



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

January 15, 2021

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.

Topics of the meeting will include discussion and action on the audited financial statements for fiscal year 2019-20 and on the university president's compensation. There also will be updates on the internal audit function and the governance work group.

The meeting will occur as follows:

Friday, January 22, 2021

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

Visit governance.sou.edu for meeting materials.

To join or view the proceedings, visit <https://sou.zoom.us/j/84203185240> at the time of the meeting.

If special accommodations are required or to provide written public comment or testimony, please contact Kathy Park at (541) 552-8055 at least 72 hours in advance.

Public Comment

Members of the public who wish to provide public comments for the meeting are invited to submit their comments or testimony in writing. Please send written comments or testimony to the Board of Trustees email address: trustees@sou.edu. Public comments also may be sent to the board via postal mail addressed to SOU Board of Trustees, 1250 Siskiyou Boulevard, Ashland, OR 97520.



**Board of Trustees
Executive and Audit Committee Meeting
January 22, 2021**

Call to Order / Roll / Declaration of a Quorum



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

Friday, January 22, 2021
9:30 a.m. – 11:30 a.m. (or until business concludes)
<https://sou.zoom.us/j/84203185240>

AGENDA

Persons wishing to provide public comment shall do so in writing during COVID-19 protocols.
Please note: times are approximate and items may be taken out of order.

- | | | |
|----------|--|---|
| 1 | Call to Order/Roll/Declaration of a Quorum | Chair Paul Nicholson |
| | 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 Nicholson |
| 2 | Public Comment | |
| 5 min. | 3 Consent Agenda | |
| | 3.1 Approval of October 16, 2020 Meeting Minutes | Chair Nicholson |
| | 4 Reports | |
| 10 min. | 4.1 Update on Internal Audit Function | Jason Catz, SOU, General
Counsel |
| | 5 Action, Information and Discussion Items | |
| 50 min. | 5.1 Fiscal Year 2019-20 Audited Financial Statements
(Action) | Greg Perkinson, SOU,
Vice President for Finance
and Administration; Jean
Bushong, CliftonLarson-
Allen, Principal |
| 15 min. | 5.2 University President's Compensation (Action) | Chair Nicholson |
| 20 min. | 5.3 Governance Work Group Update | Vice Chair Daniel Santos |
| 5 min. | 5.4 Future Meetings | Chair Nicholson |
| 6 | Adjournment | Chair Nicholson |

Public Comment

Consent Agenda

**Board of Trustees
Executive and Audit Committee Meeting
Friday, October 16, 2020
Videoconference**

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Paul Nicholson	Present	Lyn Hennion	Present
Jonathon Bullock	Present	Megan Davis Lightman	Present
Sheila Clough	Present	Daniel Santos	Present

Chair Paul Nicholson called the meeting to order at 9:32 a.m. The board secretary recorded the roll and a quorum was verified.

Other trustees in attendance: Deborah Rosenberg and President Linda Schott.

Other attendees and Zoom webinar panelists included: Greg Perkinson, Vice President for Finance and Administration; Jason Catz, General Counsel; Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Dr. Susan Walsh, Provost; Sabrina Prud'homme, Board Secretary; and Kathy Park, Office of the Board Secretary.

Public Comment

There was no public comment.

Consent Agenda

Trustee Clough moved to approve the consent agenda, as presented. Vice Chair Santos seconded the motion and it passed unanimously.

Reports

Internal Audit Report

Chair Nicholson said SOU's former internal auditor, Ryan Schnobrich, left SOU the previous month. In his absence, Jason Catz delivered the report. He clarified his role, saying he was not functioning as an internal auditor and would not be providing assurances on any matters. He is monitoring open matters and responding to EthicsPoint hotline complaints. Responding to Trustee Clough's later inquiry, Mr. Catz said the hotline complaints will continue to receive timely responses; none of them are of a nature that would necessitate the board's attention.

Mr. Catz then reviewed areas over which the board and university will need to keep a watchful eye. He said Mr. Schnobrich left a draft report on the student fee process; Mr. Catz will request a management response be completed. Mr. Schnobrich indicated in his draft report that he would be able to give reasonable assurance of compliance.

The audit on irregular employment agreements was stopped last year; a task force was created to determine when and how such agreements should be used. Other transitional items are not urgent and can be left for the next internal auditor. Going forward, Mr. Catz said Mr. Schnobrich's opinion was that SOU may be better

served by trying to strike a new balance between the assessment and identification functions of internal audit and providing assistance to employees on implementing recommendations. President Schott, Greg Perkinson and others share this opinion. Mr. Catz said Mr. Schnobrich's departure may present an opportunity to contract out the internal audit functions and invite the TRUs to join SOU in a joint procurement to obtain a better rate. Resources could then be shifted toward the compliance function.

