Public Meeting Notice

January 10, 2020

TO: Southern Oregon University Board of Trustees, Executive and Audit Committee

FROM: Sabrina Prud'homme, University Board Secretary

RE: Notice of Regular Meeting of the Executive and Audit Committee

The Executive and Audit Committee of the Southern Oregon University Board of Trustees will hold a regular meeting on the date and at the location set forth below.

The topics of the meeting will include a report from the internal auditor, as well as the review and acceptance of the audited financial statements from the 2019 fiscal year. The board will discuss internal audit consulting updates and a board officer election process. There also will be an update from the Governance Work Group.

The meeting will occur as follows:

Friday, January 17, 2020
9:30 a.m. to 11:30 a.m. (or until business is concluded)
Hannon Library, DeBoer Room, 3rd Floor, Room #303
Visit governance.sou.edu for meeting materials.

The Hannon Library is located at 1290 Ashland Street, on the Ashland campus of Southern Oregon University. **If special accommodations are required or to sign-up in advance for public comment, please contact Kathy Park at (541) 552-8055 at least 72 hours in advance.**

**Board of Trustees
Executive and Audit Committee Meeting
January 17, 2020**

Call to Order / Roll / Declaration of a Quorum

Southern OREGON UNIVERSITY

Board of Trustees
Executive and Audit Committee Meeting

Friday, January 17, 2020
9:30 a.m. – 11:30 a.m. (or until business concludes)
DeBoer Room, Hannon Library

AGENDA

Persons wishing to participate during the public comment period shall sign up at the meeting. Please note: times are approximate and items may be taken out of order.

	1	**Call to Order/Roll/Declaration of a Quorum**	Chair Lyn Hennion
	1.1	Welcome and Opening Remarks	
	1.2	Roll and Declaration of a Quorum	Sabrina Prud'homme, SOU, Board Secretary
	1.3	Agenda Review	Chair Hennion
	2	**Public Comment**	
5 min.	**3**	**Consent Agenda**	
	3.1	Approval of October 18, 2019 Meeting Minutes	Chair Hennion
	4	**Reports**	
5 min.	4.1	Internal Audit Report	Ryan Schnobrich, SOU, Internal Auditor
	5	**Action, Information and Discussion Items**	
50 min.	5.1	Review of Fiscal Year 2019 Audited Financial Statements (Action)	Jean Bushong, Clifton-LarsonAllen, Principal
20 min.	5.2	Internal Audit Consulting Updates	Ryan Schnobrich; Greg Perkinson, SOU, Vice President for Finance and Administration; Tom Battaglia, SOU, Chief Information Officer
25 min.	5.3	Board Officer Election Process	Jason Catz, SOU, General Counsel

Board of Trustees
Executive and Audit Committee Meeting

Friday, January 17, 2020
9:30 a.m. – 11:30 a.m. (or until business concludes)
DeBoer Room, Hannon Library

AGENDA (Continued)

5 min.	5.4	Governance Work Group Update	Vice Chair Nicholson
	5.5	Future Meetings	Chair Hennion
	6	**Adjournment**	Chair Hennion

Public Comment

Consent Agenda

Board of Trustees
Executive and Audit Committee Meeting
Friday, October 18, 2019

MINUTES

Call to Order/Roll/Declaration of a Quorum
Committee Members:

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

In Chair Lyn Hennion's planned absence, Vice Chair Paul Nicholson called the meeting to order at 9:31 a.m. in the DeBoer Room of the Hannon Library. The secretary recorded the roll and a quorum was verified.

Other trustees in attendance: janelle wilson 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; Dr. Susan Walsh, Provost; Jason Catz, General Counsel; Sabrina Prud'homme, Board Secretary; Ryan Schnobrich, Internal Auditor; Simone Stewart, SEIU and Center for the Arts; Joe Mosley, Marketing and Communications; Steve Larvick, Business Services; John Stevenson, Information Technology; and Kathy Park, Office of the Board Secretary.

Public Comment
There was no public comment.

Consent Agenda
Trustee Megan Lightman moved to approve the consent agenda, as presented. Trustee Bill Thorndike seconded the motion and it passed unanimously.

