

**Board of Trustees  
Executive and Audit Committee Meeting  
Friday, June 21, 2019**

**MINUTES**

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

Committee Members:

Lyn Hennion	Present	Paul Nicholson	Present
Sheila Clough	Present	Daniel Santos	Present
Megan Davis Lightman	Present	Bill Thorndike	Present

Chair Lyn Hennion called the meeting to order at 9:30 a.m. in the DeBoer Room of the Hannon Library. The secretary recorded the roll and a quorum was verified.

Other trustees in attendance: Deborah Rosenberg and Dr. Linda Schott.

Other attendees included: Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Greg Perkinson, Vice President for Finance and Administration; Jason Catz, General Counsel; Sabrina Prud'homme, Board Secretary; Ryan Schnobrich, Internal Auditor; Joe Mosley, Marketing and Communications; Steve Larvick, Business Services; Max Jensen, OSA; John Stevenson, Information Technology; and Kathy Park, Office of the Board Secretary.

**Public Comment**

There was no public comment.

**Consent Agenda**

Vice Chair Nicholson moved to approve the consent agenda, as presented. Trustee Santos seconded the motion and it passed unanimously.

**Reports**

Internal Audit Annual Report

Ryan Schnobrich discussed his internal audit (IA) activity for fiscal year 2019. There was considerable turnover in key collaborator positions, which disrupted progress.

Mr. Schnobrich also reviewed the status of IA assurance and consulting services, as outlined in the meeting materials. Consulting services had to be postponed because management did not have the capacity for various reasons. Responding to Trustee Clough's inquiry about management's capacity, the causes, and the consequences of putting off audits, Mr. Schnobrich said he is very ambitious in his plans on what one person can do and it can be received as overwhelming for staff. Jason Catz added that some of the services were postponed due to timing or redirection of resources, and that each postponement differs. Trustees Clough and Santos expressed concern with those audits that have been postponed repeatedly. Mr. Schnobrich said the board has been supportive of additional IA resources but thinks any additional resources should be focused on compliance. When management did not have capacity, he said he shifted his efforts towards internal control assessments.

Mr. Schnobrich then discussed the status of the internal control assessments, as included in the meeting materials. Regarding investigative services, Mr. Schnobrich encouraged trustees to contact him if they wanted to review any particular reports.

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

#### **2019-20 Internal Audit Plan (Action)**

Transitioning to the IA plan for fiscal year 2020, Mr. Schnobrich responded to Trustee Clough's inquiry about setting priorities by describing the process, how it has been maturing, and how he has worked with management to help them develop risk assessment capabilities. Mr. Schnobrich said he feels that he has addressed the highest risks on campus over the last three years and asked the trustees to identify any areas not included in the plan that they want him to focus on.

Trustee Santos continued to express concern over identified resource limitations, specifically the statement in the plan that "full organizational coverage over a five-year period is untenable." Mr. Schnobrich clarified that, if the board expects him to look at every major source of risk in a five-year cycle (which is the gold standard for internal auditors), it is an unreasonable expectation. If the board wants to make sure every major risk is addressed inside a five-year cycle, more IA staff would be needed plus three or four people on the compliance or management side to respond to the work.

Responding to Chair Hennion regarding the priority order for assurance/audit and consulting services for fiscal year 2020, Mr. Schnobrich said he purposefully did not prioritize them. Responding to Vice Chair Nicholson's inquiry regarding setting priorities, Mr. Schnobrich said he and management conduct risk assessments then meet to discuss the results and set agreed-upon priorities. He added that management is doing all they can, short of dedicating additional resources. President Schott reiterated the difficulty of balancing tuition increases, staffing, and service to students.

Responding to Trustee Lightman's inquiry about cost control efforts, Greg Perkinson said SOU does not have rigorous control measures for purchases. However, clear direction will be provided to the staff that if a purchase is nonessential, then do not buy it. Business Services completes a variance analysis monthly to identify any issues that need to be addressed. Mr. Perkinson said quarterly analyses of spending in each unit would be more rigorously implemented and stressed that each unit is accountable for its spending. Mr. Catz mentioned the monetary thresholds for procurement and signature authority that also serve as checkpoints for purchases. Trustee Clough recommended high priority be assigned to the consulting service item "Office of the Vice President of Finance & Administration – Culture of Continuous Process Improvement, Assessment/Analysis, and Accountability (in conjunction with the Financial Analyst)."

Trustee Santos moved to approve the resolution to refer the Fiscal Year 2020 Internal Audit Plan to the board for adoption. Trustee Clough seconded the motion and it passed unanimously.

### Amendments to Governing Documents (Action)

Chair Hennion said she, Vice Chair Nicholson, Jason Catz and Sabrina Prud'homme worked on the proposed revisions to the governing documents. Mr. Catz highlighted some of the proposed changes, as included in the meeting materials.

### *Resolution on the Responsibilities of Individual Trustees*

Mr. Catz said more emphasis was placed on attendance and giving clarity to the balance of a trustee directing an employee and providing appropriate oversight. Trustee Clough and President Schott recommended the last paragraph in section 3 be amended as follows: "A Trustee who is unable to ensure regular attendance at Board and Committee meetings may be asked to resign their position on the Board."

