



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

January 12, 2018

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

FROM: Sabrina Prud'homme, University Board Secretary

RE: Notice of Regular Meeting 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 action on the fiscal year 2017 audited financial statements and amendments to the internal audit charter. There also will be an internal audit update and discussion on The Guardians Initiative.

The meeting will occur as follows:

Friday, January 19, 2018

9:30 a.m. to 11:30 a.m. (or until business is concluded)

Hannon Library, DeBoer Room, 3rd Floor, Room #303

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
January 19, 2018

Call to Order / Roll / Declaration of a Quorum



**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**

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 | |
| 5 min. | 3 | Consent Agenda | |
| | 3.1 | Approval of October 20, 2017 Meeting Minutes | Chair Thorndike |
| | 4 | Action Items | |
| 45 min. | 4.1 | Fiscal Year 2017 Audited Financial Statements | Jean Bushong,
CliftonLarsonAllen, Principal,
Assurance Services |
| 10 min. | 4.2 | Amendments to Internal Audit Charter | Ryan Schnobrich, SOU,
Internal Auditor |
| | 5 | Information and Discussion Items | |
| 15 min. | 5.1 | The Guardians Initiative | Chair Thorndike |
| 20 min. | 5.2 | Internal Audit Update | Ryan Schnobrich |
| 5 min. | 5.3 | Future Meetings | Chair Thorndike |
| | 6 | Adjournment | Chair Thorndike |

Public Comment

Consent Agenda



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

**Friday, October 20, 2017
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 Thorndike called the meeting to order at 9:31 a.m. and welcomed Trustee Steinman, who joined the meeting on behalf of the governance work group; Shanztyn Nihipali; and Trustee Vincent, the newest member of the committee.

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

Others attendees included: Jason Catz, General Counsel; Craig Morris, Vice President for Finance and Administration; Ryan Schnobrich, Internal Auditor; Sabrina Prud'homme, Board Secretary; Shanztyn Nihipali, SOU student; Steve Larvick, Director of Business Services; Joe Mosley, Director of Community and Media Relations; Devon Backstrom, ASSOU; Fred Creek, Director of Campus Public Safety; 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 Hennion moved to approve the June 16, 2017 and September 28, 2017 meeting minutes as presented. Trustee Sayre seconded the motion and it passed unanimously.

Action Items

Review of President's Goals

Introducing this item, Chair Thorndike said this process has included input from various individuals. President Schott discussed her six proposed goals, as detailed in the meeting materials. Her primary goal is to finalize and launch SOU's strategic plan; she asked trustees to invite her to speak about the plan with various groups in the community with which they have connections. The second goal is thinking about the leadership structure that would best advance the strategic plan; she has not changed her leadership structure and might not, except for hiring an acting Vice President for Enrollment and Student Life and a new Vice President for Finance and Administration.

The third goal is financial stability, which also is a strategic direction. This includes increasing the fund balance [to at least \$6,891,000], which is a conservative estimate. President Schott said she would need to invest resources into the strategic plan to yield greater returns in future years and prevent the plan from stagnating. Discussion ensued on the importance of students' financial stability as well.

The fourth goal is to work with the Associated Students of SOU and the local community to begin to address housing issues. She will start discussions with students and believes it will become a bigger issue including the Ashland community.

President Schott said her fifth goal—to initiate a campaign to make the funding formula more equitable to SOU—involves the Student Success and Completion Model, which promotes instability for institutions, especially for SOU. Craig Morris mentioned that SOU did not receive funding at the current service level (CSL) and there are discussions that all institutions should first receive CSL funding, then performance-based metrics should be applied. Discussion ensued on strategies for promoting this issue with legislators.

Relating to the final goal of establishing a reputation for expertise on the future of higher education and on statewide educational policy issues, President Schott said she and her spouse, Tom, would attend an upcoming presidents' meeting at the American Association of State Colleges and Universities (AASCU). At AASCU, the president will be able to advocate for and represent the university.

Trustee Hennion moved that the Executive and Audit Committee approve these goals for 2017-18 as proposed and, with that, recommend them to the full board. Trustee Vincent seconded the motion and it was approved unanimously.

Information and Discussion Items

Internal Audit Update

Ryan Schnobrich reported that he stopped the audit on the student incidental fee process. An in-depth review of both student and administrative policies and procedures revealed revisions are needed before he could assure the board that the university complies with the applicable state statute. He said he provided management some recommendations, which he expects will result in significant procedural and reporting improvements. Jason Catz added that OSU and WOU are also involved in the same sorts of revisions and SOU has been coordinating with them.

Mr. Schnobrich said both the student incidental fee process and Clery Act compliance will be considered in year-end risk assessment discussions with the president and vice presidents. If Clery is not an audit area for next fiscal year, it will be the year after and the student incidental fee process follow up audit would probably be the year after that.

Management has responded to various investigation reports and the Title IX audit; there will be follow up audits that focus on those responses. As his next audit, Mr. Schnobrich said he would be turning his attention to Human Resources regarding personnel file management practices. On the consulting side, he has been assisting the

Directors of Financial Aid and Athletics by exploring compliance requirements and encouraging the integration of processes and internal controls.

Mr. Schnobrich said he spent a good part of the summer working on Student Recreation Center issues and internal controls regarding club activities. He and the Chief Information Officer have discussed risk management in Information Technology.

There were about six allegations made over the summer and another six or so previous allegations that remain open. Mr. Schnobrich said he is working with management to address the various topics and ideally they will resolve the root cause issues.

Responding to Trustee Vincent's inquiry, Mr. Schnobrich described his approach to his job and the receptiveness of people on campus. Mr. Catz added that, as Mr. Schnobrich helps the university's success, people see that and invite his assistance. Mr. Morris reiterated his opinion that Mr. Schnobrich is a value-add to SOU and that people see him as a safe avenue to bring their concerns.