Discussion ensued on the future of the internal audit function, including the cost of an external firm; Mr. Schnobrich's large workload; the board's relationship with an external firm; balancing the internal audit and compliance functions, with the consulting function being done by someone internally; and the anticipated timeline for the issuance of a request for proposals.

Chair Nicholson and Mr. Catz said the issue will come back to the committee as the contracting process moves along and that final approval of any contract for external auditing services should come from the committee.

Action, Information and Discussion Items

Proposed 2021-2022 Committee Meeting Schedule

Chair Nicholson referred to the proposed committee meeting schedule included in the meeting materials. The September 1 date is a placeholder in case a meeting is needed. None of the trustees had any concerns about the proposed schedule.

University President's Annual Evaluation [Executive Session Pursuant to ORS 192.660(2)(f) and (i)]

Chair Nicholson said the committee would go into executive session to review the president's evaluation. For the record, he said that, pursuant to ORS 192.660(2)(f) and (i), the committee would enter into executive session to review and evaluate the employment-related performance of the chief executive officer, who does not request an open hearing, and to consider information or records that are exempt by law from public inspection. Continuing, Chair Nicholson said, pursuant to ORS 192.660(6), no final action would be taken or final decision made in the executive session. At the end of the executive session, the meeting would return to open session and members of the public would be welcomed back to the videoconference. The board secretary confirmed that no members of the media were present.

In addition to the board members, the following persons were permitted to remain for the executive session: University Board Secretary, Sabrina Prud'homme, and, for a portion of the executive session, President Schott.

The audio recording was stopped and the committee began its executive session. In concluding the executive session, Chair Nicholson returned the meeting to open session.

University President's 2020-2021 Goals (Action)

President Linda Schott said her four proposed goals are the big items upon which she will be focused next year. Goal One on financial viability [To work collaboratively with the campus leadership team, faculty, staff, Board, HECC and state leaders to ensure the financial viability of the university] is the most important because the university

cannot serve students if it is not viable.

Goal Two [To help make SOU a more diverse, equitable, inclusive community by advancing Strategic Direction IV and supporting the work of the Equity, Diversity and Inclusion team] is advancing Strategic Direction IV and supporting the equity, diversity and inclusion team, and students and employees of diverse backgrounds.

Goal Three [To improve the scope and effectiveness of our shared campus governance by implementing a Staff Assembly, updating the University bylaws and providing clear, effective communication] is the most specific. SOU has made progress on developing a Staff Assembly. President Schott said she hopes to have the Staff Assembly in place by January or at least in the winter or spring term. Once it is in place, the university bylaws will need to be revised and updated. The end result will be cleaner processes and greater transparency. There will be more involvement by staff who are very capable and dedicated to the university and need to have a voice.

Regarding Goal Four [To lead SOU with intelligence, compassion, transparency, and good humor, and to advocate tirelessly for the institution and its role in this region], President Schott said her team is great and can do a lot of the work. However, only she can do the top leadership pieces, which is appropriate to fulfilling the leadership role. For her own use, she may develop these into action steps. She appreciated Chair Nicholson's position that it is going to be a tough year with much to manage.

Committee members then discussed the four proposed goals. Trustee Clough said the outcomes for the first three goals were clear; however, she recommended Goal Four be reworded. President Schott did not agree but was willing to make changes if desired. She said both aspects are important, the leadership piece being internal and the advocacy piece being external. Chair Nicholson recommended revising Goal Four to read: To lead SOU with intelligence, compassion, transparency, and good humor, advocating tirelessly for the institution and its role in this region.

Chair Nicholson added that the feedback he and Vice Chair Santos received [during their listening sessions] was that it was not just what President Schott did in leading the university but it was how she did it and that is why these two concepts are linked. Trustee Clough said, based on that input, the goal makes sense as worded.

Trustee Lightman recommended that no revisions be made and that the trustees should let President Schott go out and accomplish them. Trustee Rosenberg concurred.

Trustee Lightman moved to move the four goals forward and recommend them to the board for approval. Trustee Bullock seconded the motion and it passed unanimously.

Future Meetings

The committee's next meeting will be on January 22, 2021.

Adjournment

Chair Nicholson adjourned the meeting at 11:02 a.m.