Reports
Internal Audit Report
Ryan Schnobrich reported that the Clery Act report is complete and appears on the electronic reporting website. While he could not offer assurance, the report continues to improve significantly year after year. Responding to Trustee Sheila Clough's inquiry regarding his inability to offer assurance, Mr. Schnobrich said it should not be troubling.

In the Clery Act audit, Mr. Schnobrich said he tested and found things that were not compliant, namely the analysis around the Violence Against Women Act (VAWA). He listed as observations and recommendations, the sections in the process that were not compliant. Management will respond with an action plan and will begin working those observations. Assurance is difficult to get because the standard is a 90 percent or higher degree of certainty.

Mr. Schnobrich did offer assurance on the Association for the Advancement of

8

Sustainability in Higher Education Sustainability Tracking Assessment and Rating audit.

Responding to Vice Chair Nicholson's comment, Mr. Schnobrich said he would continue to review what management is doing with regard to the Clery Act audit and will provide updates on the progress toward assurance. Jason Catz added that he and Mr. Schnobrich meet regularly and worked together on the Clery Act audit. Although assurance could not be given, the list of noncompliant items differs from previous years and the most important items to address already are underway or done. For example, revisions to the Equal Opportunity, Harassment and Sexual Misconduct policy have been adopted.

Trustee Clough asked if any of the items for which Mr. Schnobrich was unable to provide assurance remain as red flags that would harm the institution. Mr. Schnobrich said he could review the audit report in detail if desired. Fines are in the mid $50,000 per incident range. He did not see any such violations but there are areas where SOU is noncompliant. He will look for completion of the management action plan; at that point, it can either be noted that management worked the plan successfully or can be moved back into the risk assessment category and brought back to the board.

Mr. Schnobrich asked for trustees' guidance on whether his time is best spent re-performing a 35-page engagement plan or having management show him what has been done and saying that is sufficient to mitigate risk. Explaining the balance needed to answer that, Mr. Catz said Mr. Schnobrich has to identify existing risks and administration identifies the scope of those risks; Mr. Catz is comfortable that the items identified in the report are achievable. There is always need for improvement but in terms of red flags, SOU is far along on a much-improved path. Mr. Schnobrich agreed that it is significantly improved from the initial audit three and a half years ago.

President Schott asked for an explanation of the VAWA violations and how SOU is addressing them. Mr. Catz said many are policy violations and SOU has already issued some policy revisions. There also is a policy in development for VAWA training, which is close to adoption. Mr. Catz stressed that employees' actions are more compliant than SOU's policies. However, for statutory compliance, the policies need to be adopted.

Greg Perkinson mentioned the system developed to track previous audits and key aspects of the engagement plans, noting that a dashboard is reviewed monthly. President Schott said she is not worried that SOU suddenly will be fined because that happens in cases of gross violations, which SOU does not have. Mr. Catz added that SOU's process is good because SOU devotes an auditor to review Clery Act requirements, and has him do it again later. Although Mr. Schnobrich did not offer assurance, he said SOU is in a place where it is still improving but is not in red alarm territory. Mr. Schnobrich said the largest area of noncompliance is related to VAWA; now that Dr. Suresh Appavoo is here, SOU will be able to better work this item. Vice Chair Nicholson requested an update on steps taken to become further compliant, without having to complete another audit. Mr. Schnobrich said the results from this audit will be added to the dashboard and confirmed the process of tracking items in the dashboard is working well. Trustee Lightman pointed out that recommendations on

the Clery Act audit are in the audit report and trustees should go to the Internal Audit site to read the complete reports.

Mr. Schnobrich said the Student Fee Process is on the internal audit plan; leading up to the start of that audit, he has been offering assistance on areas for ASSOU to address. The audit of Oregon Equal Pay Act compliance will be in late spring or early summer.

Mr. Schnobrich said he has been all over campus talking about risk, internal controls, and areas to focus on to prevent problems from arising. He praised management's continuous process improvement and the areas they have identified.

Returning to Clery Act noncompliance, Vice Chair Nicholson sought clarification on fines being assessed for less-than-gross violations. Mr. Schnobrich confirmed that fines would be lower for such violations.

