

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

**MINUTES**

**Call to Order/Roll/Declaration of a Quorum**

Committee Members:

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

Chair Paul Nicholson called the meeting to order at 9:30 a.m. The board secretary recorded the roll and a quorum was verified.

Other trustees in attendance: Deborah Rosenberg, President Linda Schott, Bill Thorndike and janelle wilson.

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; Steve Larvick, Business Services; Jean Bushong and Bryan Simkanich, both from CliftonLarsonAllen; and Kathy Park, Office of the Board Secretary.

**Public Comment**

There was no public comment.

**Consent Agenda**

Trustee Bullock moved to approve the consent agenda, as presented. Trustee Hennion seconded the motion and it passed unanimously.

**Reports**

Update on Internal Audit Function

Jason Catz said he has been monitoring the internal audit function for new hotline complaints or anonymous reports. There have been no new hotline calls since the committee's last meeting. It is hard to tell if this can be attributed to the absence of an internal auditor or the fact that people are off-campus now. Even when there was an internal auditor, there was not an overabundance of complaints each quarter and there were quarters where only one to three complaints were received. Vice Chair Santos later said he thought a follow up report on the number of hotline complaints would be appropriate and Mr. Catz agreed to provide the report.

Turning to filling the internal audit position, Mr. Catz said he began discussions with colleagues at the other technical and regional universities (TRUs) about sharing an auditor function and possibly hiring an outside firm. EOU and WOU are interested; OIT is not interested at this time because it recently hired an outside firm to fulfill this function. Mr. Catz has drafted a request for proposals (RFP) and has shared it with the other TRUs so they can begin discussions.

Mr. Catz said it may be necessary to call a special meeting of the committee or the board to get approval to issue the RFP. The board would be involved in the selection process. Chair Nicholson said he thought the Executive and Audit Committee could handle the next steps and notify the board. Mr. Catz concurred, saying the important point is transparency and communication with the full board. Trustees Clough and Bullock agreed with this approach; none of the other committee members disagreed.

### **Action, Information and Discussion Items**

#### **Fiscal Year 2019-20 Audited Financial Statements (Action)**

Greg Perkinson provided a summary of expenditures by fund, comparing actual and budgeted amounts. The combined expenditures were \$6.4 million less than planned. He cautioned that this does not go to the bottom line because there were also significant reductions in revenues. It does, however, highlight an amazing job by the team to implement the cost cutting efforts from last year that carry through to this year.

Responding to Trustee Bullock's inquiry, Mr. Perkinson said the furloughs did not correspond to the decrease in enrollment caused by the pandemic. The furloughs were needed so SOU could join the Oregon Work Share Program. Some organizational structure changes were made in response to the decrease in student numbers. President Schott added that adjustments also were made in faculty, primarily in the part-time adjunct faculty positions.

Jean Bushong presented the FY 2020 external audit results, as included in the meeting materials. She highlighted CliftonLarsonAllen's (CLA's) responsibilities under auditing standards; the scope of engagements; unique audit issues; audit results; and required communications to governance. Ms. Bushong said the auditors review financial statements to determine if the numbers are materially correct, which involves an analysis of risk of error, fraud or noncompliance. The external audit function should not be viewed as an internal control.

The scope of engagements included the financial statement audit and the single audit of the spending of federal funds. This year, the single audit included CARES Act funding in addition to student financial aid.

Bryan Simkanich addressed the 2020 unique audit items for the single audit. The auditing guidance for CARES Act funding was not released until late December. Its late publication is one of the main reasons why the results of the single audit will not be presented at this time. CLA continues to work on the single audit and a report will be provided at a later date.

Mr. Simkanich also mentioned that COVID-19 caused a significant change in both the approach of the audit as well as the actual audit itself. The audit was performed remotely.

Mr. Simkanich said CLA issued an unmodified opinion on the financial statement audit, which is the highest level of assurance that can be provided. There were three reclassifications noted, which were communicated to management; they were not material in any way. There was one past audit adjustment, which was not material. There were no findings of material weaknesses or significant deficiencies.