Update on Internal Audit Function

Fiscal Year 2019-20

Audited Financial Statements (Action)

[Click Here to View](https://inside.sou.edu/assets/bus_serv/docs/accounting/SOUFinancialReport2020.pdf)

https://inside.sou.edu/assets/bus_serv/docs/accounting/SOUFinancialReport2020.pdf



Southern Oregon University

Fiscal Year 2020 Audit Presentation

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Agenda

Responsibilities Under Auditing Standards

Scope of Engagements

Unique Audit Issues

Audit Results

Required Communications to Governance

Questions?

Responsibilities under US Generally Accepted Auditing Standards (GAAS)

Responsible for:

- **Expressing opinions whether financial statements are in conformity with US GAAP in all material respects.**
- **Expressing opinions only over information identified in our report. Other information included in your financial statement package will be read/reviewed, but not subject to testing.**
- **Performing audit in accordance with required auditing standards.**
- **Communication of significant matters related to audit, information required by law/regulations, or other information agreed upon.**



Responsibilities under GAAS (continued)

An audit in accordance with GAAS:

- **Does not relieve management of responsibilities.**
- **Includes consideration of internal control as basis for audit procedures, but not to opine on effectiveness of internal controls.**
- **Is designed to obtain reasonable, but not absolute, assurance about whether statements are free of material misstatement.**
- **Includes Generally Accepted Government Auditing Standards.**



Scope of Engagements

Financial Statement Audit

Single Audit
Student Financial Aid
CARES Act – Higher Education Relief
Emergency Fund

2020 Unique Audit Items

Single Audit – CARES Act Addendum

Office of Management and Budget (OMB) released CARES Act Compliance Addendum on December 22, 2020.

Testing currently being coordinated.

Single Audit will be issued separately so that financial statement issuance was not delayed.

2020 Unique Audit Items

COVID 19

Increased IT
user access
testing

- \$3.4 million in CARES Act awarded
- Passed to students: \$811,150
- Institutional spend: \$1.4 million, but only \$811,150 recognized as revenue

Implemented GASB 84, *Fiduciary Activities*. New fiduciary fund now presented.

North Campus Village Receivable - \$1.7 million. University agreed to act as guarantor of CHF debt.

Audit performed remotely

- THANK YOU Management



Financial Statement Audit Results



2020 Financial Statements



Required Communications to Governance

Qualitative Aspects of Accounting Practices

- Implementation of GASB 84, Fiduciary Activities
- Accounting Estimates
- Financial Statement Disclosures
 - COVID 19
 - Guarantor of CHF Debt

Difficulties Encountered in Performing the Audit – None

Uncorrected Misstatements – See schedule

Corrected Misstatements – See letter

Required Communications to Governance

Disagreements with Management

- None

Management Representations

Management Consultations with other Independent Accountants

- None

Significant Issues Discussed with Management Prior to Engagement

- None

Audits of Group Financial Statements

- No concerns about component auditors' work



Upcoming CLA Webinars and Resources

2021 Higher Education Virtual Conference : 2020 : Events : CLA (CliftonLarsonAllen) (claconnect.com)



2/9/2021

Virtual

Speaking, Hosting

February 9, 16, and 23

10 a.m. – 2 p.m. CT

CPE credit will be offered. Details are forthcoming.

Register now to reserve your spot for CLA's third annual Higher Education Virtual Conference. During the three-day conference, you'll gain knowledge and insight to help you navigate the changing world of higher



Questions?





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WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

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

**RESOLUTION
Fiscal Year 2019-20 Audited Financial Statements**

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, 2020; 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 2020 Annual Financial Report for SOU for the fiscal year ended June 30, 2020 be accepted by the SOU Board of Trustees.

VOTE:

DATE:

Recorded by the University Board Secretary:

University President's Compensation (Action)

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

**RESOLUTION
Amendment to the Compensation of the University President**

Be it resolved,

The Executive and Audit Committee of the Southern Oregon University Board of Trustees recommends the board amend the compensation of the university president as follows.

Compensation

Dr. Linda Schott's annual base salary for a 1.0 full time equivalent position shall be frozen at \$272,000, less a 20% reduction, on an annualized basis. This reduction is consistent with all administrative employees' participation in the Oregon Work Share Program.

Duration

Such temporary action marks the continuation of a board action that became effective July 1, 2020.

In a future meeting of the Board of Trustees, when a more complete picture of the university's general financial condition is available and the fuller scope of the university's austerity measures is known, the Executive and Audit Committee further recommends the board reconsider the compensation of the university president, not later than April 2021.

