



Board of Trustees Meeting

Friday, October 20, 2017
12:00 – 5:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library

MINUTES

Call to Order/Roll/Declaration of a Quorum

Chair Thorndike called the meeting to order at 12:04 p.m. and welcomed guests and presenters to the board's first regular meeting of the academic year. He stated that some of the agenda items would be taken out of order.

The following trustees were present: Bill Thorndike, Lyn Hennion, Sheila Clough, Daniel Santos, Teresa Sayre, April Sevcik, Dennis Slattery, Joanna Steinman and Steve Vincent. Trustee Les AuCoin was absent due to illness. Trustees Paul Nicholson and Shea Washington were also absent. Linda Schott (ex officio) also was present.

Other meeting guests included: Jason Catz, General Counsel; Craig Morris, Vice President for Finance and Administration; Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Shanztyn Nihipali, SOU student; Steve Larvick, Director of Business Services; Daryl Maplethorpe, ASSOU; Leo McCaffrey, ASSOU; Devon Backstrom, ASSOU; Lupe Sims, SOU; Darius Kila, SOU student; Fred Creek, Director of Campus Public Safety; Charlie Hall, Head Football Coach; Sam Woods, SOU student-athlete; Bronsen Ader, SOU student-athlete; Keegan Lawrence, SOU student-athlete; Isiah Carter, SOU student-athlete; Deborah Rosenberg, Faculty Senate Chair; Dr. Dan DeNeui, Director of Social Sciences; Brad Christ, Chief Information Officer; Ryan Schnobrich, Internal Auditor; Joe Mosley, Director of Community and Media Relations; Dr. Matt Stillman, University Registrar; John Stevenson, User Support Manager; Don Hill, Classroom and Media Services Manager; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

Public Comment

Lupe Sims, a graduate of the Masters in Interdisciplinary Studies program and the spearhead for SOU's recognition of Indigenous People's Day, provided comments in support of President Schott. Ms. Sims asked Dr. Schott about recognizing Indigenous People's Day, took various actions, and, one year later, the campus was celebrating Indigenous People's Day. Changes on campus can be seen and she fully supports Dr. Schott and her work.

Darius Kila, an SOU student, Raider Ambassador and Financial Aid staff member also served on the presidential search committee that hired President Schott. He said the president has played a huge part in the increase in enrollment; he appreciates all the time she puts into everything she does; she is motivated and attends many events,

which matters a lot; she is available to and cares about students; and he encouraged continued support of President Schott.

Reports

President's Report

President Schott started her report with strategic planning. The board took a lot of time discussing strategic directions at the retreat in September and, since then, campus and community input has been gathered. A summary of the comments has been given to the Strategic Planning Committee to consider. The seven groups formed for each of the strategic directions have submitted draft goals. President Schott reviewed and commented on their submissions. The vision, mission, values and strategic directions will be ready for the board's approval in its special meeting in November.

The Development Office is planning Raider Rendezvous events in several communities to connect with alumni. The fundraising goal for this year is \$3.2 million. Last year, the Development Office raised about \$5 million but that included extraordinary gifts because of the Student Recreation Center as well as the Lithia Motors and Thalden Pavilions. President Schott is convinced SOU can deliver the potential that exists but needs more staffing to do so; administration is looking at hiring another major gifts officer. During the strategic planning process, fundraising priorities will be identified and the Development Office will hire a consultant to work with the alumni board on fundraising. The Lithia Motors and Thalden Pavilions should be completed this winter.

President Schott said SOU will have a half hour to present SOU's final conditions report and strategic plan to the HECC on December 14. She encouraged trustees to attend to support the university.

Athletic Director, Matt Sayre, Coach Charlie Hall and four SOU football players (Sam Woods, Bronsen Ader, Isiah Carter and Keegan Lawrence) arrived for the athletics update. They discussed the upcoming homecoming game; the coach's emphasis on character, strength and honor; the importance of making community connections; and in response to Vice Chair Hennion's inquiry, reducing the impacts of concussions.

President Schott recently attended the conference for the Association for the Advancement of Sustainability in Higher Education. She reported on trends aligning endowment investments with missions, values and sustainability goals without sacrificing financial returns; a tool for assessing students' sustainability literacy; and SOU students' interest in "real food" (from community-based, fair, ecologically-sound and humane sources).

President Schott mentioned the upcoming presidents' meeting of the American Association of State Colleges and Universities (AASCU). The theme is "Institutional Leaders, Mission Champions: Advocating for Our Vision and Values." As Oregon's representative for AASCU, she will attend and begin thinking about political strategy.