Responding to Trustee Clough's inquiry, Mr. Schnobrich said an audit from an outside entity could be prompted by actions such as a formal complaint, materially inaccurate statistics, a statistical change that is questionable, resubmitting statistics, or a major event. He said the risks have been driven down, but sought the committee's guidance on whether it wanted him to re-perform an audit in a couple of years or accept that management worked its management plan. Mr. Perkinson added that the former Campus Public Safety Director coordinated with the Department of Education on a help-needed basis to improve the process and product, which helps keep the campus off the radar. Trustee Thorndike stressed the importance of compliance and not putting students at risk for federal funding.

President Schott said SOU takes Clery Act-related issues seriously and is a leader in terms of its policies and approach in dealing with sexual assaults in particular. SOU's biggest protection is that employees take a very sensitive approach when something happens and in responding to it. Trustee janelle wilson added that SOU does a fantastic job procedurally serving the students and the campus community. Even though cuts are being made elsewhere, President Schott said SOU continues to invest in this area and is building Dr. Appavoo's office.

Trustee Clough and Vice Chair Nicholson requested a future educational session on the Clery Act and a summary of progress made and any gaps remaining, without another full audit being completed.

Action, Information and Discussion Items
Governance Work Group Update
Trustee Lightman and Vice Chair Nicholson said the group has talked about the right time to have a retreat, election of officers, keeping past trustees engaged, how to engage in difficult conversations in a public setting, and the board culture.

Regarding the retreat, President Schott said that, ideally, the board would own it more, rather than her and the board secretary. She is happy to be part of the group, but it should be the board's retreat and the board should be invested in it. Trustee Lightman suggested having a non-officer trustee in charge of planning the retreat. Discussing

potential dates for the retreat, Sabrina Prud'homme said the board could select another date for the regular retreat since September doesn't seem to work well for the trustees. Vice Chair Nicholson suggested splitting the retreat into two days that already have meetings scheduled. Trustee Clough recommended deferring to the Governance Work Group to work out the details.

Review of President's Evaluation – Executive Session [Pursuant to ORS 192.660 (2)(f) and (i)]
Vice Chair Nicholson said the committee would go into executive session to review the president's evaluation. For the record, he stated that, pursuant to ORS 192.660 (2)(f) and (i), the committee would enter into executive session to review and evaluate the employment-related performance of the chief executive officer, who does not request an open hearing, and to consider information or records that are exempt by law from public inspection. Pursuant to ORS 192.660 (4), representatives of the news media were allowed to attend the executive session; however, no members of the media were present. Continuing, Vice Chair Nicholson said, pursuant to ORS 192.660 (6), no final action would be taken or final decisions made in the 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.

In addition to board members, the following persons were permitted to remain for the executive session: University Board Secretary, Sabrina Prud'homme; General Counsel, Jason Catz; and, for a portion of the executive session, President Schott.

The audio recording was stopped and the committee began its executive session. In concluding the executive session, Vice Chair Nicholson returned the meeting to open session. He closed the agenda item by telling President Schott the trustees are very glad she is at SOU, raising its profile with her national and statewide leadership.

President's 2019-2020 Goals (Action)
In generating her goals, President Schott said she contemplates what has been done, thinks about where the institution is and asks her direct reports for self-reflection and their focus areas. She had a cabinet retreat where they focused on big issues facing the institution. She drafted the goals immediately after the cabinet retreat and believes the goals will continue to move the strategic plan and the university forward.

Vice Chair Nicholson expressed the concern that, faced with financial challenges, SOU will focus on survival rather than stability and vitality. His hope is the university will be thriving at the end of the year, not just surviving. President Schott stressed that vitality is the goal.

Discussing goal two on shared governance, President Schott said it is important at this point in time and directly supports goal one because the campus has to be fully engaged. Shared governance should empower every person and should create a voice and process for staff so they can participate formally in governance.

To goal three, President Schott said she will add tribal partners as collaborative partners. The upcoming fall conference on creating "Seamless and Future Ready

Education in Southern Oregon" is beyond education and is about bringing the region together to think about how to teach anyone anything, how to allocate resources, and how to get synergy and efficiency. This will help create a region that is more attractive to investment, businesses and employers.