Governance Update

Trustee Steinman praised Judy Shih's leadership and provided an update on the group's work. The handbook is about 90 percent complete. All the trustees, except one, took the self-assessment evaluation and the board secretary is summarizing the results.

Since the work group was intended to be temporary and its projects are complete or nearly complete, Trustee Steinman said she and Trustee AuCoin recommend it be dissolved. Chair Thorndike thanked the group for its work. Discussion followed regarding the identification of potential new trustees and filling gaps in expertise on the board.

President Schott mentioned the Association of Governing Board's Guardians Initiative and wondered if it might be appropriate for another working group, one to advise and assist on statewide and national political issues. The trustees supported the idea.

Committee Meeting Schedule and Future Meetings

Chair Thorndike said the proposed meeting schedule would be the same as was in place the last year, with the possibility of special meetings if needed. Trustee Sayre said she thought the schedule was an improvement over what was done previously. The members of the Academic and Student Affairs Committee felt their meetings were adequate and liked the longer timeframe. She did not see any improvements at this time and did not think more committees were needed.

Adjournment

Chair Thorndike adjourned the meeting at 10:50 a.m.

Fiscal Year 2017 Audited Financial Statements

[\(Click here to view\)](#)

**SOUTHERN OREGON UNIVERSITY
EXECUTIVE AND AUDIT COMMITTEE
PROPOSED RESOLUTION**

**RECOMMENDATION TO ACCEPT
AUDITED FINANCIAL STATEMENTS OF SOUTHERN OREGON UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2017**

Whereas, the independent certified public accounting firm, CliftonLarsonAllen, LLP has completed its review of the financial statements of Southern Oregon University for the fiscal year ended June 30, 2017; and

Whereas, the Executive and Audit Committee of the Board of Trustees has reviewed the audited financial statements and report; and

Whereas, the Executive and Audit Committee of the Board of Trustees met with the external auditors and performed a satisfactory review of these documents; Now therefore,

Be it resolved, that the Executive and Audit Committee of the Board of Trustees of Southern Oregon University hereby recommends the audited financial statements of the 2017 Annual Financial Report for SOU for the fiscal year ended June 30, 2017 be accepted by the SOU Board of Trustees.

VOTE:

DATE:

Amendments to Internal Audit Charter

SOUTHERN OREGON UNIVERISTY INTERNAL AUDIT CHARTER

The Institute for Internal Auditing (IIA) Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the University's operations. It helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Mission

It is Internal Audit's mission to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

Independent and Objective Role

Internal Audit is functionally accountable to the Executive and Audit Committee of the Board of Trustees, but reports administratively directly to the President.

The Board of Trustees demonstrates this relationship by:

1. approving the Internal Audit Charter;
2. approving the annual risk-based Internal Audit Plan;
3. approving Internal Audit's budget and resource plan;
4. approving decisions regarding the appointment, remuneration and removal of Internal Audit staff;
5. receiving communication from the Chief Audit Executive regarding the performance of Internal Audit's Objectives and Responsibilities;
6. interacting directly with the Chief Audit Executive both in session and between Board meetings as appropriate; and
7. making inquiries of the Officers of the University to determine if there are inappropriate responsibilities or conditions, inappropriate limitations to scope, or insufficient resources to accomplish Objectives and Responsibilities.

Objectives

It is the objective of Internal Audit to determine whether the University's network of governance, risk management and control processes, as designed and represented by management, is adequate and functioning in a manner to confirm that:

1. risks are appropriately identified and managed; specifically including management compliance with laws and regulations;
2. governance interaction occurs as needed;
3. significant financial, managerial, and operating information is accurate, reliable and timely;
4. employee actions comply with policies, standards, procedures, professional ethics and applicable laws and regulations; specifically including privacy and security;
5. resources are acquired economically, used efficiently and adequately protected; specifically including review of management processes and internal controls and the deterrence, detection and prevention of fraud;

6. accountability systems are in place to ensure achievement of organizational and program missions, goals, plans, and objectives;
7. the University's control processes foster quality and continuous improvement; and
8. significant legislative or regulatory issues affecting the University are recognized and properly addressed.

Internal Audit communicates opportunities for improving managements' governance, risk management, control processes, effectiveness and the University's image to the appropriate level of management. Significant opportunities and feedback are summarized and reported to the Executive and Audit Committee of the Board of Trustees.

Responsibilities

University management is responsible for establishing a network of processes with the objective of controlling the operations of the University in a manner that provides the Board of Trustees reasonable assurance that:

1. data and information, whether published internally or externally, is accurate, reliable, timely, transparent and accessible;
2. the actions of employees comply with the University's policies, standards, plans and procedures, and all relevant laws and regulations;
3. the University economically acquires, profitably employs and adequately protects its resources;
4. quality business processes and continuous improvement are emphasized; and
5. the University's plans, programs, goals, and objectives are achieved.

Controlling is a function of management and is an integral part of the overall process of managing operations. As such, it is the responsibility of managers at all levels of the organization to:

1. identify and evaluate the exposures to loss that relate to their particular sphere of operations;
2. specify and establish policies, plans, and operating standards, procedures, systems, and other disciplines to minimize, mitigate, and/or limit the risks associated with the exposures identified;
3. establish practical controlling processes that require and encourage directors, officers, and employees to carry out their duties and responsibilities in a manner that achieves the five control objectives outlined in the preceding paragraph; and
4. maintain the effectiveness of the controlling processes they have established and foster continuous improvement to these processes.

