



**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**

MINUTES

Call to Order and Preliminary Business

Chair Thorndike called the meeting to order at 10:36 a.m.

The following committee members were present: Bill Thorndike, April Sevcik and Judy Shih. Trustee Paul Nicholson participated by teleconference. The following members were absent: Lyn Hennion and Teresa Sayre. Trustee Dennis Slattery also attended.

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; John Stevenson, IT User Support Manager; Don Hill, Classroom and Media Services Manager; and Kathy Park, Executive Assistant.

Trustee Sevcik moved to approve the April 15, 2016 meeting minutes as drafted. Trustee Shih seconded the motion and it passed unanimously.

Public Comment

There was no public comment.

Internal Audit Charter (Action)

Ryan Schnobrich began his presentation by saying there were no changes to the documents presented earlier to the committee. Trustee Nicholson said he was very impressed with the internal audit charter. Mr. Schnobrich said he followed closely the standards used by the Institute for Internal Auditors.

Mr. Schnobrich said he is pleased with the framework the board and management have setup for the internal audit function with having him report directly to the Executive and Audit Committee and administratively to the president. He feels independent, objective and able to interact with everyone on campus. He has had an initial discussion with the external auditors, will stay in touch with them, and will provide any assistance needed for the external audit.

Comparing the current and the prior systems, Craig Morris said there will now be more internal audit presence on campus. Before there were one or two audits every year or two; now there will be several audits every year and SOU will have someone who can

interact with management directly. Mr. Morris added that Mr. Schnobrich is clearly a value-added employee.

For efficiency, Chair Thorndike combined action on this item with the following item.

Internal Audit Plan (Action)

Responding to Chair Thorndike's request for input, Trustee Slattery said he reviewed the documentation and would give it an "A+" grade. The only thing he worried about was whether Mr. Schnobrich has the resources to implement the plan. Mr. Schnobrich admitted it is an ambitious plan and he has received guidance from other auditors on creating the internal audit function from scratch while simultaneously performing the function. Trustee Slattery praised Mr. Schnobrich's contact with stakeholders, who are viewing the function as an asset rather than as a watchdog. Mr. Schnobrich said he has been able to engage with many stakeholders on campus and has received many requests for assistance.

Mr. Schnobrich said the purpose of the internal audit plan is to outline internal audits and other activities for the next year. The charter authorizes him to make any changes he deems necessary and he will inform the committee of any changes made. His goals are to balance capacity-building with engagement while seeking to add value, and to better understand management's internal control and risk management practices.

Mr. Schnobrich then highlighted the top ten risk areas, some of which came from his interviews with about 20 of the auditable-area risk owners. He is currently conducting the presidential separation audit which focuses on the former president and issues such as employment contract compliance, purchasing activities and accomplishment of mission and goals. Answering Trustee Sevcik's inquiry, Mr. Schnobrich said all final audit reports will be shared with the Executive and Audit Committee and he described the process by which information is compiled and shared. He mentioned some of the areas he will focus on in the coming year, including coordination with stakeholders, fraud, and supporting the board secretary with governance initiatives. He recommends internal audits be conducted on the Student Health and Wellness Center's compliance with privacy and accreditation standards, Clery Act compliance, and Title IX compliance. He will provide the board an annual assessment of management responsibilities and a report on the human resources plan. He also mentioned the external peer review that will be conducted as part of best practice standards.

Trustee Sevcik moved to approve the Resolution: Adoption of Internal Audit Charter and FY17 Internal Audit Plan. Trustees Shih and Nicholson jointly seconded the motion; it passed unanimously.

Governance Discussion

Chair Thorndike opened the discussion by saying he and Sabrina Prud'homme have had several conversations about the board's governance function and have gathered information from other universities. There is work to be done and issues to address, such as whether the function should be integrated into the Executive and Audit Committee's charter, assigned to an ad hoc or a new permanent committee, and what topics should be included. Chair Thorndike said his preference was to modify the

Executive and Audit Committee's charter to include the governance function.

Ms. Prud'homme said many governance issues come to her because this function does not "live" anywhere on the board. Without much vetting, the issues are then taken to the full board. She believed it would enhance the capacity and functioning of the board and the trustees if this function were assigned to a committee. Her preference also would be to add the governance function to the Executive and Audit Committee's responsibilities. Ms. Prud'homme expressed concern with having governance assigned to an ad hoc committee because such issues will be ongoing.

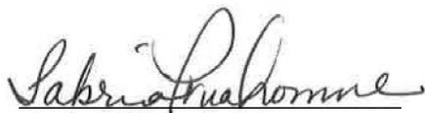
Following a discussion among the trustees, Chair Thorndike suggested recommending to the full board the formation of a working group to address governance issues (e.g., board development, board performance, board compliance, board orientation, continuing education, board policies and board structure) and present recommendations to the full board. The committee members concurred with this recommendation.

Adjourn

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

Date: October 20, 2016

Respectfully submitted by,

A handwritten signature in cursive script, reading "Sabrina Prud'homme". The signature is written in dark ink and is positioned above the printed name.

Sabrina Prud'homme
University Board Secretary