



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

June 10, 2016

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 a discussion and action on the internal audit charter and internal audit plan. There also will be a discussion regarding governance.

The meeting will occur as follows:

Friday, June 17, 2016

10:30 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
June 17, 2016**

Call to Order and Preliminary Business



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

**Friday, June 17, 2016
10:30 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 and Preliminary Business | Chair Thorndike |
| | 1.1 | Welcome and Opening Remarks | |
| | 1.2 | Roll Call | Sabrina Prud'homme,
SOU, Board Secretary |
| | 1.3 | Agenda Review | Chair Thorndike |
| | 1.4 | Consent Agenda: Approval of April 15, 2016 Meeting Minutes (Action) | Chair Thorndike |
| | 2 | Public Comment | |
| ~ 15 min. | 3 | Internal Audit Charter (Action) | Chair Thorndike; Ryan Schnobrich, SOU, Internal Auditor |
| ~ 25 min. | 4 | Internal Audit Plan (Action) | Chair Thorndike; Ryan Schnobrich |
| ~ 15 min. | 5 | Governance Discussion | Chair Thorndike |
| | 6 | Adjourn | Chair Thorndike |



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

**Friday, April 15, 2016
10:30 a.m. – 11:30 a.m. (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order and Preliminary Business

Chair Thorndike called the meeting to order at 10:32 a.m.

The following committee members were present: Bill Thorndike, Lyn Hennion, Paul Nicholson, Teresa Sayre and April Sevcik. The following member was absent: Judy Shih. Trustees Dennis Slattery and Roy Saigo (ex officio) also were in attendance.

Others attendees included: Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Craig Morris, Vice President for Finance and Administration; Sabrina Prud'homme, Board Secretary; Ryan Schnobrich, Internal Auditor; Ryan Brown, Head of Community and Media Relations; John Stevenson, IT User Support Manager; Don Hill, Classroom and Media Services Manager; Kathy Park, Executive Assistant; and David Coburn, OSA.

Trustee Sevcik moved to approve the January 22, 2016 meeting minutes as drafted. Trustee Sayre seconded the motion and it passed unanimously.

Public Comment

There was no public comment.

Board Staffing Discussion and Process (Action)

Sabrina Prud'homme introduced the item, saying the board needed to discuss how it would move forward with the unexpected vacancy resulting from former Trustee Bodager's recent resignation. She said she obtained an extension until April 20 to submit the recommendation to the Governor's office to fill that vacancy. Chair Thorndike said he hoped the committee could propose a process for the board to follow in the future but, for this particular vacancy, the board must decide how to proceed in order to meet the April 20 deadline. To protect the privacy of potential nominees and to avoid the appearance of usurping the Governor's powers, no names were submitted for consideration during the public meeting.

Trustee Nicholson thought the proposed policy covered all the bases but wondered if a criterion like "plays well with others" should be added. He asked about the board's willingness to having someone who will be confrontational, citing recent literature noting the effectiveness of a contrarian on the board. Trustee Sayre also thought the

process was great as outlined and emphasized the importance of the needs assessment to ensure representation of a broad range of professional fields on the board.

Trustee Sevcik expressed concern over the lack of public input but not necessarily recommending it be included. Ms. Prud'homme stressed that this was not an elected position, the Governor could appoint an individual who was not nominated by the board and anyone interested in serving on the board could submit an application as a member of the public. Jason Catz later said the policy could include a provision that encourages individuals to apply independently. Trustee Sevcik wanted to ensure trustees knew they could submit their own recommendations.

In creating the initial list of recommendations for board membership, President Saigo said people were encouraged to submit applications and some were upset when they were not chosen. President Saigo encouraged the board to submit nominations or for people to self-nominate but to make it clear that the Governor makes the final decision.

Discussion ensued on the needs assessment and the importance of a broad range of community representation on the board, including the health industry, criminal justice, law enforcement, K-12 education, information technology, the largest majors at SOU (communications, psychology, business and criminal justice), environmental sustainability and major employment sectors. Trustee Slattery added the caveat that a position should not become industry- or business-specific. President Saigo stressed the need for a mix of individuals and having people with a vision for the future.

Trustee input is helpful for developing the policy but Chair Thorndike reminded the committee of the compressed timeline for submitting a recommendation to fill the current vacancy. Referring to the draft policy, Trustee Sevcik asked how the chair would consult with board members regarding candidates. Chair Thorndike said, in this specific case, some candidates previously considered are still in play.