It is the responsibility of Internal Audit to:

1. develop an annual internal audit plan using risk-based methodology including the consideration of any risks or control concerns identified by management;
2. submit the plan along with a financial budget, human resource plan and any resource limitations or significant interim changes to the President and Executive and Audit Committee of the Board of Trustees for review and approval;
3. implement the annual internal audit plan and report results to the President and Executive and Audit Committee of the Board of Trustees;
4. periodically provide information to the President, and Executive and Audit Committee of the Board of Trustees on the status of the annual internal audit plan, the sufficiency of Internal

Audit resources relative to its Objectives and Responsibilities, and emerging trends and successful practices in internal auditing;

5. provide reports to the Executive and Audit Committee of the Board of Trustees and the President on the implementation status of prior audit recommendations;
6. provide consulting and investigative services, beyond internal audit assurance services, to assist management in meeting their objectives, including participating in the development or modification of major information systems, significant changes in functions, services, processes, operations, control processes or strategies and substantiation of allegations;
7. provide an annual assessment on the adequacy and effectiveness of the University's processes for controlling its activities, managing its risks, governance, and the performance of management responsibilities in the areas set forth in Internal Audit's Objectives;
8. report significant issues related to the processes for controlling the activities of the University and its applicable affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution;
9. assist in the investigation of allegations of fraud or fraudulent actions in accordance with the University's fraud policy;
10. maintain a professional internal audit function with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Internal Audit Charter;
11. report the results of internal and external assessments conducted in association with the Quality Assurance and Improvement Program; and
12. confirm annually the organizational independence of Internal Audit.

Board of Trustees Authorization and Expectations

Internal Audit is authorized to:

1. have full, free and unrestricted access to any and all functions, records, information, property, and personnel of the University to the extent permitted by law;
2. audit any function, program, account or system deemed necessary and appropriate in its sole judgement, notwithstanding a pre-approved internal audit plan;
3. have full and free access to the Executive and Audit Committee of the Board of Trustees in whole or in part in conjunction with open meeting laws;
4. allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish internal audit objectives in accordance with professional *Standards*;
5. request the assistance of any and all University employees in fulfilling Internal Audit's function;
6. obtain the necessary assistance of specialized personnel and services from within or outside the organization;
7. preserve the necessary independence to render objective reports that assure all audit activities, specifically including audit scope, procedures, frequency, timing, report content, finalization and distribution to relevant parties are free from management influence; and
8. accordingly, only take direction solely from the Executive and Audit Committee.

Internal Audit is not authorized to:

1. perform, direct or manage any operational duties for the University external to Internal Audit;
2. accordingly, Internal Audit will not design, implement, or approve internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair, or give the perception of impairing, Internal Audit's judgment, independence or objectivity;

3. direct the activities of any University employee not employed by Internal Audit, except to the extent such employees have been appropriately assigned to an internal audit team or to otherwise assist the internal auditor(s);
4. initiate or approve accounting transactions external to Internal Audit; and
5. perform internal audits of any area or activity where an Internal Auditor has worked or for which they have been principally responsible for at least two years after they leave the position.

The Board of Trustees expects:

1. University employees to comply with requests made by Internal Audit in a complete and timely manner.
2. University employees not to interfere, impede or affect Internal Audit's necessary independence and objective mental attitude, specifically including: audit selection, scope, procedures, frequency, timing, report content, timely provision of or access to information, timely management response to draft reports, and identification of corrective action taken or to be taken within a specific period of time in response to Internal Audit's conclusions and recommendations.
3. Internal Audit's conclusions and recommendations to be taken seriously and that steps shall be taken to assess conclusions, identify corrective action within specific periods of time and implement recommendations.
4. Internal Audit to report any identified non-compliance or acceptance of risk believed to be in excess of the University's risk tolerance on the part of University programs or employees to the President, the Executive and Audit Committee of the Board of Trustees and/or its Chairperson.

Types of Engagements

Internal Audit performs five types of engagements:

Assurance Services - Assurance services are objective examinations of evidence to provide an independent assessment. This includes assessing and reporting on the adequacy and effectiveness of internal controls, the quality of performance in carrying out assigned responsibilities and evaluating risk exposures relating to the University's governance, operations, and information systems. The scope includes reviewing and evaluating:

1. achievement of the University's strategic objectives;
2. internal controls established to ensure compliance with applicable policies, plans, procedures, laws, regulations and contracts;
3. the means with which assets are safeguarded;
4. the reliability and integrity of financial and operational information;
5. the efficiency and effectiveness with which resources are employed; and
6. information technology systems to determine if they are appropriately managed, controlled, and protected.

Areas selected for internal audit are identified as a part of robust annual planning process. The goal of the annual planning process is to identify what units can most benefit from assurance services. The annual planning process seeks to apply available resources to highest risks identified, but also serves to provide periodic resources to all units.

For planning purposes, Internal Audit has organized the University into eight major functions:

1. governance and leadership;
2. instruction and academic support including student affairs and the library;
3. research and development;
4. human resources management;
5. fiscal management including the service center;
6. facilities management and planning including plant operations and campus public safety;
7. athletics, auxiliary enterprises, and other self-support enterprises such as student centers and activities, Jefferson Public Radio, housing, food, student health services, parking and the bookstore;
8. information technology and others as identified and necessary.

The assurance services selection process entails a macro-level risk assessment of the major functional areas using industry trends, past internal audit experience, financial analysis, and University constituent input. Some factors considered in selecting auditable units for assurance services include:

1. the critical nature of the auditable unit in meeting University objectives.
2. the length of time since and results of prior assurance services.
3. the size and complexity of the operation.
4. changes in regulations, personnel, operations, programs, systems, contracts, or internal controls.
5. regulatory requirements of the operation.
6. the degree of manual and automated processing.
7. the sensitivity of the unit's operations to the University's image and reputation.
8. the amount of financial activity and resources.
9. the likelihood, frequency, vulnerability and impact of an event.
10. management concern.

Consulting Services - Advisory and related client service activities, the nature and scope of which are agreed upon with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the Internal Auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Investigative Services - Investigations evaluate and substantiate allegations of unethical business practices and/or financial and operational misconduct for management to act upon and to detect, deter and prevent future occurrences.

