management's progress in implementing risk assessment and enterprise risk management when presenting my proposed internal audit plan for next year.

Governance, Risk Management and Compliance

I have become more familiar with universities' governance, risk management and compliance functions.

- I have recurring one-on-one meetings with the Chair of the Board of Trustees, the President, the General Counsel, the Vice President of Finance and Administration, the Board Secretary and the Director of Human Resources.
- I followed the Executive and Audit committees' workgroup on governance as well as President Schott's strategic planning process with much interest so that I may continue to develop an understanding of the Board of Trustees' and management's risk appetite and key strategic goals.
- I attended Strategic Planning events, contracting training, a campus environmental resilience assessment, ALICE training, the employee survey forum, etc.
- I am a contributing guest at Business Affairs Council and Policy Council.
- All of the public higher education Chief Audit Executives annually meet in person to share best practices.
- I presented to the Provost's Council and to the Housing and Dining staff.
- I presented a training on financial irregularities to the Service Center staff.
- I present campus-wide fraud awareness trainings.
- I worked with Marketing to create a new EthicsPoint hotline poster.
- I remotely attend quarterly meetings of all the Chief Audit Executives that work for the State.

Department Procedures, the Standards and the Quality Assurance Improvement Program

I updated the Internal Audit charter, Internal Auditor job description and internal audit website to be compliant with the new version of the *Standards*. I have started to review some of my procedures with the General Counsel. I renewed my Certified Public Accountant license. I have been approved to sit for the Certified Internal Auditor exams.

A quality assurance self-assessment was not performed in FY18 as planned because it would need to be validated by a qualified, independent, competent, and professional external assessor to be valid. Internal assessments and self-monitoring are ongoing.

I believe that my involvement added value to campus operations and governance. I created a client satisfaction survey in Qualtrics to benchmark my progress and seek input on my services. I received a handful of very positive surveys.

I attended a campus-training session on Microsoft Word styles. I attended disability awareness training where I learned how to use a software called SiteImprove to make the Internal Audit website more user friendly.

I tracked my time spent on various components of the Internal Audit Plan again this year. The results have been incorporated into the FY19 Internal Audit Plan.

I operated within my budget. In fact, I reduced Internal Audit's non-payroll budget for FY19 by about \$1,000.

Annual Confirmation of the Organizational Independence of Internal Audit

Management did not interfere in determining the scope of internal auditing, control which areas I examined, or what information I communicated. All determinations and work were performed independent from management decision-making. I did not subordinate my judgment on audit matters to others.