Trustee Nicholson said it would be important to convey to the Governor the criteria used when evaluating and recommending nominees. He also thought "board staffing" was not an accurate characterization of this process. The consensus was that it should be called "appointment recommendation process."

Trustee Nicholson moved that the Executive and Audit Committee recommend that the full board authorize the Chair to engage in a board appointment recommendation process, guided by the "Proposed Policy on Recommending Candidates for At-large Board Positions." He further added that the Chair shall consult with the President and members of the board before putting forward a recommendation to the Governor's office. Trustee Sevcik seconded the motion and it passed unanimously.

Introduction of Internal Auditor

Ryan Schnobrich introduced himself and shared information on his background, including experience as a chief financial officer, education, various licenses and receipt of his CPA pre-approval letter. He mentioned training he has attended, upcoming conferences and contacts he has made. His goal is to bring a systematic approach to risk management control and governance.

Review of Audit Charter

Mr. Schnobrich presented the proposed Audit Charter, which will guide his work. While auditing is simply reviewing information, assurance is a type of auditing with the objective of examining evidence to provide an independent assessment on risk management control or governance processes. Attestation is another type of auditing used by external auditors. As SOU's internal auditor, he may also be asked to provide consulting services, conduct investigative and follow up engagements and coordinate with external auditors. He sees his next primary responsibility as drafting the internal audit plan for the next fiscal year.

Chair Thorndike asked Mr. Morris and Mr. Catz if they had any perspective on what has been done in the past and where SOU is headed in the future. Mr. Morris thought it essential to establish the independent authority of the internal auditor so he has the ability to review whatever he deems appropriate. Mr. Catz said he was thrilled to have Mr. Schnobrich as SOU's internal auditor and is pleased to have him as an additional and independent source to receive complaints and perform an investigatory function.

Responding to President Saigo's comment about everyone being evaluated, including trustees, Mr. Schnobrich said an audit of the board would include reviewing the bylaws; discussions with the board secretary on policies and procedures; and measuring results of strategic plans and objectives. He added that trustee presence is more than physical attendance at meetings but he would recommend a minimum attendance requirement.

Chair Thorndike stressed the need to be in compliance with grants and resources received from outside sources. Another concern is a prioritization in terms of where the dollars are, placing a high priority on those areas with the largest dollar impact. As Mr. Schnobrich develops a priority plan, it helps direct the board's focus but can also identify any issues with personnel.

Trustee Nicholson pointed out that Mr. Schnobrich would be the person who faculty and staff could contact with concerns of fraud or related issues and asked how he planned to encourage contact. When the internal audit plan is presented, Mr. Schnobrich hoped the board would include time for management consulting activities, time to interact proactively and effectively with departments, assess risks and identify and address key concerns.

Dr. Susan Walsh said SOU has made great strides regarding compliance and accountability of faculty but can do better. She looks forward to working closely with Mr. Schnobrich. Mr. Morris said he has added Mr. Schnobrich to his business affairs council so Mr. Schnobrich can be connected with business processes.

Trustee Sayre asked if the audit charter would include a calendar and how that would be communicated to the board. Chair Thorndike said it would be an important item to include regularly on the board's and the committee's agenda. Mr. Schnobrich added that when he presents the recommended audit plan it will be after receiving input on priorities from those on campus and any official audit reports will follow the internal auditors' professional practices framework.

Adjourn

Chair Thorndike adjourned the meeting at 11:29 a.m.

Public Comment

Internal Audit Charter (Action)

SOUTHERN OREGON UNIVERISTY INTERNAL AUDIT CHARTER

Purpose

It is the purpose of Internal Audit to support the Executive and Audit Committee of the Southern Oregon University Board of Trustees and the University President by providing independent, objective assurance and consulting services designed to add value, support accountability and improve University operations.

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.

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 the Internal Audit Charter;
2. Approving the annual risk-based Internal Audit Plan;
3. Approving the internal audit function's budget and resource plan;
4. Approving decisions regarding the appointment, remuneration and removal of Internal Audit staff;
5. Receiving communication from Internal Audit regarding the performance of its Objectives and Responsibilities;
6. Interacting directly with Internal Audit both in session and between Board meetings as appropriate; and
7. Making inquiries of management and the President 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's actions are in compliance 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 prevention and detection of fraud.
6. Accountability systems are in place to ensure organizational and program missions, goals, plans, and objectives are achieved.
7. Quality and continuous improvement are fostered in the University's control process.
8. Significant legislative or regulatory issues impacting the University are recognized and properly addressed.