Ms. Bushong highlighted the Independent Auditor's Report on page 8 of the 2020 Annual Financial Report, addressed selected entries in the financial report and explained the fluctuations in some of the figures. She mentioned changes to Governmental Accounting Standards Board standard 84 on accounting for fiduciary activity, such as the North Campus Village, which necessitated the inclusion of a new financial statement in the report. Ms. Bushong then highlighted some of the notes to the financial statements, including the accounting of CARES Act revenue and expenditures, transactions with the Collegiate Housing Foundation for the North Campus Village and current risks and uncertainties of COVID-19.

Mr. Simkanich provided the required communications to governance, as included in the meeting materials.

Trustee Clough moved to approve the resolution regarding the fiscal year 2019-2020 audited financial statements and report and recommending the financial statements to the Board of Trustees for acceptance. Vice Chair Santos seconded the motion and it passed unanimously.

#### University President's Compensation (Action)

Chair Nicholson reminded trustees that the board voted last year to amend President Schott's compensation to reflect a 20 percent furlough consistent with actions taken to amend the compensation of other administrative staff members. At that time, the board agreed to revisit the compensation in January 2021 because it was unclear if the university's classified and unclassified staff members would remain in furlough status beyond January 2021. Chair Nicholson said a decision had been made to extend the furloughs through March.

Chair Nicholson and President Schott proposed that the board continue the amendment to the president's compensation and revisit the item again in April. At that point, there would be clarity regarding the furloughs of the other administrative staff and the board would be able to make an appropriate decision.

Trustees Clough and Bullock expressed their disappointment and concern that such a decision had to be made. President Schott said she appreciated the sentiment and stressed that her entire team is similarly impacted.

Trustee Bullock moved approval of the resolution recommending the board amend the compensation of the university president. Vice Chair Santos seconded the motion and it passed unanimously.

#### Governance Work Group Update

Vice Chair Santos said the work group's efforts to explore the possibility of creating a stand-alone Governance Committee built on previous work groups and discussions at the board's retreat last fall. Providing an update on the group's work, he said the work group identified a key question: What problem needs to be solved? This led to conversations about diversity and inclusion amongst the trustees as well as the value of diversity. There were also discussions on trustees' ability to participate on the board and on committees, especially younger board members, given the time commitment; the work group tried to look at how governance activities could assist those members. The work group developed a list of pros and cons of creating a stand-alone Governance

Committee describing advantages and disadvantages of doing so. They also discussed what a governance committee's functions would be. The group also discussed whether the Executive and Audit Committee could carry on those functions or whether a separate committee would be the best method to do so. Vice Chair Santos said five of the other public universities include governance in a standing committee rather than having a separate committee. Considering various factors, the work group is leaning toward keeping the function within the Executive and Audit Committee; however, before developing a recommendation, the work group wanted more input from the Executive and Audit Committee and from the full board.

Trustee Bullock emphasized that, there is already a group in the Executive and Audit Committee that can perform any of the governance functions, without adding to the workload of other members of the board. He supported the recommendation that a separate committee not be formed but rather the tasks be assigned to the Executive and Audit Committee. Trustee Hennion later expressed her support for that course of action.

Trustee Clough expressed her appreciation for the work group's efforts. Although she has worked with a board that had a strong governance committee, she said she can see the benefit of formalizing the governance function into the routine activities of an existing standing committee. Chair Nicholson added that it would be important to formalize any structure so that the group focused on governance would meet on a regular basis and report on its efforts.

President Schott said her main concern is that the board have a robust way to identify new trustees. She stressed the importance of doing more to diversify the membership of the board in various categories, including age, race and backgrounds, coupled with differing professional preparations, skills and abilities.

Vice Chair Santos said he planned to present a formal recommendation to the board at its April meeting.

#### Future Meetings

The committee's next meeting will be on April 16, 2021.

#### **Adjournment**

Chair Nicholson adjourned the meeting at 11:23 a.m.