

**Board of Trustees
Executive and Audit Committee Meeting
Friday, January 17, 2020**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Lyn Hennion	Present	Paul Nicholson	Present
Sheila Clough	Present	Daniel Santos	Present
Megan Davis Lightman	Present	Bill Thorndike	Present

Chair Lyn Hennion called the meeting to order at 9:32 a.m. in the DeBoer Room of the Hannon Library. The secretary recorded the roll and a quorum was verified.

Other trustees in attendance: Deborah Rosenberg, janelle wilson and Dr. Linda Schott.

Other attendees included: Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Greg Perkinson, Vice President for Finance and Administration; Dr. Susan Walsh, Provost; Jason Catz, General Counsel; Sabrina Prud'homme, Board Secretary; Ryan Schnobrich, Internal Auditor; Cynthia Ferrendelli, Steve Larvick, Patti Eliot and Colleen Martin-Low, all from Business Services; Josh Lovern, Budget Office; Tom Battaglia, Chief Information Officer; Joe Mosley, Marketing and Communications; Jean Bushong, CliftonLarsonAllen; John Stevenson, Information Technology; and Kathy Park, Office of the Board Secretary.

Public Comment

There was no public comment.

Consent Agenda

Trustee Sheila Clough moved to approve the consent agenda, as presented. Trustee Megan Lightman seconded the motion and it passed unanimously.

Reports

Internal Audit Report

Ryan Schnobrich reviewed his report to the board. He said the ongoing student fee process audit is going well. ASSOU leadership is highly motivated and has implemented the significant process changes previously presented to the board. Josh Lovern presented some impressive modeling, in a manner that respects ASSOU's legislated autonomy.

Mr. Schnobrich and Greg Perkinson reviewed last year's annual assessments of management responsibility and fraud risk control. Mr. Perkinson is working through various improvements with his directors and coordinating with the vice presidents.

Mr. Schnobrich said management action plans have been worked aggressively since the committee's last meeting and he provided an update on some of the plans. Because he was able to dedicate more time on this higher-priority work, several of the internal

control assessments planned for this year likely will need to be moved to next year's internal audit plan.

Mr. Schnobrich said that, as risk assessment and risk management become more required by federal regulation, combined management and compliance processes will become more normalized across campus.

On the professional development front, Mr. Schnobrich has renewed his Certified Public Accountant and Certified Internal Auditor licenses. He also co-created and co-presented a professional education course to the chief audit executives of the other Oregon public universities.

Trustee Daniel Santos noted the completion of the cultural competency compliance internal control assessment. Responding to Trustee Santos' and Trustee Lightman's inquiries, Sabrina Prud'homme said Dr. Suresh Appavoo very recently provided a cultural competency report, which she will provide to the trustees. She also has requested that trustees be included in the training opportunities provided throughout campus.

Responding to Trustee Santos' inquiry regarding the follow up on Violence Against Women Act (VAWA) compliance issues, Mr. Schnobrich said he and Dr. Appavoo discussed the current status. Management is still looking at the issue and is considering aligning some different duties and responsibilities. As a result, they are not yet prepared to make a presentation to the board. Mr. Perkinson added that the search for the new Campus Public Safety director is almost complete; one aspect of that role is to support management on Clery Act issues.

Regarding VAWA requirements, Chair Hennion said she thought it interesting that employees' actions are more compliant than SOU's policies. Jason Catz said the VAWA policy is in the final stages of development. He said the law sets the bar and SOU considered whether it should mandate certain requirements for everyone. SOU decided to set the policy so it aligned with the law with the knowledge that SOU does more training than the minimum requirement.

Action, Information and Discussion Items

Review of Fiscal Year 2019 Audited Financial Statements (Action)

Jean Bushong presented the FY 2019 external audit, as included in the meeting materials. She highlighted CliftonLarsonAllen's (CLA's) responsibilities under auditing standards; the scope of the engagement and the audit results; required communications to governance; upcoming changes in accounting standards; and some higher education industry topics. Ms. Bushong said the auditors review financial statements to determine if they are free from material misstatement, which involves an analysis of risk of error, fraud or noncompliance. The audit does not opine on the effectiveness of internal controls but the auditors would report any material weaknesses or significant deficiencies with SOU's internal controls.

CLA's opinion is on pages 8-9 of the 2019 Annual Financial Report. CLA issued an unmodified opinion on the financial statement audit and there were no findings of

significant weaknesses or deficiencies. Ms. Bushong addressed selected entries in the report and explained the fluctuations in some of the figures.

Responding to Trustee Clough's comment, Mr. Perkinson, Josh Lovern and Steve Larvick agreed that the budget process used for FY 2020 will not make next year's audit more complicated.

