



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

**Thursday, October 20, 2016
10:30 a.m. – 12:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order and Preliminary Business

Chair Thorndike called the meeting to order at 10:31 a.m. He welcomed Trustee Daniel Santos, the board's newest trustee, and Joe Mosely, SOU's Director of Community and Media Relations.

The following committee members were present: Bill Thorndike, Lyn Hennion, Paul Nicholson, April Sevcik and Judy Shih. The following member was absent: Teresa Sayre. Trustees Linda Schott (ex officio), Daniel Santos and Joanna Steinman 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; Dr. Jody Waters, Associate Provost; Sabrina Prud'homme, Board Secretary; Ryan Schnobrich, Internal Auditor; Joe Mosley, Director of Community and Media Relations; Steve Larvick, Director of Business Services; Patti Eliot, Accounting Manager; Ryan Lamanna, Accountant; Colleen Martin-Low, Lead Account/Budget Specialist; John Stevenson, IT User Support Manager; Don Hill, Classroom and Media Services Manager; and Kathy Park, Executive Assistant.

Chair Thorndike advised the committee of one change to the draft June 17, 2016 meeting minutes: in the last line of the penultimate paragraph of the "Internal Audit Plan" section, the word "annually" was removed. Trustee Sevcik moved to approve the June 17, 2016 meeting minutes as amended. Trustee Shih seconded the motion and it passed unanimously.

Public Comment

There was no public comment.

External Audit Update

Participating telephonically, Jean Bushong highlighted CliftonLarsonAllen's ongoing audit and summarized the external audit findings. Jake Huolihan was also on the call. The audit process began in May and CLA released the audit results a few days ago.

The scope of the audit included four deliverables. The first was the financial statement audit, for which CLA issued a clean, unmodified opinion. The second deliverable was the “Moodle” audit, testing federal programs from which SOU receives financial assistance. CLA issued a clean, unmodified compliance opinion, stating that in all material respects SOU was following federal guidelines. CLA included five matters with this audit. The third deliverable was a management letter. CLA found no significant deficiencies or material weaknesses. However, other matters were reported in the management letter, including IT access rights could be strengthened. Three recommendations were also included. The fourth deliverable was the governance letter.

She also reminded trustees that GASB68 governs the recording of SOU’s proportionate share of the PERS liability. Last year it was a net asset but the State Supreme Court’s Moro decision switched it to a net pension liability.

Ms. Bushong thanked management for all their hard work on the audit. Chair Thorndike and Trustee Nicholson commended CLA and SOU staff on the audit.

Board Governance and Self Evaluation Recommendation (Action)

Introducing the agenda item, Trustee Shih described the functions of the internal governance work group and thanked the board secretary for her work. Trustee Shih mentioned each of the five focus areas for a governance committee: internal governance, board composition, board engagement, board education and board evaluation.

Regarding board engagement, Trustee Shih thought it would be important to track trustee participation in board and committee meetings and in activities on and off campus. For new board members, there would be an orientation, handbooks, mentoring and other considerations. It would be important to create expectations at the outset and provide opportunities for training.

Trustee Shih expressed concern over succession planning because most of the trustees began their terms at the same time and will end at the same time. The board needs a plan to bring people into leadership positions and determine who is interested in serving another term.

Regarding board education, Trustee Shih welcomed suggestions for topic areas. For example, last year the board discussed internet formats for classroom learning and the impact of online courses. President Schott is meeting one-on-one with the trustees to gain feedback on their interests. Trustees also have the opportunity to meet with other staff members to become more familiar with the campus. Further education could occur through campus tours, talking to students and engaging with faculty and staff.

Regarding board evaluation, Trustee Shih recommended that, in order to move forward, the board adopt the evaluation form Sabrina Prud’homme created. It can be restructured in the future and additional elements added if desired. Trustee Shih also recommended the board consider conducting a more comprehensive assessment in 4-5 years.

Since there are already several committees, Trustee Shih did not recommend forming

another committee. Instead, she recommended the function be absorbed into the Executive and Audit Committee. To move forward more quickly, the work group tried to prioritize actions. Trustee Shih discussed some of those actions, including the assessment tool; formalizing the process for introducing agenda items onto board and committee agendas; the possibility of limiting the number of consecutive terms for officers; and creating a matrix to better identify gaps in board composition.

Trustee Steinman said Trustee Shih did a great job and thanked her for her strong leadership.

Discussion was held on the evaluation tool for the board and whether the president's assessment of the board should be included with that; it was noted that the president should be included.

Trustee Nicholson expressed concern about including the governance function in the Executive and Audit Committee, primarily because the committee only meets for one hour each quarter. He thought keeping the work group within the committee would be a good way to get started. Trustee Steinman added that the frequency of the Executive and Audit Committee meetings did arise in the work group's meetings; one suggestion was that the committee could meet more frequently or the meetings could be longer. Trustee Santos added that these considerations are important as is the overall work of the board at both a board and a state level. He supported having the group continue this work.

Discussion then turned to the possibility of including a section for each trustee to assess his or her personal performance as a trustee. This could also serve to remind each trustee of his or her responsibilities.