Committee Reports

Executive and Audit Committee - Chair Thorndike said that prior to the retreat in September the committee met regarding the process for evaluating the president. The

committee had an excellent discussion of the president's self-assessment and the goals going forward. He thought the retreat was exceptional and was proud of the interface the board had with the Association of University Governing Boards on The Guardians Initiative. He also encouraged trustees to attend AGB's national conference. Chair Thorndike encourage the trustees who will seek reappointment to submit their applications. That morning, the committee reviewed the president's goals for 2017-18, which the board will do in open session in its meeting. The committee also had an update on the internal audit function and Chair Thorndike said he is proud of the work Ryan Schnobrich has accomplished. The committee received a report from the Governance Work Group on the handbook and information the group thought valuable for onboarding new trustees; Chair Thorndike thanked Judy Shih, Trustee Steinman and Trustee AuCoin for their work and said the work group would sunset. Lastly, the committee plans to continue meeting on the schedule it adopted last year.

Finance and Administration Committee - In Trustee Nicholson's absence, Trustee Slattery provided the report, saying the committee has had two meetings since the last report. On July 19, the committee held a special meeting to consider a special procurement request for an amount not to exceed \$40,000 for a consultant (Jon Lange) who is working on the strategic plan; the committee approved that request. The committee also met on October 19. Craig Morris reported on the committee dashboard and Shane Hunter discussed the primary reserve ratio. Mr. Morris said they will work on getting SOU's emergency boiler replacement approved by the legislature; he reviewed the Student Success and Completion Model (SSCM) and the capital planning funding model. Provost Walsh updated the committee on the Vice President search. Mr. Morris and Steve Larvick presented the year-end report and discussed how SOU accounted for the fraud. Mark Denny discussed the pro forma and fund balance; the budget calendar; and projected action from the board on determining tuition and fees in March instead of April. Lastly, the committee plans to continue meeting on the schedule it adopted last year.

Academic and Student Affairs Committee - Trustee Sayre said the committee met once since the last board meeting. The main agenda item was Marjorie Trueblood-Gamble's presentation on Safe Spaces. The provost provided a report, mentioning the provosts' retreat where they discussed topics such as meta-majors, a completion study, new advising models, student preparation for college-level work, and financial aid. The committee talked about House Bill 2998, which is about universities capturing credits from community colleges. Dr. Matt Stillman reviewed the dashboard and the indicators look great. The committee discussed organizational changes in academic advising that will benefit the university. SOU is in the middle of the search for the interim Vice President for Student Life and Enrollment. The committee received a curriculum update on the Masters program in Outdoor Adventure and Expedition Leadership, which has a strong first year cohort despite a late approval. The online MBA program is on schedule for its April launch. Lastly, the committee plans to continue meeting on the schedule it adopted last year.

Student Leadership Report

Daryl Maplethorpe, ASSOU President, provided the report. She said ASSOU priorities continue to be sexual assault prevention and affordability measures. Over the summer,

ASSOU staff worked on sexual assault prevention and requested that OSA prioritize K-12 sex education reform. ASSOU exceeded its voter registration and issues survey goals. ASSOU seated most of its committees earlier than normal. Changes to the student fee process are still under review but will not take effect until next year. Discussing priorities, Ms. Maplethorpe said sexual assault prevention is still huge and there is talk about getting a prevention coordinator on campus; other priorities include the real food challenge, affordability of textbooks, housing and tuition, and referendum 301 on healthcare. Ms. Maplethorpe invited trustees to the next ASSOU meeting and mentioned her open door policy.

Faculty Senate Report

Deborah Rosenberg, Faculty Senate Chair, said the senate has an interesting mix and there seems to be a different energy this year. They also are seating their committees and are talking about House Bill 2998. The senate received reports from Mark Denney, who invited senators to shadow the Budget Committee and participate in the Tuition Advisory Committee. The Disability Department provided a report on how to accommodate student disabilities. The most lively conversation they have had is what process and criteria they wish to employ to replace Trustee Slattery. Chair Thorndike said the board is looking forward to securing a date for a board-faculty social. Responding to Chair Thorndike's inquiry, Ms. Rosenberg said renovations on the theater building are coming very slowly and are two years off schedule, noting frustrated faculty and angry students.

Consent Agenda

Trustee Sevcik moved to approve the June 16, 2017, meeting minutes, as presented. Trustee Slattery seconded the motion and it passed unanimously.

Action Items

Board Meeting Schedule

Chair Thorndike said that, last year, the board tried to make its work and schedule more efficient and to keep special meetings to a minimum. The committees are also meeting less frequently for different durations of time, in an effort to streamline schedules. Each of the committees felt the schedules worked and would like to continue with these, as presented. If the full board agrees with the proposed schedule, it will adopt the meeting schedule today with the caveat that there is always the possibility of a schedule modification or special meeting in the case of emergent issues.

There being no comments from the trustees, Trustee Steinman moved approval of the board's meeting schedule as proposed. Trustee Vincent seconded the motion and it passed unanimously.