VOTE:

DATE:

Recorded by the University Board Secretary:

Governance Work Group Update

**Southern Oregon University
Board of Trustees
Governance Work Group**

Report

Theme: What problem are we trying to solve?

The Governance Work Group (GWG) of the Board of Trustees was appointed in October 2020 to explore the possibility of creating a standalone Governance Committee of the board. Chaired by Board Vice Chair, Danny Santos, work group members Trustee Jonathon Bullock, Trustee Megan Davis-Lightman, Jason Catz, and Sabrina Prud'homme met in November and December of 2020 for the group's stated purpose and provide this report on the group's progress.

A central question the group kept returning to was, "what problem are we trying to solve?" which the group found difficult to define. While a specific problem could not be identified, the group reached a tacit conclusion that a governance committee could be useful, could provide structure for continuous improvement in many areas of the board's functioning, but that a problem requiring the solution of a new, standalone committee, was not readily apparent.

The most common themes in the discussions were: diversity and inclusion among members of the board themselves, a sense of belonging, continuous improvement, low viability of a standalone committee, and connectedness.

Other Observations:

The issues of representation, board diversity, and abilities to serve were the subject of significant portions of the work group's conversations. In the group's meetings, these presented as needs more urgent than creating a governance committee and was identified as one that also would improve board governance.

The GWG also questioned whether or not the current structure of the board, most specifically, the Executive and Audit Committee, which is tasked with governance currently, could be better utilized to address the functions of governance for the Board of Trustees.

A table indicating the primary pros and cons the work group discussed appears below.

Pros	Cons	Other Considerations
Workstreams get additional focus/you get more of whatever you focus on	Trustee and staff bandwidth are narrow	Can the Executive and Audit Committee address these needs?

Pros	Cons	Other Considerations
Expanding trustee participation through other committees to lead may be seen as a positive—greater representation of leading voices on the board	Having to do everything in public meetings can be stifling to progress in terms of time and/or ability	The trustees who help add valuable diversity to the board may be more limited in their abilities to increase their board participation, thus creating exclusivity.
Increasing the connectedness of trustees is important and such a committee can help with this	More committees = more service, more work, more time that not everyone has; may not be possible	Work group experiences (i.e, elections) have been valuable and create possibilities for richer experiences/connectedness

With significant consideration regarding meeting the board’s expectations for the outcomes of the work group’s deliberations, many suggested courses of action were considered including surveys, reading assignments for the full board, and additional meetings of the work group. The group decided that after conducting its initial research and meetings, that sharing this report with the board and opening up the topic for additional conversation among trustees would be helpful to the work group. Following the January discussion among trustees, the GWG intends to regroup with trustees’ feedback for additional deliberation and will endeavor to make a recommendation with any supporting materials, to the Executive and Audit Committee as well as the Board of Trustees at its next meetings [in April].

To prepare trustees for the January discussions on this topic, the GWG believes trustees will benefit from learning more about the potential functions of a governance committee as well as common practices among Oregon’s public universities.

General Information on the Work of Governance Committees

The Association of Governing Boards for Colleges and Universities provides a comprehensive checklist for governance committee oversight. The following checklist illustrates the three primary areas of governance committee responsibility. Many, though not all of these functions are codified in board policies at present.

GENERAL GOVERNANCE FUNCTIONS:

- Establish expectations for individual board members.
- Evaluate performance (conduct committee and board assessments, and oversee self-assessments by members).
- Oversee conflict-of-interest policies and procedures.

- Review board documents periodically (bylaws, expectations and responsibilities, composition matrices, assessment processes, committee charters).
- Keep apprised (by legal counsel) of relevant federal and state laws and ensure they are followed (e.g., Freedom of Information Act laws, open meetings, and open-records laws).
- Ensure committee alignment and integration.
- Monitor state and national trends relating to higher education governance.
- Identify best practices in governance.

FUNCTIONS RELATED TO BOARD MEMBERS:

- Create a board profile and matrix.
- If permitted, identify, and vet prospective members.
- If appropriate, recommend reappointment of board members.
- Create a slate of board officers.
- Plan and oversee orientation for new board members.
- Ensure mentoring of new board members.

BOARD DEVELOPMENT AND EDUCATION FUNCTIONS:

- Ensure ongoing board education and development.
- Honor and recognize retiring board members.

--Excerpted from, "The Governance Committee," by Carol Cartwright. AGB

The Governance Function at Other Oregon Public Universities.

The committee structure of the Board of Trustees of Southern Oregon University was modeled, in part, alongside the structures of other Oregon Public Universities, which also transitioned from the centralized governance model to the independent boards in 2014 or 2015. While each board decides its own structure, the group found this context to be helpful. The GWG provides the following summary on the treatment of the governance function at SOU's sister institutions in the state.