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 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 University in a manner which provides the Board of Trustees reasonable assurance that:

1. Data and information published either internally or externally is accurate, reliable, timely, transparent and accessible.
2. The actions of administrators, officers, and employees are in compliance with the organization'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.
4. Resources are acquired economically and employed profitably; quality business processes and continuous improvement are emphasized.
5. The organization'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 which relate to their particular sphere of operations.
2. 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 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.
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 an appropriate risk-based methodology and including the consideration of any risks or control concerns identified by management and 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. Implement the annual internal audit plan and report results to the President and Executive and Audit Committee of the Board of Trustees.
3. 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. Provide reports to the Board of Trustees Executive and Audit Committee and President on the implementation status of prior audit recommendations.
5. Provide advisory and consulting 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.
6. 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. 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. Assist in the investigation of allegations of fraud or fraudulent actions in accordance with Southern Oregon University fraud policy.
9. Maintain a professional internal audit function with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
10. Report the results of internal and external assessments conducted in association with the Quality Assurance and Improvement Program.
11. 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

Internal Audit is authorized to:

1. Have unrestricted access to all functions, records, information, property, and personnel of Southern Oregon University. Information will be handled in a confidential, secure and prudent manner as required by the Code of Ethics.
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. Obtain the necessary assistance of personnel, as well as other specialized services from within or outside the organization.
6. Finalize internal audit reports and provide such reports to relevant parties.

Internal Audit is not authorized to:

1. Perform, direct or manage any operational duties for the University external to Internal Audit. 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. 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. Initiate or approve accounting transactions external to Internal Audit.
4. 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 University employees are expected to comply fully and timely with requests made by Internal Audit and not interfere, impede or affect Internal Audit's necessary independence and objective mental attitude. This includes, but is not limited to, timely provision of information, access to information, or responses to draft reports. Recommendations made by Internal Audit shall be taken seriously and steps shall be taken to assess and comply with said recommendations. Internal Audit may report any non-compliance on the part of University programs or employees to the President and/or the Executive and Audit Committee of the Board of Trustees.

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.

Internal Audit performs five types of engagements:

Assurance Services - Assurance services are objective examinations of evidence for the purpose of providing 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 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 purposes of internal audit planning, 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 internal audit 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 include:

1. Critical nature of the auditable unit in meeting University objectives.
2. Length of time since and results of prior internal audits.
3. The size and complexity of the operation.
4. Changes in regulations, personnel, operations, programs, systems, or internal controls.
5. Regulatory requirements of the operation.
6. Degree of manual and automated processing.
7. Sensitivity of the unit’s operations to the University’s image and reputation.
8. Amount of financial activity and resources.

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 - Investigations evaluate allegations of unethical business practices and/or financial and operational misconduct to determine whether allegations are substantiated and to 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, and coordination. Internal Audit attends external audit entrance and exit conferences and may perform follow-up activity based on external audit recommendations.

Code of Ethics

Internal Auditors are expected to apply and uphold the following principles as defined in the IIA Code of Ethics:

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.

Approved this _____ day of _____, 2016.

Ryan Schnobrich, Internal Auditor

Dr. Roy H. Saigo, President

Mr. Bill Thorndike, Chair of the Executive and Audit Committee

Internal Audit Plan (Action)



Southern Oregon University
Internal Audit Plan
Fiscal Year 2017

Prepared By
Ryan Schnobrich
Internal Auditor
Office of the President

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Introduction & Internal Audit Plan Overview

The purpose of the Internal Audit Plan is to outline internal audits and other activities the Internal Audit Department will conduct during fiscal year 2017 (July 1, 2016 to June 30, 2017).

The Internal Audit Plan is developed to satisfy 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. As internal audit is a new function at Southern Oregon University (SOU), a risk assessment process will be developed as a part of this year's Internal Audit Plan.