Turning to the federal compliance component, also referred to as the single audit, Ms. Bushong said the focus was on student financial aid programs. Regarding the financial reporting process, there were no material weaknesses or significant deficiencies. There was one finding in the Federal Supplemental Educational Opportunity Grant area: \$300 was awarded to a student whose expected family contribution was \$1,000 but should have been awarded to a student who had no expected family contribution. Ms. Bushong said it is a small amount but must be reported. Responding to Trustee Clough's inquiry, Ms. Bushong and Dr. Neil Woolf said the Financial Aid Office has checks and balances and a plan in place to prevent a recurrence.

Ms. Bushong then provided the required communications to governance, as included in the meeting materials. She also reviewed upcoming changes to Governmental Accounting Standards Board standards for future fiscal years and industry trends in higher education. Discussion ensued on the importance of investing in information technology, an industry trend.

Trustee Santos moved to accept the fiscal year 2019 audited financial statements and recommend them to the Board of Trustees for action. Vice Chair Paul Nicholson seconded the motion and it passed unanimously.

Internal Audit Consulting Updates

Ryan Schnobrich said Internal Audit's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. He and members of management have worked together to reduce risk, and management is tracking and coordinating their action plans in response to his work. Mr. Schnobrich said Tom Battaglia, SOU's Chief Information Officer, and Jesse Martinich, SOU's Chief Information Security Officer, have created a plan for SOU to become compliant with the Gramm-Leach-Bliley Act (GLB Act) that is no less than revolutionary in the space of higher education.

Greg Perkinson said a dashboard was developed to track Mr. Schnobrich's internal audit work and management's corrective actions. This tool also keeps consulting services visible. Mr. Battaglia then discussed requirements of the GLB Act and steps SOU has taken to comply with the Act.

Board Officer Election Process

Jason Catz said the election process is a function of the board's self-governance. After he reviewed the current election process, discussion ensued on the awkwardness of the process; the importance of electing individuals with the right qualities and the bandwidth to do the jobs; the success of the board's two chairs; and learning from other boards' experiences.

Mr. Catz then reviewed the proposed process, as included in the meeting materials. He recommended changing “nominations” for chair and vice chair to “suggestions” or something similar. He discussed the work of the Nominating Work Group and the advantages and disadvantages of the work group conducting its work in a public meeting. Discussion ensued on the role and composition of the Nominating Work Group, including the possibility of former trustees serving on the work group, using results from the board’s self-evaluation and helping potential candidates understand what each position entails.

Turning to the election process itself, Vice Chair Nicholson expressed concerns over the awkwardness of a nomination process created if the work group recommends more than two candidates. He compared that option to one where the trustees would vote for the individual they thought was most suitable from the slate of candidates but nominations would not be made. Mr. Catz said he would evaluate the possibility of the work group nominating all the individuals identified in its vetting process and presenting the credentials of each.

Trustee janelle wilson stressed the importance of ensuring the trustees have adequate feedback on those who have expressed interest in either position and ensuring all voices are given ample time to respond to candidates before the election. She also thought the faculty, staff and student members of the board would be good members of the work group because none of them could be elected for the chair or vice chair positions.

Sabrina Prud’homme provided comments on some of the ideas expressed during the conversation: former trustees serving on the work group may not be familiar with the current environment of the university and may not know all the candidates; it would be beneficial if codifying the membership of the work group were left open but she recommended inclusion of a past chair and the board secretary; the three on-campus trustees are well-suited to serve on the work group and could bring the campus perspective to the deliberations; and that designing a mechanism by which all voices are heard in advance must avoid constituting a vote before the meeting.

If a former trustee was included in the work group, President Schott suggested having someone who had served on the board within a certain number of years so their experience with the university and campus would still be fairly current. Trustee Bill Thorndike suggested input from former trustees might be valuable even if they did not serve on the work group.

Chair Hennion concluded the conversation by saying that she heard the committee members desired a hybrid approach of seeing a slate of candidates but the candidates not being identified for specific leadership positions. Mr. Catz will draft a new version of the election process. Chair Hennion said the board will make a decision on the process in April.

Governance Work Group Update

Vice Chair Nicholson said the Governance Work Group has had a series of meetings, with the election process taking much of the attention. They also focused on scheduling

a board retreat and recognized the board should drive the content of the agenda.

Future Meetings

Chair Hennion said the next committee meeting will be on Tuesday, April 21.

Adjournment

Chair Hennion adjourned the meeting at 11:35 a.m.

Date: April 21, 2020

Respectfully submitted by,

A handwritten signature in cursive script, reading "Sabrina Prud'homme", written over a horizontal line.

Sabrina Prud'homme

University Board Secretary