President Schott said goal four – continue developing herself as a "higher education thought leader" – allows her to continue doing what she loves to do. She believes she is gaining traction in this area.

President Schott expressed her gratitude for the trustees' willingness to allow her to work remotely over the summer.

<u>Future Meetings</u>
The next committee meeting will be on January 17.

Adjournment
Vice Chair Nicholson adjourned the meeting at 11:32 a.m.

Internal Audit Report

Executive & Audit Committee Internal Audit Quarterly Update
January 17, 2020
Ryan Schnobrich, CPA, CIA

Please refer to Internal Audit's Board-approved Internal Audit plan and detailed reports here:
https://inside.sou.edu/ia/electronic-reports.html

Recently posted reports include:
6/13/2019   Athletics Investigative Services Report
10/10/2019   Bursars Office Management Action Plan Completed
1/6/2020   Office of the President Management Action Plan Completed

Risk Assessment
Management's risk assessment activities are currently "defined" on a maturity matrix.

Assurance/Audit Services
Clery Act Audit Report	Completed – 10/14/2019
Sustainability Reporting Audit Report	Completed – 8/19/2019
Student Fee Process Audit	In Process
Oregon Equal Pay Act Audit	Scheduled – Late Spring/Early Summer
Annual Assessment of Management Responsibilities	Scheduled – Before April Board Meeting
Annual Assessment of Management's Control of Fraud Risk	Scheduled – Before April Board Meeting

Consulting Services
Process Improvement	Nearly Completed
Scholarships	In Process
Student Record Maintenance	In Process
Financial Aid Compliance	In Process
Payroll	Completed – 12/19/2019
Surplus Assets	Nearly Completed
OUS IAD Audit Recommendations	Not Started
Follow Up – FY17 Title IX	In Process
Follow Up – FY17, FY18 & FY19 Investigation Reports	Nearly Completed or Completed
Follow Up – FY18 Irregular Employment Agreements	Scheduled
Follow Up – FY19 Clery and Violence Against Women Act	In Process

Internal Control Assessment
Purchase Cards	Nearly Completed
Journal Entries	Not Started
Reserve Balances	Not Started
Anti-Fraud Initiatives	Not Started
Banner 9 Access & Security	Not Started
Vendor Maintenance	In Process
Travel	Not Started
Grants	Scheduled
Gramm-Leach-Bliley Act (Cybersecurity/Financial Aid)	Nearly Completed
Cultural Competency Compliance	Completed
Vehicle Use	Not Started

Review of Fiscal Year 2019 Audited Financial Statements (Action)

[Click Here to View](https://inside.sou.edu/assets/bus_serv/docs/accounting/sou-financial-report-2019.pdf)

https://inside.sou.edu/assets/bus_serv/docs/accounting/sou-financial-report-2019.pdf

Southern Oregon University

Fiscal Year 2019 Audit Presentation

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Create Opportunities

Agenda

Responsibilities Under Auditing Standards

Scope of Engagement and Audit Results

Required Communications to Governance

Upcoming GASB Standards

Higher Education Industry Topics

Questions?

17

Responsibilities under US Generally Accepted Auditing Standards (GAAS)

.Responsible for:

- Expressing opinions whether financial statements are in conformity with US GAAP in all material respects.

- Expressing opinions only over information identified in our report. Other information included in your financial statement package will be read/reviewed, but not subject to testing.

- Performing audit in accordance with required auditing standards.

- Communication of significant matters related to audit, information required by law/regulations, or other information agreed upon.

18

Responsibilities under GAAS (continued)

An audit in accordance with GAAS:

- Does not relieve management of responsibilities.

- Includes consideration of internal control as basis for audit procedures, but not to opine on effectiveness of internal controls.

- Is designed to obtain reasonable, but not absolute, assurance about whether statements are free of material misstatement.

- Includes Generally Accepted Government Auditing Standards.

Create Opportunities

Scope of Engagements

Financial Statement Audit

Single Audit

Student Financial Aid

20

Financial Statement Audit Results

Opinion – unmodified

Findings – none

21

Financial Statements

Total assets down $9 million

- Decreases in notes receivable and investments

Total liabilities down $5 million

- Accounts payable down $5 million; net pension liability up $2 million

Operating loss up ($8) million

- Auxiliary revenue down $2.2 million
- Operating expense up $4.7 million (up $4.8 million when removing pension expense)

22

Financial Statements (continued)

Nonoperating revenues (expenses) up $3.6 million

- No Perkins Loan liquidation in current year. ($2.3 million loss in PY.)