Follow-up Engagements - Follow-up engagements evaluate plans and actions taken to correct reported conditions.

External Audit – Internal Audit meets with external auditors to discuss audit plans, risk assessment, effectiveness of internal controls and coordination of effort; specifically including the results of assurance, consulting and investigation activities. Internal Audit may perform follow-up activity based on external audit recommendations, but Internal Audit does not perform auditing services for the external auditors.

Standards of Practice

Internal Audit operates within The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing ("*Standards*" or "*Red Book*") including the IIA's Definition of

Internal Auditing, Code of Ethics, Rules of Conduct and Quality Assurance Improvement Program. Internal Audit utilizes the Committee of Sponsoring Organizations of the Treadway Commission (COSO) control framework(s), Internal Audit's procedure manual, and when required and not otherwise in conflict with the *Standards*, the Generally Accepted Government Auditing Standards ("*Yellow Book*"). The IIA's Practice Advisories, Practice Guides, and Position Papers will guide operations as applicable. Internal Audit will adhere to Southern Oregon University's relevant policies and procedures, but in the event of conflicting direction, the *Standards* shall prevail.

SOUTHERN OREGON UNIVERISTY INTERNAL AUDIT CHARTER

Purpose

It is the purpose

~~The Institute for Internal Auditing (IIA) Definition of Internal Audit to support the Executive and Audit Committee of the Southern Oregon University Board of Trustees and the University President by providing~~**Auditing**

~~Internal auditing is an independent, objective assurance and consulting services activity designed to add value, support accountability and improve Universitythe University's operations.- It helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.~~

Mission

~~It is the mission of Internal Audit to assist University leadership in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of Southern Oregon University's risk management, internal control and governance processes. Audits will be conducted with objectivity, transparency, fairness and in accordance with the highest professional and ethical standards.~~

~~It is Internal Audit's mission to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.~~

Independent and Objective Role

~~It is required by professional standards that Internal Audit be totally independent and objective.~~

~~Therefore,~~ Internal Audit is functionally accountable to the Executive and Audit Committee of the Board of Trustees, but reports administratively directly to the President.

The Board of Trustees demonstrates this relationship by:

1. ~~Approving~~**approving** the Internal Audit Charter;
2. ~~Approving~~**approving** the annual risk-based Internal Audit Plan;
3. ~~Approving the internal audit function's~~**approving Internal Audit's** budget and resource plan;
4. ~~Approving~~**approving** decisions regarding the appointment, remuneration and removal of Internal Audit staff;
5. ~~Receiving~~**receiving** communication from ~~Internal~~**the Chief** Audit ~~Executive~~ regarding the performance of ~~its~~**Internal Audit's** Objectives and Responsibilities;
6. ~~Interacting~~**interacting** directly with ~~Internal~~**the Chief** Audit ~~Executive~~ both in session and between Board meetings as appropriate; and
7. ~~Making~~**making** inquiries of ~~management and~~ the ~~President~~**Officers of the University** to determine if there are inappropriate responsibilities or conditions, inappropriate limitations to scope, or insufficient resources to accomplish Objectives and Responsibilities.

Objectives

It is the objective of Internal Audit to determine whether the University's network of governance, risk management and control processes, as designed and represented by management, is adequate and functioning in a manner to confirm that:

Risks

1. ~~risks~~ are appropriately identified and managed; specifically including management compliance with laws and regulations-;
2. ~~Governance~~~~governance~~ interaction occurs as needed-;
3. ~~Significant~~~~significant~~ financial, managerial, and operating information is accurate, reliable and timely-;
4. ~~Employee's~~~~employee~~ actions ~~are in compliance~~~~comply~~ with policies, standards, procedures, professional ethics and applicable laws and regulations; specifically including privacy and security-;
5. ~~Resources~~~~resources~~ are acquired economically, used efficiently and adequately protected; specifically including review of management processes and internal controls and the ~~deterrence,~~ ~~detection and~~ prevention ~~and detection~~ of fraud-;
6. ~~Accountability~~~~accountability~~ systems are in place to ensure ~~achievement of~~ organizational and program missions, goals, plans, and objectives ~~are achieved~~-;
7. ~~Quality~~~~the University's control processes foster quality~~ and continuous improvement ~~are fostered in the University's control process-~~; ~~and~~
8. ~~Significant~~~~significant~~ legislative or regulatory issues ~~impacting~~~~affecting~~ the University are recognized and properly addressed.

Opportunities

~~Internal Audit communicates opportunities~~ for improving managements' governance, risk management, control processes, effectiveness and the University's image ~~may be identified during internal audits.~~ ~~They will be communicated~~ to the appropriate level of management. Significant opportunities and feedback ~~will be~~~~are~~ summarized and reported to the Executive and Audit Committee of the Board of Trustees.

Responsibilities

~~Southern Oregon~~ University management is responsible for establishing a network of processes with the objective of controlling the operations of ~~Southern Oregon~~~~the~~ University in a manner ~~which~~~~that~~ provides the Board of Trustees reasonable assurance that:

1. ~~Data~~~~data~~ and information, ~~whether~~ published ~~either~~ internally or externally, is accurate, reliable, timely, transparent and accessible-;
2. ~~The~~~~the~~ actions of ~~administrators, officers, and~~ employees ~~are in compliance~~~~comply~~ with the ~~organization's~~~~University's~~ policies, standards, plans and procedures, and all relevant laws and regulations-;
3. ~~The organization's resources (including its people, systems, data/information bases, records and customer goodwill) are adequately protected.~~
3. ~~Resources are acquired~~~~the University~~ economically ~~and employed~~~~acquires~~, profitably; ~~employees and adequately protects its resources-~~;
4. quality business processes and continuous improvement are emphasized-; ~~and~~
5. ~~The organization's~~~~the University's~~ plans, programs, goals, and objectives are achieved.