FY18 Internal Audit Time Keeping

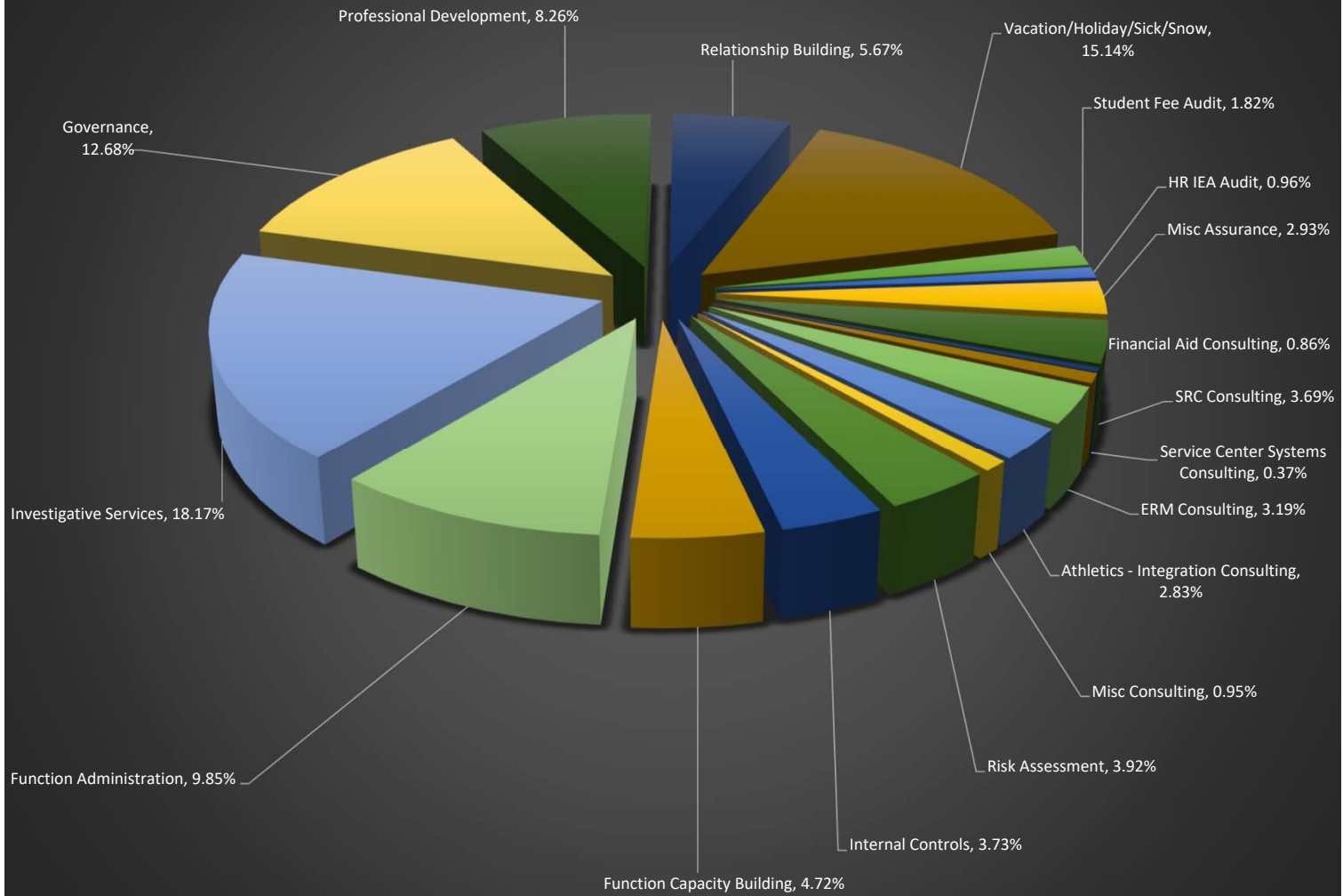


Exhibit B

Annual Required Communication with the Executive & Audit Committee Checklist

Standard	Communication Requirement	Annual Communication Documentation
1000	The Chief Audit Executive (CAE) must periodically review the Internal Audit Charter and present it to senior management and the Audit Committee for approval.	The SOU Internal Audit Charter was updated for IPPF 2017, reviewed with executive management and then presented to the Executive and Audit Committee for review and approval at the January 16, 2018 committee meeting.
1010	The CAE should discuss the Definition of Internal Auditing, the Code of Ethics, and the IIA <i>Standards</i> with Senior Management and the Finance and Audit Committee.	The Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> were discussed with executive management and the Executive and Audit Committee in conjunction with the revision of the SOU Internal Audit Charter at the January 16, 2018 committee meeting.
1110	The CAE must confirm to the Executive and Audit Committee, at least annually, the organizational independence of the internal auditing activity.	By reporting functionally to the Executive & Audit Committee and administratively to the President, the Internal Auditor confirms the organizational independence of the internal audit activity as of June 22, 2018.
1111	The CAE must communicate and interact directly with the Executive and Audit Committee.	As the Chief Audit Executive, I confirm that an appropriate level of communication and interaction has taken place between me and the Executive and Audit Committee during FY18.
1112	The CAE's independence and objectivity may be impaired if the CAE is asked to perform roles for which management is normally responsible. This could include risk management, design and operation of internal controls and compliance.	The CAE did not have operational responsibilities in FY18.
1120	Internal Auditors must have an impartial, unbiased attitude and avoid any conflict of interest.	The CAE certifies his impartiality and unbiased attitude in FY18. The CAE has avoided any conflict of interest in FY18.
1130	The CAE must disclose the details of any impairment to independence or objectivity, whether in fact or appearance.	The CAE did not have impairment of independence or objectivity in FY18. There was no self-interest, self-review, familiarity, bias, or undue influence. There were no personal conflicts of interest, scope limitations, resource limitations, restrictions on access to records, personnel or property. Results or approaches were not modified.

1200	Engagements must be performed with proficiency and due professional care.	The CAE developed the necessary knowledge, skills and competencies to perform FY18 Internal Audit Plan via education, experience, professional development, interview and research of experts and colleagues, maintaining of professional certifications, participation with ACUA, IIA and AICPA and understanding of and adherence to the <i>Standards'</i> systematic and disciplined approach to internal auditing. Policies and Procedures are adhered to and continuously improved.
1300	The CAE must develop and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit activity.	The CAE has a thorough understanding of the mandatory elements of the IPPF (the <i>Standards</i> and IIA Code of Ethics). In FY18, the CAE read the IIA's " <i>Quality Assessment Manual for the Internal Audit Activity</i> ". I believe that the internal audit activity is in compliance with the <i>Standards</i> and that the IIA Code of Ethics is applied. Drafting and improving of policies and procedures are ongoing.
1311	The CAE is responsible for ensuring that the internal audit activity conducts an internal assessment that includes both ongoing monitoring and period self-assessments.	A self-assessment was <u>not</u> performed in FY18 as planned because it would need to be validated by a qualified, independent, competent, and professional external assessor to be valid. Internal assessments, standardization of work practices and self-monitoring are ongoing. An audit quality assurance template was created in FY18.
1312	The CAE must discuss with the Executive and Audit Committee the form and frequency of external assessment as well as the qualifications and independence of the external assessor or assessment team, including any potential conflicts of interest.	The Executive & Audit Committee was advised on April 14, 2016 that a Quality Assurance Review (QAR) must be performed every five years. The Chief Audit Executives of the other Oregon public higher education institutions have offered to complete the QAR when there is sufficient material to review (FY20).
1320	The CAE must communicate the results of the quality assurance and improvement program to senior management and the Executive and Audit Committee. The results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the reviewer's or review team's assessment with respect to the degree of conformance.	Establishing a Quality Assurance Improvement Program (QAIP) including developing and performing a client survey was completed as part of the FY17 internal audit plan. Further development of a QAIP was completed in FY18. Performing a QAR will be part of the FY20 internal audit plan.
2000	The CAE must effectively manage the internal audit activity to ensure it adds value to the organization.	The CAE meets with executive management and the Board to obtain an understanding of the university's strategies, objectives, associated risks and risk management processes. The CAE has attentively followed the President's strategic planning process in FY18.
2010	The CAE must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.	The CAE meets with the President (May 2, 2018) and Vice Presidents (April 18, 2018) each fiscal year to discuss the university's key objectives and associated risks to seek input into the annual Internal Audit Plan.