Like SOU, the six other public universities in Oregon have some type of board committee that has the responsibility of governance. Most frequently, these boards incorporate governance into the charge of their Executive and Audit Committees, which is true at Portland State University, Oregon State University, Southern Oregon University, and University of Oregon. Western Oregon University has an Executive Committee, akin to the Executive and Audit Committees of these institutions. One university, Eastern Oregon University, has a standalone Governance Committee.

These committees, most often, have about 5 or 6 voting members. The members of the committees of governance that are specified are the chair of the board, the vice-chair of the board, the chair of the finance committee, the chair of the academic committee, and members-at-large from the remaining board members. The primary functions of the other six OPU committees may include: supporting the audit function of the university,

compliance, risk management, strategic planning, board evaluation, trustee recommendations, and evaluation, selection, and termination of the university president. Other duties exist but may vary by the institution (i.e., advising on legal matters).

A table with this information for each OPU appears below.

The Governance Function at Oregon's Public Universities

Inst.	Name of Committee	Committee Charge	Sample Minutes
EOU	The Governance Committee https://www.eou.edu/governance/board-committees/governance-committee/	https://www.eou.edu/governance/files/2015/06/BOT-GC-Charter-2016.pdf	https://www.eou.edu/governance/governance-committee-minutes/
OIT	The Executive Committee: This committee is comprised of two components: The Executive and Governance Committees of the Board. The EC may represent and take action on behalf of the Board. Matters concerning board membership development and board performance are considered by the Governance Committee” https://www.oit.edu/trustees/committees	https://www.oit.edu/trustees/bylaws-policies	https://www.oit.edu/trustees/meetings-events
OSU	The Executive and Audit Committee: The Committee's areas of responsibility are to assist the Board in: (1) overseeing the institution's standards of conduct; (2) monitoring the University's internal control structure to ensure key risk, compliance, and regulatory requirements are met and (3) overseeing audit activities, including internal and external audits https://leadership.oregonstate.edu/trustees/committees/executive-audit-committee	https://leadership.oregonstate.edu/sites/leadership.oregonstate.edu/files/190118_adopted_eac_charter_amendments.pdf	https://leadership.oregonstate.edu/trustees/meetings
PSU	The Executive and Audit Committee https://www.pdx.edu/board/executive-and-audit-committee	https://drive.google.com/file/d/1qXdxsyyDfwmL4SDi55eQxRGYKWbKc5mD/view	https://www.pdx.edu/board/executive-and-audit-committee#2021%20EA

Inst.	Name of Committee	Committee Charge	Sample Minutes
SOU	<p>The Executive and Audit Committee:</p> <p>When sitting as the Executive Committee, the EAC shall consider matters pertaining to governance of the Board such as structure, composition, engagement, and assessment.</p> <p>https://governance.sou.edu/wp-content/uploads/sites/63/2019/02/Board-Statement-on-Board-Committees-011819.pdf</p>	<p>https://governance.sou.edu/wp-content/uploads/sites/63/2019/02/Board-Statement-on-Board-Committees-011819.pdf</p>	
UO	<p>The Executive and Audit Committee:</p> <p>The Executive and Audit Committee (EAC) considers matters pertaining to general management of the board, as well as matters pertaining to audits, compliance, and risk management. The EAC shall represent and may act for the board, except when prohibited by law or policies.</p> <p>https://trustees.uoregon.edu/committees</p>	<p>https://trustees.uoregon.edu/sites/trustees2.uoregon.edu/files/board_committees_as_amended_march_2016.pdf</p>	<p>https://trustees.uoregon.edu/past-meetings</p>
WOU	<p>Executive, Governance, and Trusteeship Committee</p> <p>The Executive, Governance, and Trusteeship Committee (EGTC) of the WOU Board of Trustees is charged with ensuring (A) effective Board function, (B) presidential performance, (C) empowering University staff to position the University strategically with external audiences, and (D) monitoring legal and compliance risk to the Board and University.</p> <p>https://wou.edu/board/board-committees/</p>	<p>https://wou.edu/board/egtc-2019-2020/</p>	<p>https://wou.edu/board/egtc-2019-2020/</p>

Questions for the Board to Consider

1. What problem do trustees believe the board will solve with the creation of a governance committee?
2. Do trustees believe a standalone governance committee the best way to solve it?
3. What else should the committee explore before bringing back a recommendation to the committee/board?

Future Meetings

Adjournment