Controlling is a function of management and is an integral part of the overall process of managing operations. As such, it is the responsibility of managers at all levels of the organization to:

1. ~~Identify~~~~identify~~ and evaluate the exposures to loss ~~which~~~~that~~ relate to their particular sphere of operations-;

2. ~~Specify~~specify and establish policies, plans, and operating standards, procedures, systems, and other disciplines to ~~be used to~~ minimize, mitigate, and/or limit the risks associated with the exposures identified-;
3. ~~Establish~~establish practical controlling processes that require and encourage directors, officers, and employees to carry out their duties and responsibilities in a manner that achieves the five control objectives outlined in the preceding paragraph-; and
4. ~~Maintain~~maintain the effectiveness of the controlling processes they have established and foster continuous improvement to these processes.

It is the responsibility of Internal Audit to:

1. ~~Develop~~develop an annual internal audit plan using an appropriate risk-based methodology ~~and~~ including the consideration of any risks or control concerns identified by management ~~and~~;
- 1-2. ~~submit~~ the plan along with a financial budget, human resource plan and any resource limitations or significant interim changes to the President and Executive and Audit Committee of the Board of Trustees for review and approval-;
- 2-3. ~~Implement~~implement the annual internal audit plan and report results to the President and Executive and Audit Committee of the Board of Trustees-;
- 3-4. ~~Periodically~~periodically provide information to the President, and Executive and Audit Committee of the Board of Trustees on the status ~~and results~~ of the annual internal audit plan, the sufficiency of Internal Audit resources relative to its Objectives and Responsibilities, and emerging trends and successful practices in internal auditing-;
- 4-5. ~~Provide~~provide reports to the ~~Board of Trustees~~ Executive and Audit Committee ~~and of the Board of Trustees and the~~ President on the implementation status of prior audit recommendations-;
- 5-6. ~~Provide advisory and~~ provide consulting and investigative services, beyond internal audit assurance services, to assist management in meeting their objectives, including participating in the development or modification of major information systems, significant changes in functions, services, processes, operations, control processes or strategies- and substantiation of allegations;
- 6-7. ~~Provide~~provide an annual assessment on the adequacy and effectiveness of the University's processes for controlling its activities, managing its risks, governance, and the performance of management responsibilities in the areas set forth in Internal Audit's Objectives-;
- 7-8. ~~Report~~report significant issues related to the processes for controlling the activities of the University and its applicable affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution-;
- 8-9. ~~Assist~~assist in the investigation of allegations of fraud or fraudulent actions in accordance with ~~Southern Oregon University~~ the University's fraud policy-;
- 9-10. ~~Maintain~~maintain a professional internal audit function with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Internal Audit Charter-;
- 10-11. ~~Report~~report the results of internal and external assessments conducted in association with the Quality Assurance and Improvement Program-; and
- 11-12. ~~Confirm~~confirm annually the organizational independence of Internal Audit.

Quality Assurance and Improvement Program

~~IIA Standards require the creation and maintenance of a Quality Assurance and Improvement Program. The Standards currently require an assessment by a qualified independent reviewer or review team~~

from outside the organization at least every five years. Until the first successful assessment it is not appropriate for Internal Audit to state “in conformance with the Standards,” or “in conformity to the Standards” in its reports.

Board of Trustees Authorization and Expectations

Internal Audit is authorized to:

1. ~~Have~~ have full, free and unrestricted access to any and all functions, records, information, property, and personnel of ~~Southern Oregon~~ University. ~~Information will be handled in a confidential, secure and prudent manner as required to the extent permitted by the Code of Ethics law;~~
2. ~~Audit~~ audit any function, program, account or system deemed necessary and appropriate in its sole judgement, notwithstanding a pre-approved internal audit plan;~~;~~
3. ~~Have~~ have full and free access to the Executive and Audit Committee of the Board of Trustees in whole or in part in conjunction with open meeting laws;~~;~~
4. ~~Allocate~~ allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish internal audit objectives in accordance with professional ~~standards.~~ Standards;
5. ~~Obtain~~ request the assistance of any and all University employees in fulfilling Internal Audit’s function;
- 5-6. obtain the necessary assistance of ~~personnel, as well as other~~ specialized personnel and services from within or outside the organization;~~;~~
6. ~~Finalize internal audit reports and provide such reports to relevant parties.~~
7. preserve the necessary independence to render objective reports that assure all audit activities, specifically including audit scope, procedures, frequency, timing, report content, finalization and distribution to relevant parties are free from management influence; and
8. accordingly, only take direction solely from the Executive and Audit Committee.

Internal Audit is not authorized to:

1. ~~Perform~~ perform, direct or manage any operational duties for the University external to Internal Audit. ~~Accordingly;~~
- 1-2. ~~accordingly~~, Internal Audit will not design, implement, or approve internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair, or give the perception of impairing, Internal Audit’s judgment, independence or objectivity;~~;~~
- 2-3. ~~Direct~~ direct the activities of any University employee not employed by Internal Audit, except to the extent such employees have been appropriately assigned to an internal audit team or to otherwise assist the internal auditor(s). ~~Accordingly, although constantly seeking the input and opinions of others, Internal Audit takes direction solely from the Executive and Audit Committee.);~~
- 3-4. ~~Initiate~~ initiate or approve accounting transactions external to Internal Audit;~~;~~ and
- 4-5. ~~Perform~~ perform internal audits of any area or activity where they have worked or for which they have been principally responsible for at least two years after they leave the position.

~~All~~ The Board of Trustees expects:

1. University employees ~~are expected~~ to comply ~~fully and timely~~ with requests made by Internal Audit in a complete ~~fully~~ and timely manner.