Capital Appropriations down $15 million

23

Single Audit Results

```
                    ┌──────────────┐      ┌──────────────┐
                    │  Financial   │──────│    None      │
                    │  Reporting   │      │              │
┌──────────────┐    └──────────────┘      └──────────────┘
│ Current year │
└──────────────┘    ┌──────────────┐      ┌──────────────┐
                    │Major Federal │──────│ SEOG Award   │
                    │  Programs    │      │              │
                    └──────────────┘      └──────────────┘

┌──────────────┐    ┌──────────────┐
│Status of Prior│───│    None      │
│Year Findings │    │  reported    │
└──────────────┘    └──────────────┘
```

Required Communications to Governance

Qualitative Aspects of Accounting Practices

- Accounting Estimates
- Financial Statement Disclosures

Difficulties Encountered in Performing the Audit – None

Uncorrected Misstatements – See schedule

Corrected Misstatements – None

25

Required Communications to Governance

Disagreements with Management

- None

Management Representations

Management Consultations with other Independent Accountants

- None

Significant Issues Discussed with Management Prior to Engagement

- None

Audits of Group Financial Statements

- No concerns about component auditors' work

Create Opportunities

Questions?

27

Appendix

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

13

Upcoming GASB Standards for Fiscal Year 2020 and Beyond

GASB Statement No. 84, *Fiduciary Activities* (FY2020)	• Impacts accounting of custodial funds (student groups, certain defined contribution plans, etc.) • North Campus Village?
GASB Statement No. 86, *Leases* (FY2021)	• All leases will be required to recognize a right-to-use asset and related liability

29

Industry Trends: Higher Education

Economy: Moody's Fiscal Outlook

Online Education

2020 Election

Standardized Testing and Admissions

Enrollment

Information Technology

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

31

Moody's Outlook for Higher Education

After two years at *negative*, upgraded to *stable*.

- Large comprehensive institutions expect 3 – 4% increase in operating revenue.
- Certain factors may disrupt stable outlook (market turndown; policy changes /could reduce international enrollment).

Business conditions "will remain difficult" next 12 – 18 months, but not expected to deteriorate materially.

- Tuition may continue to drag.
- Some institutions will fare better than others; potential closures.
- Expects institutions to continue to streamlines operations (mergers).
- Online learning; way to reach other markets, but may become more saturated.