Information and Discussion Items

Academic Partnerships Update

President Schott and Dr. Susan Walsh provided a brief update for the board regarding the online MBA program and the relationship with Academic Partnerships. They said the program is on schedule for an April launch and the faculty have worked very hard on this initiative. Dr. Walsh praised Hart Wilson in particular. President Schott asked for suggestions on what companies she should meet with to discuss this program.

Trustee Sevcik requested talking points so the trustees would be better informed if asked questions.

Enrollment Update

Dr. Matt Stillman reported that FTE is up 2.4 percent over last year and is ahead of the end of fall 2016. Enrollment figures continue to change as SOU adds Advanced Southern Credit students. SOU is on the verge of having one its largest ever incoming freshmen classes. He then discussed resident and nonresident enrollment as well as a dip in SOU's international student population, which is a national trend. Dr. Stillman then addressed the admitted student count and said that compared to other Oregon universities, SOU looks very strong.

Trustee Slattery pointed out that students pursuing stand-alone certificates are not eligible for financial aid. Chair Thorndike suggested contacting foundations that support higher education to see if they would be willing to make program-related investments and offer low-interest loans to such students.

Retention, Degree Conferrals and Graduation Rates

In Chris Stanek's stead, Dr. Stillman reported that retention rates for the fall freshmen and transfer cohorts have been pretty stable and that transfer students do better than the new freshmen. Compared to PSU, WOU and EOU, SOU's freshmen retention rate is in the upper-middle of the range. Responding to Trustee Vincent's inquiry, Dr. Stillman said more than three-fourths of the transfer students come from RCC. President Schott added that this is why SOU-RCC transfer agreements and faculty working together are vital.

Dr. Stillman said the SSCM is particularly concerned with degree conferrals, not specifically with graduation or retention rates. SOU's degree conferrals were up sharply in 2016-17 and graduation rates have been stable over time. He added that graduation rates would probably show an upward trend over the next several years as a result of program investments SOU has made. Again, compared to PSU, WOU and EOU, SOU's graduation rates are in the upper-middle of the range.

Responding to President's Schott's inquiry regarding future reports, Trustee Sevcik said she would like to know more about employment and debt. Trustees Hennion and Clough would like to see, specifically, which areas the SSCM judges the university on and marks for how the other TRUs are doing.

Cyber Security Overview

In his cyber security overview, Brad Christ addressed the threat landscape, actors and motives. He reported that higher education institutions are targeted for a variety of reasons, which were discussed in depth, and why higher education institutions are vulnerable, which also was explained. Mr. Christ covered the types of attacks as detailed in the meeting materials. He also explained that SOU takes mitigation and remediation steps and detailed SOU's infrastructure and actions for each of these, as presented in the materials.

Responding to Trustee Vincent's inquiry, Mr. Christ said phishing and attempted scams

come to his attention weekly. SOU's border firewall keeps away a lot of the network probing efforts and automated scripts block certain scans. If additional support is needed, SOU can call colleagues, utilize existing cyber insurance contracts and work with law enforcement agencies. Responding to Chair Thorndike's inquiry regarding storage of information in case of an emergency, Mr. Christ said SOU is in pretty good shape with backups in two offsite locations.

Fraud Update – Possible Executive Session [Pursuant to ORS 192.660 (2)(b); (f); (h); and (n)(E)]

Introducing this item, Jason Catz said the purpose of the presentation was to address publicly, and as needed in executive session, the theft of approximately \$1.9 million from SOU last spring, the recovery of nearly \$610,000 of those funds and the ongoing recovery efforts. The discussion included a timeline of events; an update on the insurance claim for the loss; an update on the status of the FBI's ongoing investigation; and an overview of the active preventive measures put in place to ensure such a theft does not recur. Mr. Catz stressed that SOU has put stronger measures in place to prevent this from recurring and is undertaking an enterprise wide risk assessment program and compliance initiative that will reduce or eliminate similar risks.

Mr. Catz stressed that both the board and management have taken this matter very seriously. From the very beginning, the board has asked the difficult and pointed questions attendant to their fiduciary responsibilities. Management also has asked difficult and necessary questions of itself and its staff.

Mr. Catz said this discussion was intended to provide an appropriate measure of transparency warranted by SOU's status as a public university and the significant nature of this event. This discussion was taking place now, rather than at the very moment of its discovery, because of: (1) The existence of an active FBI investigation, one with which SOU does not wish to interfere. (2) The need to work with the Oregon State Treasury and the banks involved to recover any funds possible, an effort that resulted in the return of almost \$610,000. (3) The need to conduct an internal investigation to ensure information provided was accurate. (4) The need to put additional controls in place that would result from that internal review. There was a concern that describing what happened in too much detail at the very moment of the event, before additional controls were put in place, might invite another criminal to try to exploit the university before those measures were assessed and implemented.