2. ~~Internal Audit and University employees~~ not to interfere, impede or affect Internal Audit's necessary independence and objective mental attitude. ~~This includes, but is not limited to, specifically including: audit selection, scope, procedures, frequency, timing, report content, timely provision of information, or access to information, or response timely management response to draft reports. Recommendations made by Internal Audit shall, and identification of corrective action taken or to be taken within a specific period of time in response to Internal Audit's conclusions and recommendations.~~
3. ~~Internal Audit's conclusions and recommendations to~~ be taken seriously and ~~that~~ steps shall be taken to assess ~~conclusions, identify corrective action within specific periods of time and comply with said implement~~ recommendations.
4. Internal Audit ~~may~~ report any ~~identified~~ non-compliance ~~or acceptance of risk believed to be in excess of the University's risk tolerance~~ on the part of University programs or employees to the President ~~and/or,~~ the Executive and Audit Committee of the Board of Trustees ~~and/or its Chairperson.~~

Standards of Practice

~~Internal Audit operates within the context of The Institute of Internal Auditors (IIA) Definition of Internal Auditing, IIA's International Standards for the Professional Practice of Internal Auditing ("Standards" or "Red Book"), IIA's Code of Ethics, when necessary Generally Accepted Government Auditing Standards ("Yellow Book"), Committee of Sponsoring Organizations of the Treadway Commission (COSO) control framework, and Internal Audit's procedure manual. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to and guide operations as applicable. In addition, the internal audit activity will adhere to Southern Oregon University's relevant policies and procedures.~~

Types of Engagements

Internal Audit performs five types of engagements:

Assurance Services - Assurance services are objective examinations of evidence ~~for the purpose of providing to provide~~ an independent assessment. This includes assessing and reporting on the adequacy and effectiveness of ~~the~~ internal controls, the quality of performance in carrying out assigned responsibilities and evaluating risk exposures relating to the University's governance, operations, and information systems. The scope includes reviewing and evaluating:

1. achievement of the University's strategic objectives;
2. internal controls established to ensure compliance with applicable policies, plans, procedures, laws, regulations, and contracts;
3. the means with which assets are safeguarded;
4. the reliability and integrity of financial and operational information;
5. the efficiency and effectiveness with which resources are employed; and
6. ~~IT~~ **information technology** systems to determine if they are appropriately managed, controlled, and protected.

Areas selected for internal audit are identified as a part of robust annual planning process. The goal of the annual planning process is to identify what units can most benefit from assurance services. The annual planning process seeks to apply available resources to highest risks identified, but also serves to provide periodic resources to all units.

For ~~the planning~~ purposes ~~of internal audit planning~~, Internal Audit has organized the University into eight major functions: ~~(1)~~

- ~~1. governance and leadership, (2);~~
- ~~2. instruction and academic support including student affairs and the library, (3);~~
- ~~3. research and development, (4);~~
- ~~4. human resources management, (5);~~
- ~~5. fiscal management including the service center, (6);~~
- ~~6. facilities management and planning including plant operations and campus public safety, (7);~~
- ~~7. athletics, auxiliary enterprises, and other self-support enterprises such as student centers and activities, Jefferson Public Radio, housing, food, student health services, parking and the bookstore, (8); information technology and others as identified and necessary.~~
8. information technology and others as identified and necessary.

The ~~internal audit~~ assurance services selection process entails a macro-level risk assessment of the major functional areas using industry trends, past internal audit experience, financial analysis, and University constituent input. Some factors considered in selecting auditable units for ~~internal audit~~ assurance services include:

- ~~1. Critical~~ the critical nature of the auditable unit in meeting University objectives.
- ~~2. Length~~ the length of time since and results of prior ~~internal audit~~ assurance services.
- ~~3. The~~ the size and complexity of the operation.
- ~~4. Changes~~ changes in regulations, personnel, operations, programs, systems, contracts, or internal controls.
- ~~5. Regulatory~~ regulatory requirements of the operation.
- ~~6. Degree~~ the degree of manual and automated processing.
- ~~7. Sensitivity~~ the sensitivity of the unit's operations to the University's image and reputation.
- ~~8. Amount~~ the amount of financial activity and resources.
9. the likelihood, frequency, vulnerability and impact of an event.
10. management concern.

Consulting Services - Advisory and related client service activities, the nature and scope of which are agreed upon with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the Internal Auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Investigative ~~Engagements~~ Services - Investigations evaluate and substantiate allegations of unethical business practices and/or financial and operational misconduct ~~to determine whether allegations are substantiated for management to act upon~~ and to detect, deter and prevent future occurrences.

Follow-up Engagements - Follow-up engagements evaluate plans and actions taken to correct reported conditions.

External Audit – Internal Audit meets with ~~the~~ external auditors to discuss audit plans, ~~risks, risk assessment, effectiveness of internal controls~~ and coordination ~~of effort; specifically including the results of assurance, consulting and investigation activities.~~ Internal Audit ~~attends external audit entrance and exit conferences and~~ may perform follow-up activity based on external audit recommendations.

Code of Ethics

, but Internal Auditors are expected to apply and uphold Audit does not perform auditing services for the following principles as defined in the IIA Code of Ethics: external auditors.

Standards of Practice

~~Integrity—The integrity of Internal Auditors establishes trust and thus provides the basis for reliance on their judgment.~~

~~Objectivity—Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.~~

~~Confidentiality—Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.~~

~~Competency—Internal Auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.~~

Rules of Conduct

~~1. Integrity—Internal Auditors:~~

- ~~1.1. Shall perform their work with honesty, diligence, and responsibility.~~
- ~~1.2. Shall observe the law and make disclosures expected by the law and the profession.~~
- ~~1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.~~
- ~~1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.~~

~~2. Objectivity—Internal Auditors:~~

- ~~2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.~~
- ~~2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.~~
- ~~2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.~~

~~3. Confidentiality—Internal Auditors:~~

- ~~3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.~~
- ~~3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.~~

4. Competency—Internal Auditors:

- 4.1. ~~Shall engage only in those services for which they have the necessary knowledge, skills, and experience.~~
- 4.2 ~~Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.~~
- 4.3 ~~Shall continually improve their proficiency and the effectiveness and quality of their services.~~

Internal Audit operates within The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (“Standards” or “Red Book”) including the IIA’s Definition of Internal Auditing, Code of Ethics, Rules of Conduct and Quality Assurance Improvement Program. Internal Audit utilizes the Committee of Sponsoring Organizations of the Treadway Commission (COSO) control framework(s), Internal Audit’s procedure manual, and when required and not otherwise in conflict with the *Standards*, the Generally Accepted Government Auditing Standards (“Yellow Book”). The IIA’s Practice Advisories, Practice Guides, and Position Papers will guide operations as applicable. Internal Audit will adhere to Southern Oregon University’s relevant policies and procedures, but in the event of conflicting direction, the *Standards* shall prevail.