Create Opportunities

Enrollment and Student Demographics

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Enrollment and Demographics

Post-millennial generation – shifting southwest

Growth is slowing in international students

Changes in diversity of the US
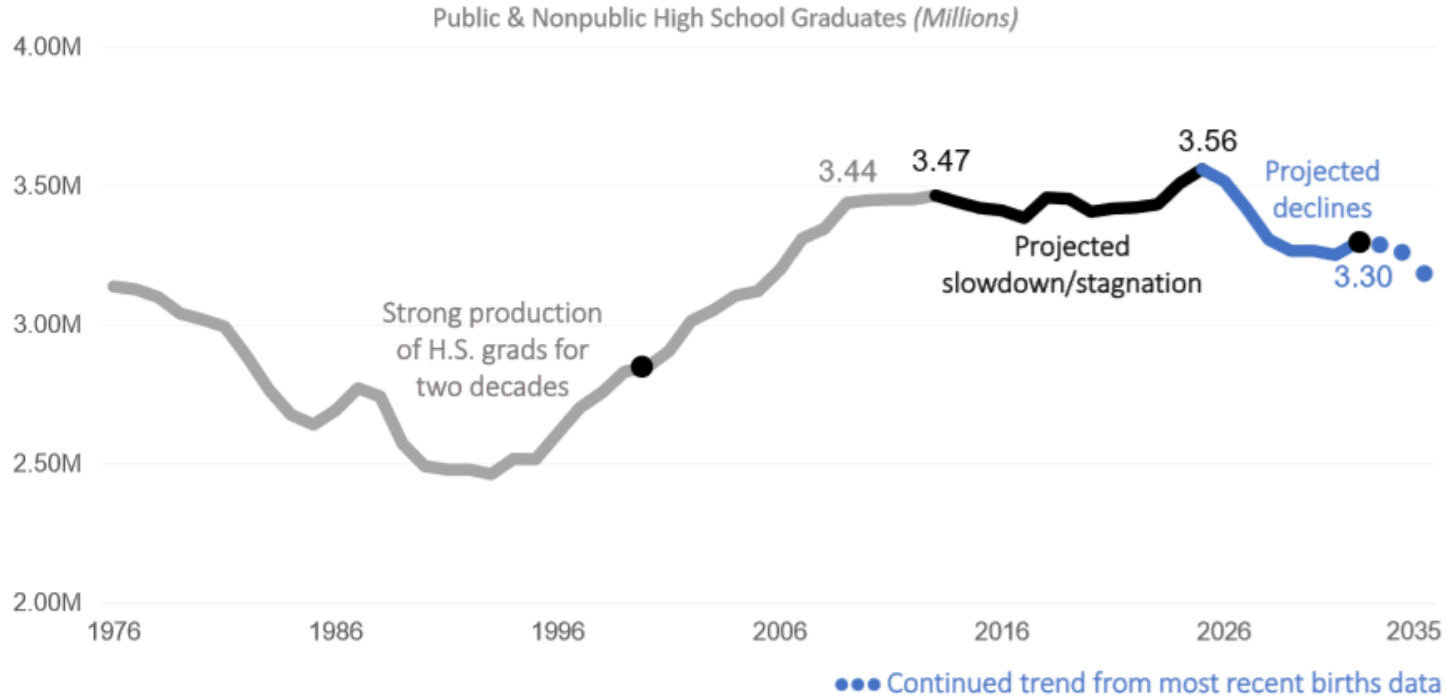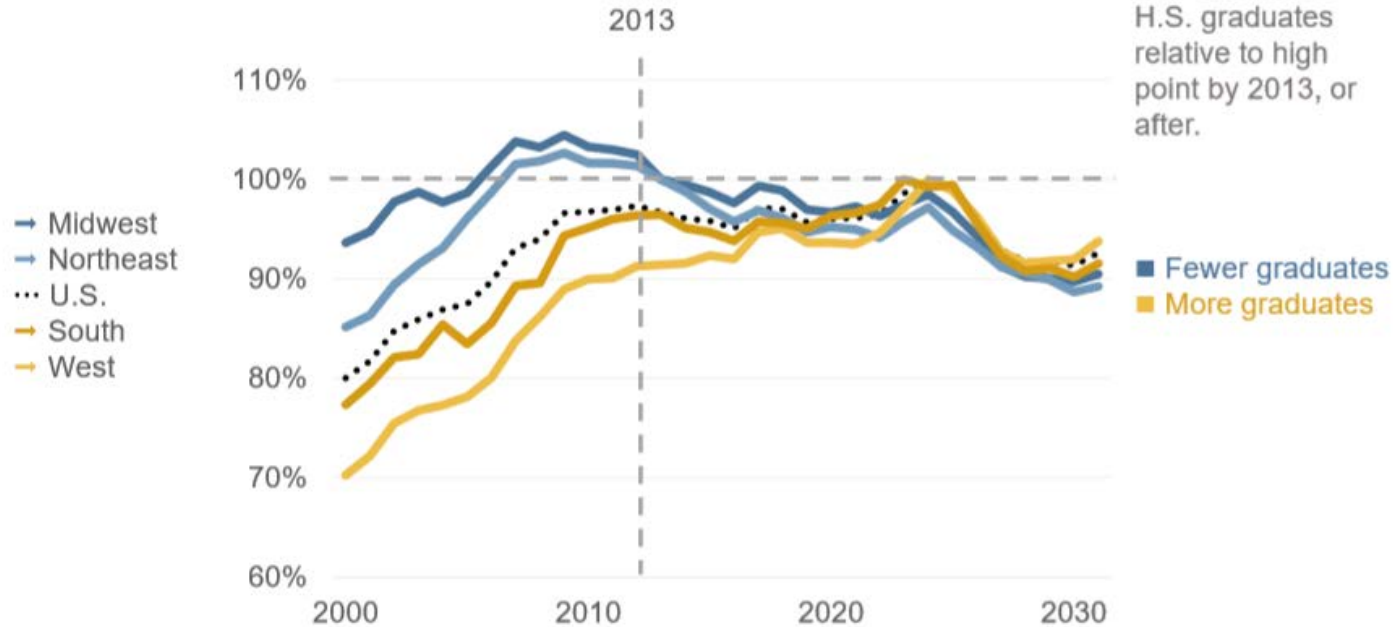
34