2020	The CAE must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the Finance and Audit Committee for review and approval. The CAE must also communicate the impact of resource limitations.	Communication of the status of internal audit plans and resource requirements was reported to the Executive & Audit Committee in June 2017, October 2017 and January 2018. Significant interim changes were communicated to and approved by the Board on January 16, 2018.
2030	The CAE must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.	Although modest, the CAE believes that resources are appropriate and sufficient. There have been no inappropriate reductions in resources or restriction of activities. No external expertise has been utilized or is expected to be utilized at this time. CAE time tracking has proved to be beneficial.
2040	The CAE must establish policies and procedures to guide the internal audit activity.	The CAE drafted numerous policies and procedures in FY17. They were reviewed, revised and added to in FY18. There is some ongoing drafting and revising of policies and procedures.
2050	The CAE should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.	The CAE reads the audit reports for the university's single audit each fiscal year. Please see the annual assessment of management's responsibilities and control of fraud risk.
2060	The CAE must report periodically to senior management and the Executive and Audit Committee on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.	Communication of IA's purpose, authority, and responsibility was reported to the Executive and Audit Committee on January 16, 2018. Significant risk exposures and control issues including fraud risks, governance issues and other matters are reported quarterly to the Executive & Audit Committee, specifically including June 2017, October 2017, January 2018. The CAE meets regularly with the President, VP of F&A and General Counsel. On April 18, 2018 the CAE and Vice Presidents specifically met to discuss these topics.
2100	The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach.	The CAE has reviewed the university's mission, key objectives, critical risks, and the key controls used to mitigate such risks. Please see the annual assessment of management's responsibilities regarding governance, risk management, and internal control activities. Please see the annual assessment of management's control of fraud risk.
2110	The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for...	Please see the annual assessment of management's responsibilities regarding governance activities.
2120	The CAE must evaluate the effectiveness and contribute to the improvement of risk management processes.	The CAE completes annual assessments of management's responsibilities and management's control of fraud risk. Consulting this year included guiding enterprise risk management in IT. Financial Aid's COSO ERM requirement was communicated to management and the Board in both last year's and this year's annual reports.
2130	The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.	Please see the annual assessment of management's responsibilities regarding internal control activities. Please see the annual assessment of management's control of fraud risk. A comprehensive risk and control matrix was created in FY17. This model is updated as information becomes available or observed.

2200	Internal Auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organization's strategies, objectives, and risks relevant to the engagement.	An engagement plan is created for each audit and consulting engagement. An engagement plan is created for investigations when it is believed that there will be a report to the Board or when performing work under attorney-client privilege.
2600	When the CAE concludes that management has accepted a level of risk that may be unacceptable to the organization, the CAE must discuss the matter with senior management. If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the Board.	The CAE and the Chair of the Board of Trustees have regular one-on-one meetings.

Consent Agenda



**Board of Trustees
Executive and Audit Committee Meeting**

**Friday, January 19, 2018
9:30 a.m. – 11:30 a.m. (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Chair Bill Thorndike called the meeting to order at 9:31 a.m. and welcomed two new staff members, Greg Perkinson and Dr. Blaine Steensland, and Jean Bushong from CliftonLarsonAllen (CLA), SOU's external auditing firm.

The following committee members were present: Bill Thorndike, Lyn Hennion, Paul Nicholson, Teresa Sayre and Steve Vincent. Trustee April Sevcik was absent. Trustees Daniel Santos, Shanztyn Nhipali and Linda Schott (ex officio) also attended the meeting.