2017 Top 10 Risk Areas

This list outlines the top 10 areas of accepted risk that could result in a material event if internal controls are not implemented and functioning effectively. These risks did not benefit from a risk scoring model, as they will in future years, but rather are based on general consensus among management and internal audit:

1. Financial
 - a. Students' substantial dependence on financial aid and student loan programs to fund tuition.
 - b. University's substantial dependence on State funding.
 - c. Enrollment and retention.
 - d. Cost increases outpacing revenue gains.
 - e. SOU Foundation growth.
 - f. Potential for error, fraud or abuse related to, for an example, an increasing volume of transactions from a growing number of revenue sources.
2. Auxiliaries
 - a. **Student Health & Wellness Center.**
3. Campus Public Safety
 - a. **Clery Act compliance.**
 - b. A crisis occurrence.
 - c. Emergency Management
 - d. Parking
4. Diversity & Inclusion
 - a. **Title IX compliance.**
 - b. Americans with Disabilities Act
 - c. Affirmative Action
5. Administration
 - a. The effects of lean-staffing on compliance roles - the "second line of defense".

- b. Family Educational Rights and Privacy Act (FERPA) compliance.
 - c. Transferred policies and policies otherwise in need of updating.
 - d. Knowledge transfer.
 - e. Service Center.
 - f. Human Resources.
6. Academic
- a. Grant programs.
 - b. Institutional and departmental accreditation.
 - c. Local, low-income and under-represented student success.
 - d. The Oregon Promise & Oregon Learns.
 - e. Increasing support for community college accessibility and increasing program offerings such as baccalaureate degrees.
 - f. Market disrupting new teaching modalities.
7. Facilities/Housing
- a. Deferred maintenance and capital investment.
 - b. Major facility construction.
 - c. Students having difficulty obtaining housing.
8. Athletics
- a. National Association of Intercollegiate Athletics compliance.
 - b. Human resources/administrative policy and procedure integration.
9. Information Technology
- a. The effects of lean staffing.
 - b. Increasing annual software license fees and infrastructure renewal.
 - c. Security.
 - d. Business continuity.
10. Governance
- a. Shared governance.
 - b. Enterprise risk management

Near Term Items Included in the 2017 Internal Audit Plan

1. I am currently working on the audit plan for a separation audit requested by President Saigo.
2. Internal Audit will participate in entrance and exit activities with the external auditors.
 - a. I will work with management to extract as much value as possible from their internal control documentation and opinion on the effectiveness of internal controls.
3. I have been tracking my time spent on various components of the Internal Audit Plan so I have a better idea of how much time they each require. I will incorporate the results into the FY18 Internal Audit Plan.

Internal Audit Plan for Fiscal Year 2017

Being a new internal audit function of one, much of next year will be focused on building function capacity and engagement around performing a University Risk Assessment. This includes:

1. Developing and documenting an understanding of the Board of Trustee's and management's risk appetite and key strategic goals.
2. Documenting SOU's risk management and compliance functions.
3. Documenting and communicating a common risk language.
4. Developing a risk-scoring model and incorporating it into a SOU specific risk and control matrix. The model would specifically include ranking the likelihood and impact of an event.
5. Creating and disseminating a risk and control survey asking auditable area risk owners what risks they are aware of and if they would like assurance, advisory or consulting services regarding these risks and/or their related internal control processes.
6. Reviewing and transcribing related risk and control information, as may be found in existing policies and procedures, from auditable areas into the SOU risk and control matrix.
7. Developing interview questions that will result in useful data and then interviewing auditable area risk owners in the high impact/high likelihood of event categories for key risks, their related key controls and the greatest opportunities.
8. Documenting the survey and interview results into SOU's risk and control matrix.
9. Using this risk and control matrix to stack rank SOU's residual risks, review these risks with management and then presenting the top ten high-scoring residual risks to the Executive & Audit Committee along with proposed audits in next year's FY18 Internal Audit Plan.
10. Creating a department policy, procedure and standard operating platform (process) manual and template communication directly related to the Internal Auditors' International Professional Practices Framework (IPPF) such as developing and documenting a comprehensive planning process for audit success, a work paper review form, a quality assurance checklist, entrance and preliminary conclusions discussion questions and related meeting agendas, standardized format document requests and creating a template internal audit opinion report format.
11. Researching and documenting when generally accepted government accounting standards (GAGAS) applies.
12. Developing and documenting some software-assisted auditing techniques; specifically using the software IDEA, Excel, Banner and Cognos.
13. Developing additional expertise while completing Certified Public Accountant continuing education requirements by regularly attending several trainings and conferences hosted by the Association of College and University Auditors (ACUA), The Institute of Internal Auditors (IIA), the American Institute of Certified Public Accountants (AICPA), the Education Advisory Board (EAB), the Association of Governing Boards (AGB).
14. Creating an Internal Audit web page and a stakeholder engagement and reporting mechanism.
15. Creating a client evaluation/satisfaction survey as a means to benchmark progress as well as seek input and assistance.
16. Developing the ability to add value such as creating process flowcharts with "swim lanes" and decision trees which can be turned over to management for their use.