President Schott stressed her appreciation for the inclusion of the appropriate method for trustees to request information. She said trustees may not realize the weight they carry when they confront staff or faculty and doing so takes away management's ability to prioritize people's work.

Trustee Clough moved approval to refer the Resolution, as amended, to the board for adoption. Trustee Lightman seconded the motion and it passed unanimously.

### *Board Statement on the Performance of Official Business*

Following Mr. Catz's short explanation of the proposed revisions, Trustee Thorndike moved approval to refer the Board Statement to the board for adoption. Vice Chair Nicholson seconded the motion and it passed unanimously.

### *Board Statement on Evaluation of the University President*

Chair Hennion said the proposed revisions were made in an effort to make the evaluation process less awkward. Mr. Catz said the evaluation process needed to be streamlined. Ms. Prud'homme added that the role of the vice chair also was inserted in the process.

Trustee Thorndike moved approval to refer the Board Statement to the board for adoption. Trustee Clough seconded the motion and it passed unanimously.

### University President's Contract Renewal (Action)

Chair Hennion said Jason Catz has reviewed and revised the president's contract to eliminate unnecessary provisions (e.g., moving expenses). Chair Hennion and President Schott have had several meetings about the contract renewal and those discussions have been reviewed with Mr. Catz for inclusion in the contract. Chair Hennion said coming up with a recommended new salary was difficult but she and President Schott came up with very similar numbers. Chair Hennion said President Schott has not had a raise since her arrival at SOU, not even a COLA increase. Chair Hennion detailed how the salary for the first year of the contract was calculated, which involved applying a COLA-type of increase for the past couple of years; that figure was about \$275,000. Chair Hennion stressed that President Schott is very concerned about public perception of her receiving a raise when SOU has just had to increase tuition. The base salary was then reduced by \$3,000 and the automobile allowance increased

from \$1000 per month to \$1250. The annual base salary was then increased by just under 5 percent for the second and third years of the contract. Chair Hennion said President Schott is the lowest paid of all the seven university presidents and is the only woman, which creates equity issues.

Chair Hennion said the campus conversations she and Vice Chair Nicholson had were extremely positive, the details of which would be discussed in the board's meeting.

Trustee Clough said she is highly supportive of the contract but is also concerned that SOU is underpaying its president. From an equity perspective, she and Trustee Lightman said they were uncomfortable with that. Trustee Clough said she would support the contract because President Schott is comfortable with it, but deserves it plus more, and the institution is lucky to have her be receptive to this compensation.

Chair Hennion asked Mr. Catz if it would be appropriate to add a provision in the contract to the effect that the salary for the second and third year of the contract would be on par with the president's peers. Mr. Catz said it could be included in the contract but added that the board and, especially, the Executive and Audit Committee has the inherent authority to review the public salaries of the other presidents and consider salary adjustments whether specifically included in the contract or not.

Responding to Trustee Lightman's comment, Chair Hennion and President Schott said they have already reviewed the salaries of the president's peers in the Oregon public universities. Chair Hennion and Vice Chair Nicholson said they also considered the possibility of deferred compensation being added.

In the first sentence of paragraph 5.0 of the contract, Chair Hennion recommended adding "pending annual review by the Executive and Audit Committee" after "each year of the contract term." Mr. Catz said language to that effect could be added to the contract and would be appropriate to discuss in the board meeting. Trustee Clough said including this in the contract forces the committee to complete the review and protects the president.

Discussing deferred compensation, Vice Chair Nicholson asked if it would be appropriate to include a provision to the effect that, during the first year of the contract, the Executive and Audit Committee would examine potential implementation of deferred compensation. Mr. Catz opined that such an issue could be set as a priority but should not be a contract term. To ensure the committee's and president's understanding, Mr. Catz stressed that he represents the university and the board, not the president, in this matter.

Trustee Santos noted a correction in the gender language in the second sentence of paragraph 1.0.

Trustee Lightman said the three escalating salary figures are starting too low and she is uncomfortable with that. She does not want to oppose the president, but it sends a message. President Schott said she wants the board to make the decision; she takes the

health of the institution very seriously and cannot see herself taking an even larger salary in the context of other financial issues SOU is facing.

Trustee Rosenberg said that, as a faculty member, she appreciates the delicacy in this matter, President Schott's worth as a president, and her interest in gender equity. President Schott's choice to take less is a very strong choice for the campus and will be appreciated by faculty, staff and students.

Trustee Santos moved the motion to forward the proposed Employment Agreement and Notice of Appointment to the board, with the amended language previously discussed. Trustee Clough seconded the motion and it passed unanimously.

#### Governance Work Group Update

Vice Chair Nicholson and Trustee Lightman reviewed the work plan and progress, as presented in the meeting materials. Ms. Prud'homme discussed the draft Board of Trustees Self-Evaluation and the Board Composition and Recruitment Matrix and said she would distribute both electronically.

#### Future Meetings

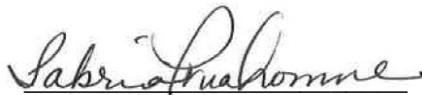
Chair Hennion said the next meeting would be on October 18. She will not be present so Vice Chair Nicholson will chair the meeting.

#### **Adjournment**

Chair Hennion adjourned the meeting at 11:24 a.m.

Date: October 18, 2019

Respectfully submitted by,



Sabrina Prud'homme  
University Board Secretary