Public and Nonpublic High School Graduates

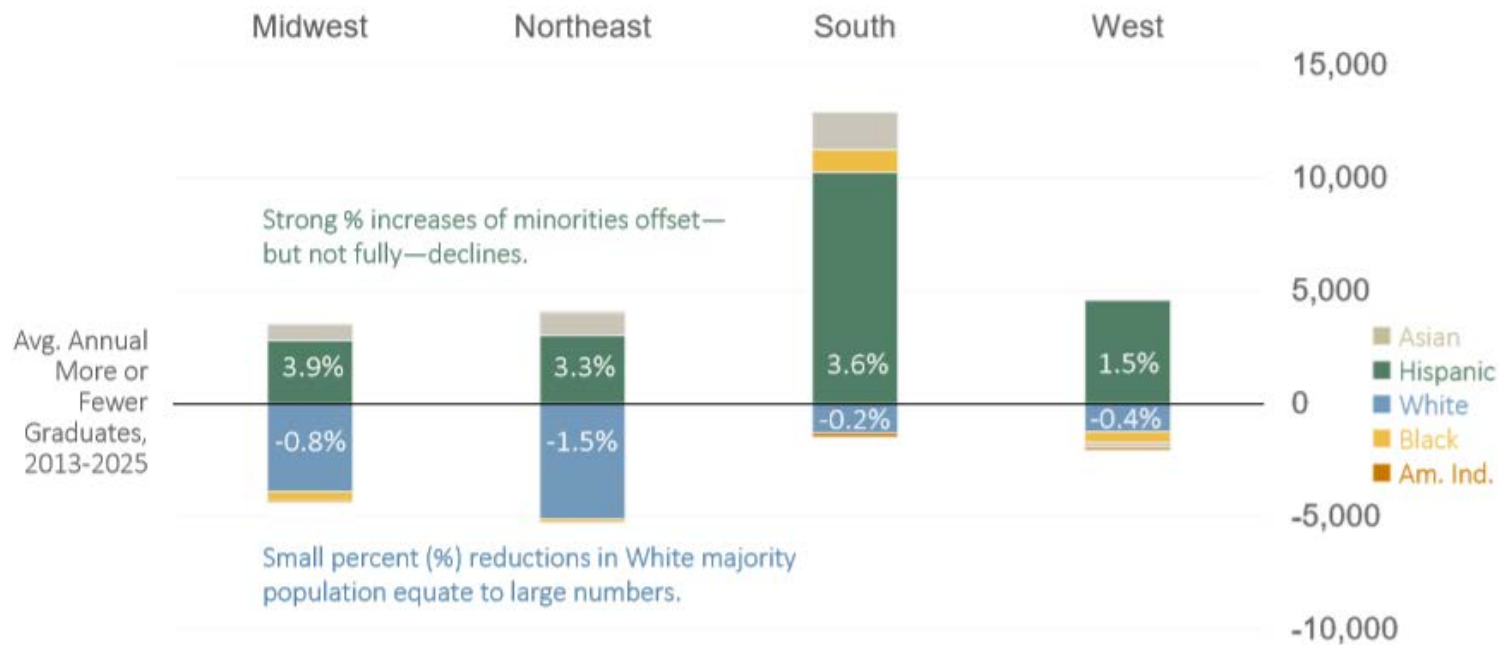Slowdown & Decline of Traditional-Age Students

Public & Nonpublic High School Graduates *(Millions)*

Strong production of H.S. grads for two decades

Projected slowdown/stagnation

Projected declines

3.44   3.47   3.56   3.30

●●● Continued trend from most recent births data

Create Opportunities

35

H.S. Grad Production in Each Region Past 2013

Supplemental slide

2013

H.S. graduates relative to high point by 2013, or after.