Others attendees included: Jason Catz, General Counsel; Greg Perkinson, Vice President for Finance and Administration; Dr. Blaine Steensland, Acting Vice President for Enrollment and Student Life; Ryan Schnobrich, Internal Auditor; Sabrina Prud'homme, Board Secretary; Patti Eliot, Accounting Manager; Ryan Lamanna, Accountant; Jayne Atkins, Accountant; Debbie Jones, Fiscal Coordinator; Steve Larvick, Director of Business Services; Joe Mosley, Director of Community and Media Relations; Devon Backstrom, ASSOU; Garrick Imatani, Assistant Professor; John Stevenson, IT User Support Manager; Don Hill, Classroom and Media Services Manager; and Kathy Park, Executive Assistant.

Public Comment

There was no public comment.

Consent Agenda

Trustee Vincent moved to approve the minutes from the October 20, 2017 meeting, as presented. Trustee Sayre seconded the motion and it passed unanimously.

Action Items

Fiscal Year 2017 Audited Financial Statements

Jean Bushong explained responsibilities under generally accepted auditing standards, the scope of engagement, audit results, and required communications to governance. She commended and thanked the accounting staff for their helpfulness. The audit is conducted in accordance with generally accepted auditing standards and indicates whether SOU's financial statements are free from material misstatements. There is a financial statement audit and a single audit of a major program: student financial aid.

Ms. Bushong said CLA issued an unmodified independent auditor's report—the cleanest opinion that can be issued. This is the type of opinion management should expect and it means SOU's financial statements are materially correct. The vendor fraud revealed an area where controls need to be tightened up, which SOU has already addressed. Ms. Bushong said the number of audit adjustments made is a great indicator of how the audit really went; SOU had only two adjustments.

Ms. Bushong said this is year three of Governmental Accounting Standards Board (GASB) 68, which requires the PERS net pension liability be included on SOU's books. SOU's liability increased from \$11.4 million to \$27.3 million. This is an issue nationwide. Ms. Bushong explained the accounting for that liability by highlighting certain entries in the 2017 Annual Financial Report: net pension liability (page 18), decreased operating expenses (page 20) and deferred outflows of resources (page 18).

Ms. Bushong discussed other items in the report: the independent auditor's report, where CLA indicates SOU's financial statements are free from material misstatements (pages 6-7); management's discussion and analysis (page 8); statement of net position (page 18); Note 11, unrestricted net position (page 35); statement of financial position of the SOU Foundation, which is not audited by CLA but must be included (page 19); and the statement of revenues, expenses and changes in net position (page 20).

Responding to Trustee Nicholson's inquiry, Ms. Bushong said the fraudulent activity is accounted for on page 20 on the "other nonoperating items" line. The issue is also addressed in management's discussion and analysis on page 15.

Continuing with the report, Ms. Bushong addressed the statement of cash flows (page 22). Turning to the footnotes, she said there were no major accounting policy changes this year and the footnotes are consistent with what happened in the past. She then highlighted Note 5, capital assets; Note 10, long-term liabilities; Note 15, employee retirement plans, in particular the sensitivity analysis; and note 17, risk financing, which mentions recovery efforts in the fraud incident. The last item highlighted was the required supplementary information, which shows what SOU contributes to PERS on an annual basis.

Turning to the single audit, which includes results of the financial statement audit and the federal audit, Ms. Bushong said CLA issued one material weakness as it related to the fraud. Regarding the testing of the federal program, she said there were five findings last year. This year there was only one, which related to awarding Federal Supplemental Educational Opportunity Grant money to a second pool of applicants who were not in the lowest level of expected family contribution; Ms. Bushong said she expects this issue will be resolved. Responding to Trustee Nicholson's inquiry, Ms. Bushong said there was potential liability of about \$137,000 in questionable costs but the Department of Education will determine if it will collect those monies. It was not recorded as a liability because it did not rise to CLA's materiality or certainty level.

Ms. Bushong discussed the required communications to governance. CLA must remind the board there are estimates in the financial statements and that adopted accounting

policies can impact the numbers. CLA must also advise of any difficulties encountered in performing the audit; there were none.

CLA must advise of any uncorrected or corrected misstatements. There was one that resulted from information from the Department of Administrative Services (DAS) about calculating the net pension liability on SOU's books. This issue was common to all Oregon universities but rose to a material level for SOU. It was not a deficiency or material weakness in controls, but rather an issue with the level of information DAS provided.

Regarding the other required communications to governance, Ms. Bushong said there were no disagreements with management, management represented that it provided all necessary information, there were no issues with the SOU Foundation auditors, and the fraud issue was highlighted.

Responding to Chair Thorndike's inquiry, Ms. Bushong said CLA also audits EOU, OIT and OSU, which creates great synergy. CLA does not issue a stand-alone report for USSE but does work closely with USSE throughout the audit.

Ms. Bushong mentioned several upcoming GASB standards that would impact financial statements. She highlighted three trends in higher education: Moody's negative fiscal outlook; federal tax reform and changes to the Higher Education Act; and cybercrimes and security.