I will also be reaching out to our stakeholders (some italicized and underlined above), namely:

1. Internal Audit will support the Board Secretary with any governance initiatives.
2. Time will be dedicated to engaging the University regarding fraud. I am creating a fraud/EthicsPoint hotline communication and training. I will also begin to create an SOU specific fraud investigation procedure manual.
3. Campus Public Safety has reached out for consulting support regarding parking.
4. The Service Center has reached out for consulting support regarding paperless processes.
5. Human Resources has reached out for consulting support regarding file management.

6. Management has been discussing enterprise risk management. I look forward to supporting them in this endeavor. A possible outcome of this discussion is management beginning an enterprise-wide risk assessment where a master list of risks is created and management determines whether those risks are accepted, mitigated, transferred or avoided.

Finally, I recommend that three specific areas be audited next year (in bold above):

1. The Student Health and Wellness Center for Family Educational Rights and Privacy Act (FERPA) compliance, dispensary and related health standards compliance.
2. Campus Public Safety, Diversity & Inclusion, etc. for Clery Act compliance.
3. Diversity & Inclusion, Human Resources, etc. for Title IX compliance.

Annual Assessment of Management Responsibilities

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's actions are in compliance 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 prevention and detection of fraud.
6. Accountability systems are in place to ensure organizational and program missions, goals, plans, and objectives are achieved.
7. Quality and continuous improvement are fostered in the University's control process.
8. Significant legislative or regulatory issues impacting the University are recognized and properly addressed.

This assessment, and confirmation of reasonable assurance, on the adequacy and effectiveness of the University's processes for controlling its activities, managing its risks, governance, and the performance of management responsibilities is included in each year's Internal Audit Plan.

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 be inappropriate, as well as any inappropriate limitations to scope or insufficient resources.

Early Considerations for the 2018 Internal Audit Plan

Below are some early considerations for the FY18 Internal Audit Plan:

1. Professional Standards require an Annual University Risk Assessment which would include a digital survey and follow up interviews with management. The results would be compared to and update SOU's risk and control matrix. Additional information that could be collected in FY18 includes:
 - i. classification of preventative/detective internal controls
 - ii. designation of key controls
 - iii. classification of manual/automated controls and notes regarding any plans to move to automated internal control activities.
 - iv. impact velocity and impact duration.
2. Performing any follow-up engagements on prior audit recommendations in the last year.
3. Determining the feasibility with management of developing an automated continuous internal control monitoring function.
4. Determining the availability and cost/benefit relationship of any additional technology tools such as electronic work papers, risk management and/or governance database software, internal auditing department management software, etc.
4. Developing some continuous activity monitoring using IDEA and then handing it off to management as a tool. Some examples could include:
 - b. Human Resources - employees projected to reach hours where SOU would offer benefits. Employees that don't take sick/vacation time.
 - c. Housing – the possibility of dorm rooms being offered for sublet on websites like Airbnb.com and/or cross-referencing rent with occupancy/vacancy status.
 - d. Business Services – identifying general ledger types in non-related areas and relatively large transaction types in certain general ledger and/or program codes.
 - e. Grant Management – identifying large percentage dollar amount and/or timing variances on research grants.
5. Developing "quick audits" such as:
 - a. Testing if thumb drives can remove protected/sensitive information.
 - b. Testing for same passwords on different user id's as an indicator of password sharing – a red flag for collusion which is a fraud enabler.
 - c. Testing scholarships in excess of tuition or scholarships granted after no longer a student.
 - d. Testing the top 100 scholarship recipients cross-referenced against an employee list and then ensuring that management has appropriate documentation related to any matches.
6. Developing and completing a self-assessment of internal audit.
7. Developing an internal control self-assessment, probably in the form of a questionnaire, to help risk owners understand their risks and hopefully related internal controls, as well as confirming their objective/risk understanding and current control status back to management.

Human Resource Plan

The FY17 Internal Audit Plan was created around the understanding of having one Internal Auditor dedicated to Southern Oregon University. Much of this year's plan is dedicated to creation of the internal audit function in compliance with the Internal Audit Charter and specifically the Internal Auditors' International Professional Practices Framework (IPPF).