**SOUTHERN OREGON UNIVERSITY
EXECUTIVE AND AUDIT COMMITTEE**

**PROPOSED RESOLUTION
AMENDMENTS TO INTERNAL AUDIT CHARTER**

Whereas, the Internal Auditor works 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 amended for approval by the Board, the Internal Audit Charter to provide guiding principles and direction to the Internal Auditor consistent with The Institute of Internal Auditors' International Professional Practices Framework previously reviewed by the Executive and Audit Committee on June 16, 2016 and subsequently updated by The Institute of Internal Auditors January 1, 2017; Now, therefore,

Be it resolved, that the Executive and Audit Committee of the Board of Trustees of Southern Oregon University hereby approves the proposed amendments to the Internal Audit Charter and recommends approval and adoption by the SOU Board of Trustees.

VOTE:

DATE:

The Guardians Initiative

AGB BLOG

◀ PREVIOUS POST

NEXT POST ▶



The Guardians: A New Initiative from AGB

POSTED BY DAVID MILES ON APRIL 4, 2017

College and university trustees have not traditionally been engaged in the national discourse about the enduring contributions of higher education to our nation's prosperity writ large and to the advancement of individual citizens. Understandably, board members are often focused on the success of their own institutions.

AGB believes that the circumstances demand a change.

The time has come for the 50,000 college and university trustees—both as fiduciaries and as citizens—to begin to play a more active role as advocates for the value of higher education broadly. [The Guardians Initiative](#) is born out of two complementary notions about the nature of contemporary trusteeship in the United States.

First, board members can be more effective, both within their own institution and beyond, if they develop an appreciation for and a sense of belonging to higher education as a whole.

Second, educating trustees on national challenges to higher education—even if not all of those issues impacts their specific institution—enriches trustee service and makes trusteeship more personally rewarding.

Now is the time for trustees to see themselves both as fiduciaries of their institutions and as stewards for all of higher education; as advocates for higher education's values and contributions.

It is time for higher education's citizen board members to assume a more public role; not to supplant the voice of institution leadership but to raise their own level of accountability for the public trust.

To launch this effort, AGB has begun to develop and disseminate a series of informational briefings to our member trustees and institution leaders about higher education and the complex challenges before us. Each paper will address issues that animate national discussions about higher education and ensure that board members are fully informed and able to engage in national and local conversations about the sector.

[Download and read the first paper by clicking here.](#) Look for other papers in the coming months.

Learn more about the [Guardians Initiative here](#), or download the [first in a series of briefings here](#).

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ABOUT AGB

AGB Launches Guardians Initiative, Campaign to Reclaim Higher Education's Value Proposition

APR 2, 2017

Issues first in series of information briefs, “The Business of Higher Education,” encouraging trustees to elevate public conversation on financial model, challenges.

WASHINGTON – The Association of Governing Boards of Universities and Colleges (AGB) has launched a national campaign to engage college and university trustees in reclaiming the value proposition of higher education and its contribution to both individuals and society. The effort, entitled “The Guardians Initiative: Reclaiming the Public Trust™,” will seek to harness the collective strength of some 50,000 trustees—both as fiduciaries and citizens—to play a more active role as advocates for the value of higher education more broadly.

“Trustee voices have too long been absent from the public discourse around the value of higher education,” said AGB President Richard D. Legon. “Trustees need to become more visible and more vocal in support of higher education. The fundamental contributions of our colleges and universities to individuals and to society must be recognized and championed.”

“It is time for citizen board members to assume a more public role—not to supplant the voice of institution leadership but to raise their own level of accountability for the public trust,” said David W. Miles, chair of the AGB Board of Directors and trustee of Drake University (IA). “Trustees must see themselves both as fiduciaries of their institutions and as stewards for higher education as a whole—as advocates for higher education’s values and contributions.”

The initiative takes its name from the late Clark Kerr, former president of the University of California, who described college and university trustees as “guardians of a great trust” in a book on trusteeship that he authored for AGB in 1989 (*The Guardians: Boards of Trustees of American Colleges and Universities, What They Do and How Well They Do It*). The new campaign is based on two complementary ideas about the nature of contemporary trusteeship in the United States. First, board members can be more effective, both within their own institution and beyond, if they develop an appreciation for and a sense of belonging to

higher education as a whole. And, second, educating trustees on the national challenges facing higher education—even if not all of those issues impact their specific institution—enriches trustee service and makes trusteeship more personally rewarding.

“American higher education isn’t perfect, and we welcome constructive debate on issues like college affordability, quality and accountability,” Legon said. “But such critiques—valid or not—should not be allowed to obscure the overarching value of our institutions. There is so much more to the higher education story—and who better to tell it than our trustees?”

In conjunction with today’s campaign announcement, AGB released “The Business of Higher Education,” an information brief that examines the prevailing business model in higher education and urges trustees to help elevate the level of public discourse around the complex issue of higher education finance. Authored by Lawrence White, AGB Consultant and Special Counsel in the Office of General Counsel at the University System of New Hampshire, the brief confronts the notion that “[c]olleges and universities are now typically suspected of core operational inefficiency and are criticized because they cost too much and deliver too little.” Trustees, White argues, are uniquely positioned to respond to these allegations and provide the information and context that can lead to greater public understanding of the value of higher education.