SOU does not have deep visibility into the FBI's investigation. The FBI has described this criminal enterprise as sophisticated and has undertaken significant effort to track the use of the stolen funds. As a result, the FBI has issued numerous subpoenas to track down information on the structure of the fraudulent scheme as well as the many transactions identified from the account. The investigation remains open and active.

There were elements of SOU's processes that were not adhered to and which contributed to the circumstances that led to this computer fraud. Mr. Catz said he did not want the board or the public to believe SOU had no controls in place regarding such transactions at the time this fraud occurred. There were controls in place prior to the event but it is uncertain whether those controls would have prevented the incident.

However, management has concluded that additional, better controls can prevent such incidents in the future, so long as they are followed.

Mr. Catz noted that management has taken personnel action related to the employee errors; any discussion regarding employee discipline would have to be held in executive session. Mr. Catz then mentioned the active steps that have been taken to provide additional preventive measures, which would also have to be discussed in executive session. He did note, however, that since this incident all of the 20 relevant employees working in Business Services and the Service Center received specific additional mandatory training on all new and old requirements and received separate training on fraud provided by a national bank.

Mr. Catz said SOU is initiating an enterprise risk management (ERM) process. By implementing such a process, the university will allow its various departments to identify their risks, assess the causes of those risks and determine the potential impacts of those risks. The resulting assessment will allow departments to rate and prioritize risks and take action to prevent those that are most significant and likely.

Additionally, Mr. Catz said Vice President Morris will recommend to his successor that new or existing SOU job positions be tasked with implementing a compliance program. Taken together, implementing a widespread process like ERM and tasking people with compliance can help avoid a wide array of problems, ones that differ from but arise similarly to the one that occurred in this case.

Mr. Catz stressed that SOU takes this matter very seriously and is putting controls and processes in place to better defend against this and other types of computer crimes, which have become an unfortunate fact of the digital age. This underscores the need for SOU to create a culture of constant vigilance against these criminal attacks and stay nimble to respond to the ever-changing tactics and techniques of these criminals. SOU remains committed to pursuing every civil and criminal legal remedy available to recover the loss and determined to prevent this from happening again.

There being no additional questions from the trustees, an executive session was not held for this topic.

Presidential Evaluation – Executive Session [Pursuant to ORS 192.660 (2)(f) and (i)]

Chair Thorndike said the president's evaluation would take place in executive session. Afterward, the board would reconvene to approve or change the evaluation and take action on the goals for the upcoming academic year.

Chair Thorndike said that, pursuant to ORS 192.660(2)(f) and (i), the board would enter into executive session to consider information or records that are exempt by law from public inspection and review and evaluate the employment-related performance of the chief executive officer of any public body, a public officer, employee or staff member who does not request an open hearing.

Pursuant to ORS 192.660 (4), representatives of the news media shall be allowed to

attend this executive session. There were no members of the media present.

Chair Thorndike said that, pursuant to ORS 192.660 (6), no final action would be taken or final decision made in 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 into the room for the final agenda items. In addition to SOU board members, the following persons were permitted to remain for the executive session: President Schott could remain for a portion of or the whole executive session; university board secretary, Sabrina Prud'homme; and general counsel, Jason Catz. The audio recording was then stopped for this portion of the meeting.

Following the executive session, members of the public were welcomed back into the room.

President's Goals for 2017-18

President Schott presented her six proposed goals for 2017-2018, as detailed in the meeting materials: (1) Finish and launch the strategic plan; (2) Align the leadership team in support of the strategic plan; she reiterated this goal has nothing to do with criticizing her team; (3) Financial stability; (4) Work with ASSOU and the community to address housing issues; President Schott said she feels good about the relationship she is developing with ASSOU and mentioned the upcoming cabinet-to-cabinet meeting; (5) Begin broader discussions on the application of the funding formula to SOU; and (6) Continue to stay engaged at the state and national level and carry the good news about SOU to others. President Scott said her goals will take a lot of effort and the day-to-day work continues.

Based on the recommendation of the Executive and Audit Committee, Trustee Hennion moved that the board approve President Schott's goals as proposed. Trustee Sevcik seconded the motion and it passed unanimously.

Information and Discussion Items

Future Meetings

Chair Thorndike said there will be a special meeting on November 16 at 3:00 p.m. to act on the university's proposed mission, vision and strategic directions as well as the core themes. Chair Thorndike also reminded trustees to save the date for Vice President Morris' retirement reception on Thursday, December 7, at 4:00 p.m.

Adjournment

Chair Thorndike adjourned the meeting at 5:00 p.m.

Date: January 19, 2018

Respectfully submitted by,



Sabrina Prud'homme
University Board Secretary