Responding to Trustee Hennion's inquiry, Ms. Bushong said she could create slides comparing SOU to the other Oregon universities. The focus for SOU is whether it is climbing out of the economic condition of five years ago. Greg Perkinson is attempting to obtain timely statistics comparing the institution.

Trustee Nicholson moved that the Executive and Audit Committee approve a resolution to recommend the Board's acceptance of the Audited Financial Statements of the 2017 Annual Financial Report for SOU for the fiscal year ended June 30, 2017. Trustee Hennion seconded the motion and it passed unanimously.

Amendments to Internal Audit Charter

Ryan Schnobrich said one of his recent governance projects was updating the Internal Audit Charter, in particular, the definition of internal auditing to comply with the update in The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. He also streamlined the charter and made the formatting more consistent.

Responding to inquiries from Trustees Vincent and Nicholson, discussion ensued on the individuals from whom Mr. Schnobrich takes direction and advice; his limitations stemming from not being a member of management; his options if employees are resistant to his suggestions; interactions with non-employees; and the scope of investigative services. There was also discussion on consistency in style among board documents.

Trustee Sayre moved that the Executive and Audit Committee of the Board of Trustees of Southern Oregon University approve the proposed resolution in the meeting materials to amend the internal audit charter. Trustee Nicholson seconded the motion and it passed unanimously.

Information and Discussion Items

The Guardians Initiative

This item was omitted in favor of having the discussion at the meeting of the full board.

Internal Audit Update

Ryan Schnobrich provided the committee his periodic update. Starting with assurance services, he and the Director of Human Resources agreed to change the focus of the Human Resources audit from personnel file management practices to the processes around the use of irregular employment agreements and the processing of those agreements; he said he intends to reconsider personnel file management for next year's internal audit plan. The Director of Housing asked to be audited regarding key control practices; Mr. Schnobrich said this is an important safety topic and he wants to encourage directors reaching out to him so he will add this audit.

On the consulting side, the scope of engagement with Athletics has broadened based on need. He and the Directors of Athletics and Business Services continue to identify "micro-integrations" between the departments that would benefit from everyone's attention. They are coordinating with the Directors of the Service Center, Human Resources and Housing to encourage integration of processes and internal controls.

Mr. Schnobrich said the Director of Financial Aid is preparing to expand compliance activities and asked that he wait until this expansion happens and is staffed before continuing consulting activities. The Director of Campus Recreation is making progress preparing for the opening of the Student Recreation Center and the ASSOU advisory committee has been actively involved in establishing governance of the recreation center. The Chief Information Officer has made remarkable progress on implementing enterprise risk management.

Mr. Schnobrich said there were several more allegations made during this last quarter and he is coordinating resolution with management. He is still spending a significant amount of time on investigative services, which comes at the cost of consulting services and has delayed the start of assurance service for Human Resources.

Future Meetings

Chair Thorndike said the next committee meeting is on March 16. With the board coming up on the end of its third year, Chair Thorndike said it is probably time to review the bylaws. He encouraged trustees to submit their comments on the bylaws and requests for agenda items to the board secretary. Sabrina Prud'homme provided an update on the appointment and reappointment of trustees.

Adjournment

Chair Thorndike adjourned the meeting at 11:22 a.m.

2018-19 Internal Audit Plan



Southern Oregon University
Internal Audit Plan
Fiscal Year 2019

Prepared By
Ryan Schnobrich, C.P.A.
Internal Auditor

June 22, 2018

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Introduction & Internal Audit Plan Overview

The purpose of the Internal Audit Plan is to outline internal audits and other services and activities the Internal Audit Department will conduct during fiscal year 2019 (July 1, 2018 to June 30, 2019).

The Internal Audit Plan satisfies responsibilities established by the Board of Trustees bylaws, the Internal Audit Charter, and applicable professional *Standards*.

The Internal Auditor is authorized to make changes to the Internal Audit Plan, as deemed necessary, to address changes in identified risks. The Executive and Audit Committee and the President will be notified of any significant additions, deletions, or other changes to the Internal Audit Plan.

The Internal Audit Plan should be based on appropriate risk-based methodology, including the consideration of any risks or control concerns identified by management.

Internal Audit Risk Assessment Overview

In FY16, risk interviews were held with management, which resulted in a list of the university’s top ten risk areas.

In FY17, risk assessment procedures, including management interviews, and scoring criteria were developed and performed. The results were combined into a risk/control and scoring matrix and presented to the Board in a heat map format. The heat map represented specific residual risks that could result in a material event if related internal controls were not implemented and functioning effectively.

In FY18, the Vice Presidents and Business Affairs Council performed high-level risk assessments. Internal Audit assisted by incorporating a heat map into their tracking spreadsheet. Internal Audit and the Vice Presidents discussed their risk assessment. Their input factored significantly in what was included in this year’s internal audit plan.