Trustee Shih moved that the Executive and Audit Committee accept the following recommendations of the board's Internal Governance Work Group. The Executive and Audit Committee will recommend that the full board formally add the function of "governance" to the responsibilities of the Executive and Audit Committee. With this recommendation, the work group acknowledges the need to bring forward the necessary policy changes for review by the committee and approval and adoption by the full board. The work group further recommends that, in accordance with the board's "Resolution on the Responsibilities of Individual Trustees," the Executive and Audit Committee approve the board's immediate administration of the board self-evaluation as presented. She further moved that the work group be retained to continue working on governance issues.

Trustee Sevcik seconded the motion and it passed unanimously.

Internal Audit Update

Ryan Schnobrich referred to his memorandum in the meeting materials and encouraged trustees to reach out to him directly if they ever have questions. He then discussed his work for the quarter. In April, the Internal Audit Charter and FY17 Internal Audit Plan were finalized. Three audit topics were chosen: FERPA

compliance at the Student Health and Wellness Center; Clery Act reporting compliance; and Title IX processes. The FERPA audit has been moved to the spring.

Mr. Schnobrich said he referred the Clery Act reporting audit for 2014 back to management so the focus could be on the 2015 report. Craig Morris added that the review and work Mr. Schnobrich did on the Clery Act report has enhanced what SOU is doing there and brought SOU well into compliance where it may have been borderline. Responding to Trustee Nicholson's inquiry regarding management Mr. Schnobrich consulted with while working on the audit, Mr. Schnobrich said "management" included the President, Board Secretary, General Counsel, Vice President for Finance and Administration and the Director of Campus Public Safety and his team.

Additionally, Mr. Schnobrich and Marjorie Trueblood-Gamble met to discuss Title IX and are developing the audit criteria to get the greatest value. Mr. Schnobrich added that Ms. Trueblood-Gamble will give a Title IX presentation to the Academic and Student Affairs Committee later in the day.

Discussing the audit of the president's office that former president Roy Saigo requested, Mr. Schnobrich described the items reviewed. He clarified that the scope of that audit did not include the accomplishment of mission and goals, although that is sometimes included in a presidential separation audit. Unfortunately, Mr. Schnobrich could not provide the board the requested assurance that Dr. Saigo's business affairs with SOU were in order. Although the conclusions were relatively immaterial, Mr. Schnobrich reviewed the audit results with Chair Thorndike and Dr. Saigo before his departure. He later reviewed the final audit conclusions and recommendations with President Schott, Mr. Morris and others as appropriate, and he invited trustees to follow up with him if desired.

Brian Kinsey has included Mr. Schnobrich in the Service Center's discussions on internal controls around implementing DocuSign software and incorporating best practices. They have executed a consulting agreement related to digitizing processes.

Mr. Schnobrich has received thirteen fraud allegations in the last six months, generally involving waste, abuse and theft. Seven of the allegations have been closed out, being resolved by management discussion or intervention. Responding to Trustee Steinman's inquiries, Mr. Schnobrich said most of the allegations were brought to his attention through the hotline and web portal. He thought the number seemed a little high but he saw that as a positive outcome because it indicates that communication and engagement are happening. Mr. Morris added that, in the year after SOU separated from OUS but before Mr. Schnobrich was hired, he was handling the fraud complaints and there were none.

In responding to a question from Trustee Nicholson, Mr. Schnobrich said that none of the allegations that have been closed were material or they were resolved with management. He added that the fraud presentation is available to the campus and to trustees through the internal audit website inside.sou.edu/ia.

Mr. Schnobrich informed the committee of the various consulting agreements in effect and those he continues developing with various departments, including Athletics and Facilities Management and Planning. He then discussed the breakdown of the time he spends on various activities, giving the committee an idea of the amount of time it takes to provide various internal audit services.

Presidential Evaluation and Policy Discussion

Chair Thorndike said he and President Schott have had good discussions on her inaugural review and what will be put in place for the future. President Schott discussed the draft Board Statement on Evaluation of the University President, saying the policy will be presented to the board for approval in January.

President Schott then mentioned some of her personal goals: investing adequate time to develop relationships with campus groups, the board and legislators; designing a strategic planning process and beginning the actual work; reviewing recruitment and retention processes and programs to achieve the greatest possible enrollment; continuing to work with the board on fine tuning; and developing relationships with alumni.

Chair Thorndike mentioned the meetings President Schott is having with faculty members in their offices to get a better feel for the campus. He also said a dynamic 360 degree review in the president's third or fourth year would be expected.

Accreditation Site Visit

Dr. Jody Waters updated the committee on the accreditation team's site visit on October 24-26 and thanked the board for its role. She also commented on how supportive and cooperative everyone has been throughout the process. Dr. Waters described the experience of the team of nine evaluators and said they will meet with a wide range of the campus community over 36 interactions.

Future Meetings

Committee members expressed a willingness to meet in November or December, if the president desired. Otherwise, the next regular meeting would be in January.

Adjourn

Chair Thorndike adjourned the meeting at 12:04 p.m.

Date: January 20, 2017

Respectfully submitted by,

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

Sabrina Prud'homme
University Board Secretary