



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

**Friday, April 21, 2017
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 10:30 a.m.

The following committee members were present: Bill Thorndike, Lyn Hennion, Paul Nicholson, Teresa Sayre, April Sevcik and Judy Shih. Trustees Les AuCoin and Linda Schott (ex officio) 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; Jason Catz, General Counsel; Ryan Schnobrich, Internal Auditor; Steve Larvick, Director of Business Services; Joe Mosley, Director of Community and Media Relations; John Stevenson, IT User Support Manager; Don Hill, Classroom and Media Services Manager; and Kathy Park, Executive Assistant.

Trustee Sevcik moved to approve the January 20, 2017 meeting minutes as drafted. Trustee Hennion seconded the motion and it passed unanimously.

Public Comment

There was no public comment.

Risk Assessment Results

Ryan Schnobrich began his presentation with a brief quarterly update. He mentioned the reports he has been posting on the Internal Audit board reporting page and described documents posted since the last meeting.

Mr. Schnobrich said that, as he previously suggested, the Family Education Rights and Privacy Act audit with the Student Health and Wellness Center does need to be reconsidered due to time constraints and he has removed it from this year's internal audit plan.

Mr. Schnobrich said the Title IX audit is underway and is going well. He should have

an audit report posted to the board reporting website in time for the committee's review before the June meeting.

Chair Thorndike said he meets with Mr. Schnobrich and they have a process for Mr. Schnobrich to share any concerns he has. Chair Thorndike said he will bring issues to the board as needed.

Mr. Schnobrich said he recently provided a fraud awareness presentation to the ASSOU student club leadership as well as Facilities, Management and Planning. He has provided that presentation to over 150 people on campus.

Six new allegations were made in the three months since the committee's last meeting, bringing the total to twenty-one in Mr. Schnobrich's first calendar year at SOU. He said the pace has slowed down and he hopes the activity generated from all of the outreach has been processed.

Moving into risk assessment, Mr. Schnobrich said it was part of this year's internal audit plan to perform a university-wide risk assessment. Management and internal audit perform separate risk assessments and compare notes when stack-ranking risks in consideration of the next year's internal audit plan. Mr. Schnobrich has coordinated with Brad Christ on risk assessment as a part of exploring enterprise risk management; this will be one of his proposed consulting agreements for this year.

Mr. Schnobrich performed traditional risk interviews with members of management, focusing on key risks especially as it relates to meeting objectives, compliance requirements, areas of change, the scope of key processes and certain key internal controls. Most importantly, he and executive management discussed the impact and likelihood of a material event if related internal controls were not effective for some reason. The result of these conversations is the heat map, which lists areas where attention should be focused and appears in the meeting materials.

Mr. Schnobrich encouraged trustees to share with him feedback or concerns they have with any risks, whether appearing on the chart or not. As an example of his follow up to trustees' comments, he looked into the student fee process; he found a 2013 consulting agreement and met with various university administrators and ASSOU officers. As a result, a review of the student fee process is now included in this year's internal audit plan. Discussion ensued on the reasons certain items are included on the heat map (i.e., issues with inherent risks versus issues of noncompliance) and that some items will move around on the heat map.

2017-2018 Audit Plan Draft

Discussing the audit plan draft, Mr. Schnobrich said he created a theme for the year: Balancing continued capacity-building with value-added engagement. The internal audit plan proposes three assurance service engagements next year: the student fee

process, human resources (HR) (a review of personnel file management compliance and best practices) and the annual assessment of management responsibilities which is part of each year's internal audit plan. Responding to Chair Thorndike's inquiry, Craig Morris said the universities do not share HR services across the campuses but the HR directors do meet regularly and exchange information.

There are five consulting agreements proposed for next year: 1) financial aid (internal controls around key processes and compliance requirements); 2) student life (preparing for the opening and operation of the new student recreation center); 3) information technology (implementing risk management); 4) Service Center (internal controls around digitization of workflow); and 5) athletics (NAIA compliance for student-athletes and administrative integration points).