Executive Summary

Please refer to Internal Audit’s annual report, annual assessments of management responsibilities and management control of fraud risk, engagement reports and reference resources on the Board reporting page: <https://sites.google.com/a/sou.edu/internal-audit/?pli=1>

The recurring theme for this year is to balance continued capacity building with value-added engagement.

Regarding allocation of time, given how time was spent last year and the functional maturity of Internal Audit, I believe that the following breakdown is appropriate:

	FY19	FY18 (Estimation)	FY18 Planned
Assurance/Audit Services:	8%	6%	10%
Consulting Services:	20%	12%	25%
Investigative Services:	15%	18%	10%
Governance:	10%	12%	10%
Risk Assessment:	5%	4%	5%
Internal Control Assessment:	5%	4%	5%

Function Capacity Building/Quality Assurance:	5%	5%	5%
Relationship Building:	4%	5%	5%
Professional Development:	7%	8%	5%
Function Administration:	8%	10%	10%
Vacation/Holiday/Sick Time:	<u>13%</u>	<u>16%</u>	<u>10%</u>
Total	100%	100%	100%

Internal Audit Plan for Fiscal Year 2019

Assurance/Audit Services (not in priority order):

1. Facilities Management & Planning – Sustainability reporting to AASHE standards;
2. Human Resources – Personnel file management;
3. Campus Public Safety – Re-perform FY17 stopped audit of Clery Act compliance;
4. Annual Assessment of Management Responsibilities;
5. Annual Assessment of Management’s Control of Fraud Risk;
6. Follow Up - Selected Oregon University System Internal Audit Division audit recommendations;
7. Follow Up - FY17 investigation report management response and action plan(s);
8. Follow Up - FY17 Title IX audit management response and action plan;
9. Miscellaneous as requested by management;

Consulting Services (focused on providing guidance to management on process re-engineering and continuous improvement, not in priority order):

1. Financial Aid - Internal controls around key processes, compliance requirements and enhancement of enterprise risk management;
2. Enrollment Services Center – Student record maintenance;
3. Housing – Master plan;
4. Housing – Key control;
5. Business Services – Enhancement of enterprise risk management;
6. Service Center – Digitization of processes;
7. Payroll – Integrative processes;
8. Office of the Vice President of Finance and Administration – Service Excellence;
9. Follow Up – FY18 stopped audit regarding the Student Fee Process
10. Follow Up – FY18 stopped audit regarding Irregular Employment Agreements;
11. Follow Up – FY18 investigation report management response and action plan(s);
12. Miscellaneous as requested by management;

Investigative Services:

1. EthicsPoint hotline allegations come to me for substantiation and reintegration with management decision-making.

Governance:

1. Continue to develop an understanding of the Board of Trustees and management’s risk appetite in the context of the new strategic plan and five new Trustees joining the Board.

Risk Assessment:

1. Encouraging management risk assessment and enterprise risk management;
2. Nurturing a formal compliance management function by management;
3. Internal Audit will facilitate some risk self-assessments surveys with certain Directors.

Internal Control Assessment:

1. Continued availability to review internal control processes upon Directors' requests.
2. Perform independent assessment activities in Business Services.

Function Capacity Building:

1. Formalize and document internal procedures further.
2. Prepare for a peer external quality assessment in FY20, for which the other Oregon public higher education Chief Audit Executives have graciously offered to perform.
3. Developing and documenting some software-assisted auditing techniques; specifically using the software IDEA, Excel, Banner and Cognos.
4. The Institute for Internal Auditors has approved me to sit for the Certified Internal Auditor exams. I will study for and take the exams within the next six months.

Administration:

1. I will continue to track how I spend my time.

Annual Confirmation of the Organizational Independence of Internal Audit

Another key responsibility set forth in the Internal Audit Charter is to confirm annually the organizational independence of Internal Audit. This is included in each year's Internal Audit Plan. The Board will be advised of any responsibilities or conditions believed to affect the objectivity or independence of Internal Audit, as well as any limitations to scope or insufficient resources to perform internal audit services.

Human Resource Plan

The FY19 Internal Audit Plan was created around the understanding of having one Internal Auditor.

Any Resource Limitations or Significant Interim Changes

Having only one Internal Auditor is inherently a resource limitation. For example, full organizational coverage over a five-year period is untenable. Due to continued, unexpected dedication of time to investigative services, time must still be dedicated to documenting internal processes. While this year's Internal Audit plan is ambitious, I believe that it can be completed with the resources provided.

Financial Budget

As per the Internal Audit Charter, the Executive and Audit Committee is responsible for approving the internal audit function's budget and resource plan.

Internal Audit's requested budget has been submitted to Mark Denney, Associate Vice President for Budget and Planning. The non-payroll portion of the budget has been reduced by another approximately \$1,000 year-over-year as there is less of a need for training and function start-up costs compared to last year. Approximately \$2,000 per year of budgeted expenses, for the last two years, has been returned unused.