Any Resource Limitations or Significant Interim Changes

Having only one Internal Auditor is inherently a resource limitation. Creating an internal audit function is a significant interim change in and of itself. 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 of @\$170,000 has been submitted to Mark Denney, Associate Vice President for Budget and Planning.



International Professional Practices Framework (IPPF - “Red Book” - Standards) Risk Assessment



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

As internal audit is a new function at Southern Oregon University (SOU), a risk assessment process will be developed as a part of this year’s Internal Audit Plan.

The goal has been to balance capacity-building with engagement while seeking to add value and better understand management's internal control and risk management practices.

Top 10 Risk Areas

1. Financial
 - a. Students' substantial dependence on financial aid and student loan programs to fund tuition.
 - b. University's substantial dependence on State funding.
 - c. Enrollment and retention.
 - d. Cost increases outpacing revenue gains.
 - e. SOU Foundation growth.
 - f. Potential for error, fraud or abuse related to, for an example, an increasing volume of transactions from a growing number of revenue sources.
2. Auxiliaries
 - a. **Student Health & Wellness Center.**
3. Campus Public Safety
 - a. **Clery Act compliance.**
 - b. A crisis occurrence.
 - c. Emergency Management
 - d. Parking
4. Diversity & Inclusion
 - a. **Title IX compliance.**
 - b. Americans with Disabilities Act
 - c. Affirmative Action
5. Administration
 - a. The effects of lean-staffing on compliance roles - the "second line of defense".
 - b. Family Educational Rights and Privacy Act (FERPA) compliance.
 - c. Transferred policies and policies otherwise in need of updating.
 - d. Knowledge transfer.
 - e. Service Center.
 - f. Human Resources.
6. Academic
 - a. Grant programs.
 - b. Institutional and departmental accreditation.
 - c. Local, low-income and under-represented student success.
 - d. The Oregon Promise & Oregon Learns.
 - e. Increasing support for community college accessibility and increasing program offerings such as baccalaureate degrees.
 - f. Market disrupting new teaching modalities.
7. Facilities/Housing
 - a. Deferred maintenance and capital investment.
 - b. Major facility construction.
 - c. Students having difficulty obtaining housing.
8. Athletics
 - a. National Association of Intercollegiate Athletics compliance.
 - b. Human resources/administrative policy and procedure integration.
9. Information Technology
 - a. The effects of lean staffing.
 - b. Increasing annual software license fees and infrastructure renewal.
 - c. Security.
 - d. Business continuity.
10. Governance
 - a. Shared governance.
 - b. Enterprise risk management

Consulting Services

1. Parking
2. Service Center
3. Human Resources
4. Major Facilities
5. NAIA Compliance
6. Athletics HR/Admin P&P Integration
7. Enterprise Risk Management

Internal Audits

1. Presidential Separation
2. Student Health & Wellness Center
3. Clery Act Compliance
4. Title IX Compliance

Assessment of Management

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

This assessment, and confirmation of reasonable assurance, on the adequacy and effectiveness of the University's processes for controlling its activities, managing its risks, governance, and the performance of management responsibilities is included in each year's Internal Audit Plan.

Additional Components

- Fraud
- 2017/2018 Internal Audit Plan
- Human Resource Plan
- Resource Limitations or Significant Interim Changes
- Financial Budget

Independence of Internal Audit

Another key responsibility set forth in the Internal Audit Charter is to confirm annually the organizational independence of Internal Audit.

The Board will be advised of any responsibilities or conditions believed to be inappropriate, as well as any inappropriate limitations to scope or insufficient resources.

BOARD OF TRUSTEES OF SOUTHERN OREGON UNIVERSITY

**PROPOSED RESOLUTION
ADOPTION OF INTERNAL AUDIT CHARTER AND FY17 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, objective evaluations and advisory services that add value to the university and further its duty to responsibly manage its resources;

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, for approval by the Board, an Internal Audit Charter ("Internal Audit Charter") to provide guiding principles and direction to the Internal Auditor consistent with The Institute of Internal Auditors' International Professional Practices Framework and an internal audit plan ("Internal Audit Plan") for Fiscal Year 2017 as described in the documents attached hereto as Exhibits A and B, respectively; and

Now, therefore, the Executive and Audit Committee of the Board of Trustees of Southern Oregon University hereby approves the audit charter and FY17 Internal Audit Plan and recommends they be approved and adopted by the SOU Board of Trustees.

VOTE:

DATE:

Recorded by the University Secretary: _____

Governance Discussion

Adjourn