Mr. Schnobrich will be looking for approval of the final draft of next year's internal audit plan at the committee meeting in June. Chair Thorndike concurred.

Chair Thorndike, Mr. Morris and Jason Catz stressed the added value Mr. Schnobrich brings to SOU, how important his work is to the campus and how his work authenticates the work done at the university. The internal audit function will be a critical tool to use in presenting results to the HECC and as the university competes for limited state resources.

Trustee Nicholson asked about next steps following an inquiry. Mr. Schnobrich said he is always assessing (i.e., reading posts on Facebook), although not always using the same process as he does for risk or audit assessments, and offers any help he can provide. He engages management to have healthy discussions. When auditing, he compares to standards and notes anything he finds concerning and follows up on that. Additionally, he is always available in a consulting capacity. Mr. Morris added that Mr. Schnobrich provides formal recommendations following an audit, management responds to those, then Mr. Schnobrich follows up to confirm that management does what it commits to doing.

Responding to Trustee Hennion's inquiry, Mr. Schnobrich said the pace of receiving allegations has decreased. He hopes it is because people trust him and realize they can come to him. The board's commitment of having a person here on campus has empowered him to develop relationships and establish trust.

Governance Work Group Update

Trustee Shih provided the update on the governance work group. She said they reviewed the results of the evaluation survey and revised it to prepare for the next evaluation phase. They identified areas where more information needed to be captured, which is why the matrix was created for trustees to complete.

The group worked on the board handbook and finalized the table of contents. Sabrina

Prud'homme is pulling information together and establishing links. Trustee Shih thought a majority of the handbook would be ready to review at the next meeting.

The other project the group is working on is the board composition matrix. Trustees were asked to rate themselves in four areas – skills and competencies; intellectual capital; social relationship capital; and political capital. The matrix also collected data on participation, leadership roles held, number of years served and general demographic information. The work group looked at the results and were impressed with the diversity of skill sets, knowledge and expertise of the trustees. The overall purpose of the matrix was to get a clear picture of the board's composition, which will be useful when recruiting new trustees to achieve a balance of skill sets, experience and knowledge. The board will also want to identify trustees with particular strengths that can be used to promote individuals to leadership positions and identify areas for more training and education.

The work group's next project is to complete the draft of the handbook and launch it. After that, Trustee Shih said the governance work group would like to continue its work. The group feels the information it gathers can be used to evaluate the overall performance of the board and identify training needs. The information will also help guide the committee in making recruitment decisions, ensuring a well-balanced and diverse board and selecting future leaders.

Chair Thorndike thanked the members of the work group and said the board is on the right track, as it is looking at bringing on two new trustees.

Ms. Prud'homme provided an update on filling the vacant position on the board and the anticipated vacancy upon Trustee Nootenboom's graduation in June. Trustee Nicholson mentioned the terms of most of the trustees will end at the same time. Trustee Shih said the group talked about needing a plan and has captured information from trustees to determine if they wish to continue serving on the board for another term. A list of potential trustees can be maintained in order to stay on top of filling vacancies. Discussion followed on the timing and staggering of trustees' terms as well as the appointments process.

President Schott mentioned the generic orientation to board roles that the Association of Governing Boards of Universities and Colleges (AGB) is developing. She thought it may be helpful to SOU's new trustees. At a recent AGB conference, President Schott attended a session on leveraging trustee expertise for innovation. The talent most lacking on university boards that would fuel innovation is technology experts and youth, particularly young entrepreneurs.

Future Meetings

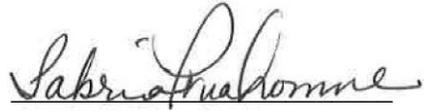
There was no discussion on this agenda item.

Adjourn

Chair Thorndike adjourned the meeting at 11:27 a.m.

Date: June 16, 2017

Respectfully submitted by,

A handwritten signature in cursive script, reading "Sabrina Prud'homme", written in black ink. The signature is fluid and connected, with a distinct loop at the end of the last name.

Sabrina Prud'homme
University Board Secretary