**Southern Oregon University
Board of Trustees
Executive and Audit Committee**

**RESOLUTION
Recommendation to Adopt Fiscal Year 2018-19 Internal Audit Plan**

Whereas, Southern Oregon University is governed by and the business and affairs of the University are managed by the Board of Trustees of Southern Oregon University;

Whereas, Southern Oregon University has a duty to responsibly manage, invest, allocate, and spend its resources;

Whereas, Southern Oregon University has created the position of Internal Auditor to provide independent and objective assurance, consulting and investigative services that add value to the University;

Whereas, the Board of Trustees of Southern Oregon University has granted the Internal Auditor an Internal Audit Charter (“Internal Audit Charter”) to provide guiding principles, direction and authority to the Internal Auditor consistent with The Institute of Internal Auditors’ International Professional Practices Framework;

Whereas, the Internal Auditor will work closely with the Board of Trustees, University leadership, faculty and staff to conduct and coordinate a broad range of internal audit functions for the University; and

Whereas, the Internal Auditor has developed a risk-based annual internal audit plan for Fiscal Year 2019 (“Internal Audit Plan”); Now, therefore,

Be it resolved, the Executive and Audit Committee of the Board of Trustees recommends the Board adopt the Internal Audit Plan. With this adoption, the Board hereby instructs the Internal Auditor and the officers of the university to take all actions and steps deemed necessary and proper to implement this Internal Audit Plan.

Vote:

Date: June 22, 2018

Recorded by the University Secretary:

Governance Discussion

**Southern Oregon University
Board of Trustees**

Board Policy Review Items

Bylaws

- [Bylaws](#)

Board Policies

- [Resolution on the Responsibilities of Individual Trustees](#)
- [Board Statement on the Conduct of Public Meetings](#)
- [Board Statement on the Performance of Official Business](#)
- [Board Statement on Delegation of Authority](#)
- [Board Statement on Board Committees](#)
- [Board Statement on Ethics and Conflict of Interest](#)
- [Board Statement on Policies](#)
- [Board Statement on Recommending Candidates for At-large Board Positions](#)
- [Investment Policy, SOU Endowment Fund](#)
- [Board Statement on Evaluation of the University President](#)

2017-18 Board of Trustees Self-evaluation

1. For recording purposes, please provide your name.

2. Expectations for board members are described in the board's "Resolution on the Responsibilities of Individual Trustees." Please rate yourself on the following.

	Not Effective at All	Slightly effective	Moderately effective	Very effective	Extremely effective
Evaluation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fiduciary Duties	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Service	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Respect	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal Behavior	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3. Please indicate your current participation, your professional expertise and your future interest in the following committees.

	Currently Serve	Professional Expertise	Future Interest
Academic and Student Affairs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Executive and Audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Finance and Administration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Have you participated in other activities aside from required board and committee meetings?

Yes

No

Display This Question:

If 4= Yes:

4.b. If so, please indicate all of the SOU activities you have attended in the past year:

- Commencement
- Convocation
- Student Activities (ex.: Luau)
- ROARs
- ASSOU Meetings
- Faculty Senate Meeting
- Athletic Events
- SOU-related Community Events
- Fundraising Events
- Others

5. Are there barriers to your participation and/or fulfillment of your board responsibilities? (e.g., conflict in work schedule, increased family commitments, residence out-of-town, evolving personal health issues, other commitments)

- Yes
- No

Display This Question:

If 5 = Yes

5.b. If yes, please explain.

Display This Question:

If yes, please explain. Text Response Is Displayed

5.c. If any, are there ways that you think the board or university staff can help with addressing these barriers?

6. Please indicate your level of professional expertise in the following areas and check the area(s) in which you would like additional training/information.

	No Experience	Limited Experience	Moderate Experience	Extensive Experience	Additional Training/Information
Strategic planning and execution (<i>mission, goal-setting, measurement</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Academic affairs (<i>faculty matters, curriculum, academic support programs</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Student affairs (<i>student life, student government, student success, issues</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Higher education (<i>trends, issues, history, nuances, emergent issues</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Board-president/CEO relationships (<i>management, development, evaluation, employment</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enterprise management (<i>internal/external audits, business affairs, internal controls, processes</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial management (<i>financial auditing, budgets, investing, bonding</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Philanthropy (<i>fundraising, stewardship, endowment investment</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Government relations (<i>federal affairs, state affairs, appropriations, legislative process</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Legal affairs (<i>policies, risk, litigation, employment matters</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Physical plant and planning (<i>construction, capital projects, maintenance, planning</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Research (<i>grants, federal funding, commercialization, internal review board/safety</i>)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compliance (<i>state statutes, policy development,</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

performance assessment)

7. To the best of your ability, please assess the board's collective professional knowledge and experience in the following areas.