Additional briefs in the series will address issues that animate national discussions about higher education and ensure that board members are fully informed and able to engage in national and local conversations about the sector. Other topics to be addressed include:

- Undergraduate ROI
- The College as Citizen
- Graduate and Professional Education, Research, and Intellectual Property
- International Education and Globalization
- 21st Century Teaching and Learning

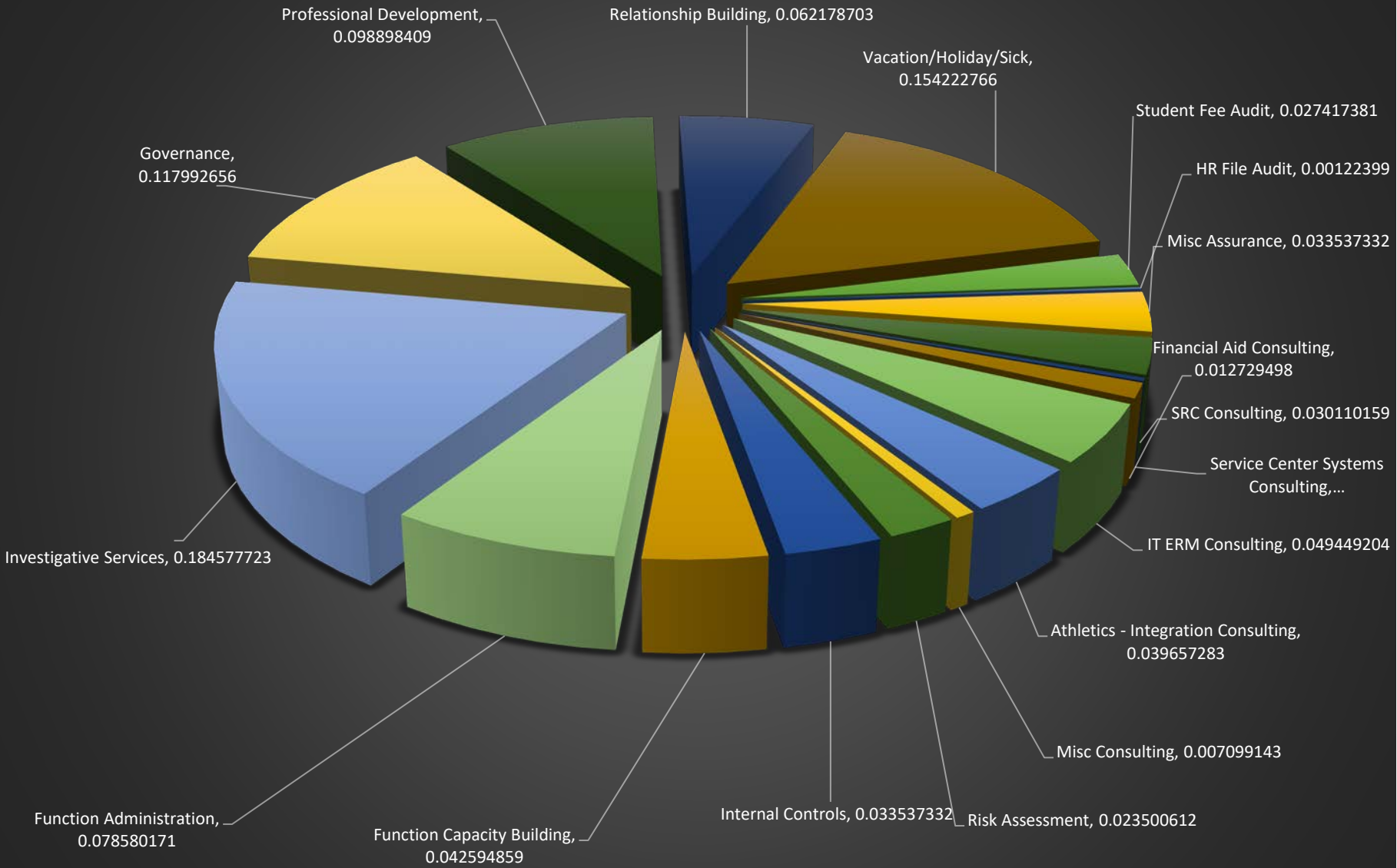
In addition to developing and disseminating these information briefs, AGB will work with institution leaders and others to actively engage board members in national dialogues on the value of higher education—through opinion pieces, speeches, meetings and events. The goal is to initiate and sustain these important conversations and enable governing board members to become more forceful and effective “guardians” of higher education’s most fundamental purposes.

The Guardians Initiative will include a web presence—www.AGB.org/Guardians—that will contain the information briefs, a tool kit for campuses, and other ~~campaign resources~~. Active social media will leverage the efforts of individual campuses: [@AGBGuardians](https://twitter.com/AGBGuardians); [#AGBGuardians](https://twitter.com/AGBGuardians).

For nearly 100 years, the Association of Governing Boards of Universities and Colleges (AGB) has had one mission: to strengthen and protect this country’s unique form of institutional governance through its research, services, and advocacy. Serving more than 1,300 member boards and 40,000 individual citizen trustees, AGB is the only national organization providing university and college presidents, board chairs, trustees, and board professionals of both public as well as private institutions and institutionally related foundations with resources that enhance their effectiveness. In accordance with its mission, AGB has developed programs and services that strengthen the partnership between the president and governing board; provide guidance to regents and trustees; identify issues that affect tomorrow’s decision making; and foster cooperation among all constituencies in higher education.

Internal Audit Update

FY18 Internal Audit Time Keeping



Future Meetings

Adjournment