	No Knowledge	Slightly Knowledgeable	Moderately Knowledgeable	Very Knowledgeable	Extremely Knowledgeable
Strategic planning and execution (<i>mission, goal-setting, measurement</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Academic affairs (<i>faculty matters, curriculum, academic support programs</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Student affairs (<i>student life, student government, student success, issues</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Higher education (<i>trends, issues, history, nuances, emergent issues</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Board-president/CEO relationships (<i>management, development, evaluation, employment</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enterprise management (<i>internal/external audits, business affairs, internal controls, processes</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financial management (<i>financial auditing, budgets, investing, bonding</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Government relations (<i>federal affairs, state affairs, appropriations, legislative process</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legal affairs (<i>policies, risk, litigation, employment matters</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Physical plant and planning (<i>construction, capital projects, maintenance, planning</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Research (<i>grants, federal funding, commercialization, internal review board/safety</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Compliance (<i>state statutes, policy development, performance assessment</i>)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. How would you rate the overall performance of the board?

	Not Effective	Slightly Effective	Moderately Effective	Very Effective	Extremely Effective
Performance Rating	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9. In 2018-19, I would like to see the board:

10. In 2018-19, I would like to personally engage with or focus on:

11. Please indicate the board leadership position(s) in which you would be interested in serving in the future, if any (select all that apply).

- Board Chair and Executive and Audit Committee Chair
- Vice Chair
- Academic and Student Affairs Committee Chair
- Finance and Administration Committee Chair
- Special Committee Chair (e.g., Presidential Search Committee Chair, Work Group Chair)
- I am not interested in serving in a board leadership position.

12. Please provide feedback for the following individuals with respect to their board leadership performance (feedback on areas strength and opportunity). Feedback will be provided to the individual only and not shared with the full board.

- Chair Thorndike _____
- Vice Chair Hennion _____
- ASAC Chair Sayre _____
- EAC Chair Thorndike _____
- FAC Chair Nicholson _____

13. What are your suggestions to improve the performance of the board?

14. Do you have any additional comments or suggestions regarding the board, in general?

15. What can staff members do to better serve the board? (Please provide general comments rather than comments directed at a specific individual.)

16. What do you think about the number of board and committee meetings in 2017-18?

	Too Few	Too Many	Just Enough	Too Many (but unavoidable under the circumstances)
Board of Trustees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Academic and Student Affairs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finance and Administration	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Executive and Audit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

17. Would you like for the board to consider holding occasional board and/or committee meetings at other SOU locations, such as other buildings, the student union, and the Medford campus?

- Yes, I would like us to consider meeting in these or other places.
- Yes, I would like us to consider meeting in these or other places. but only if it logically makes sense with our agenda to hold meetings in these places.
- No. For consistency and ease of access, I would like us to meet in the same place.

18. Please provide any additional feedback you may have regarding our board's meeting schedule.

19. How should board members introduce agenda items to the chairs?

- We should email the chairs and/or board secretary with our suggestions.
- The chairs should invite suggestions for future topics as an agenda item at the end of each meeting.
- Both methods should [continue to] be used.
- I would like to suggest another way to introduce agenda items. (4)

Display This Question:

If 19 = I would like to suggest another way to introduce agenda items.

19.b. . . . and my suggestion is:

20. Are the meeting materials and related information presented to the board by the administrative units and staff relevant and helpful to the board in their decision making and in meeting their fiduciary responsibilities?

- Yes
- No

20.b. Please provide any additional feedback you have about presentation materials.

21. The board uses common parliamentary procedures to conduct meetings. Would you like to see more procedures implemented?

- No, our meetings procedures are fine/too much procedure gets in the way of progress.
- Yes, our meeting procedures need to be more structured/our meetings would benefit from additional procedures.
- I suggest the following specific improvements to meeting procedures:

Display This Question:

If 21 = I suggest the following specific improvements to meeting procedures:

21.b. Specific procedures:

22. At full board meetings, how would you describe the amount of time spent discussing seconded motions from committees?

- Too much
- Not enough
- The appropriate amount of time

23. Please provide feedback on the educational items presented at lunchtime in full board meetings (e.g., *Student Tuition, Debt and Affordability, Academic Resource Management, Governance and Ethics Refresher, etc.*). Should we continue this practice? Is there anything you would like to see or learn more about?

24. The online materials we receive in preparation for meetings:

- Need to be simplified and made shorter.
- Should be more in-depth.
- Are fine the way they are and provide the appropriate information that we need.

25. Are you interested in a different or more formal format of meeting materials?

- Yes, a more formal format would be a welcome change.
- No, more formality or an increase in materials would be an unwelcome change.
- I'm not sure/I'm comfortable with our current format.

26. Would you like to complete a short assessment survey at more frequent intervals or following quarterly meetings to gauge progress and/or performance of the board?

- Yes
- No

27. What do you think of the amount of communication from the board office?

- Too much
- Too little
- The appropriate amount

28. Suggestions for improving communication:

29. Please use the space below to provide additional feedback regarding any item(s) in this evaluation or on items not otherwise addressed.

Future Meetings

Adjournment