→ Midwest
→ Northeast
··· U.S.
→ South
→ West

■ Fewer graduates
■ More graduates

36

Create Opportunities

All Increase is Underrepresented Minority H.S. Grads

Midwest   Northeast   South   West

15,000
10,000
5,000
0
-5,000
-10,000

Strong % increases of minorities offset—
but not fully—declines.

Avg. Annual
More or
Fewer
Graduates,
2013-2025

3.9%   3.3%   3.6%   1.5%
-0.8%   -1.5%   -0.2%   -0.4%

Asian
Hispanic
White
Black
Am. Ind.

Small percent (%) reductions in White majority
population equate to large numbers.

Race/Ethnicity for Public H.S. Graduates; Race/Ethnicity Not Available for Private Schools

37

Create Opportunities

22

Enrollment of New International Students Drops for First Time in a Decade

The number of international students in the United States continues to increase, but enrollment of new students has fallen.

Year	Enrollment
2006-7	157,178
2007-8	173,121
2008-9	200,460
2009-10	202,970
2010-11	214,490
2011-12	228,467
2012-13	250,920
2013-14	270,128
2014-15	293,766
2015-16	300,743
2016-17	290,836
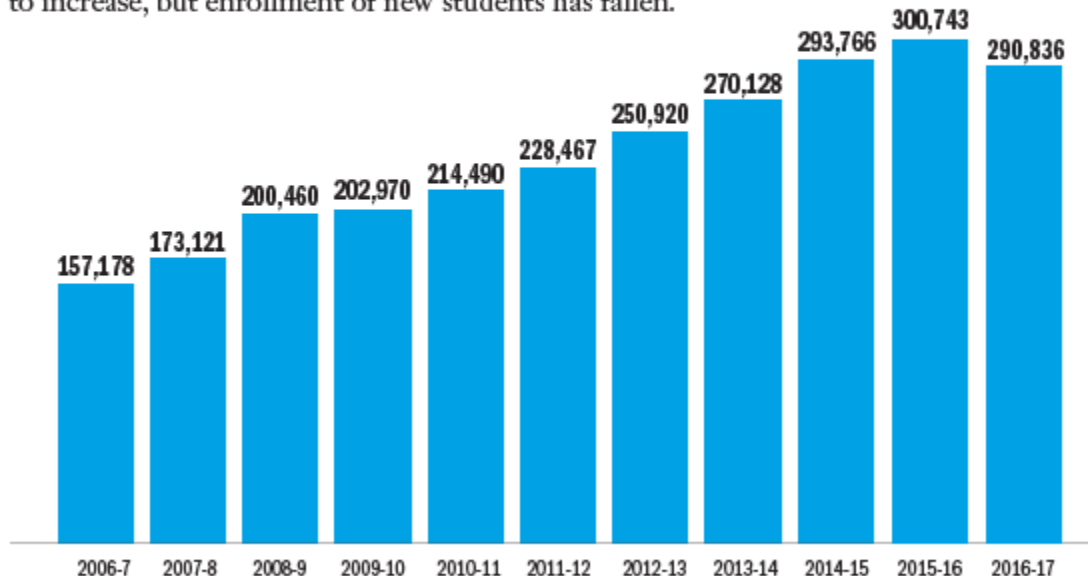
SOURCE: INSTITUTE OF INTERNATIONAL EDUCATION

38

Online Education

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor

Online Education

Successful early adopters

Very Profitable venture

No new players until…..

University of Montana selects Wiley Education Services to expand online offerings

KEILA SZPALLER keila.szpaller@missoulian.com   Jun 2, 2019

Notre Dame and College of the Holy Cross launch B.A., online M.S. degree program in data science

by Notre Dame News

March 29, 2019

©2019 CliftonLarsonAllen LLP

2U, Inc. and the UC Davis Graduate School of Management Expand Partnership to Deliver New Online Short Courses

UMass plans national online college aimed at adult learners

By Deirdre Fernandes Globe Staff, March 4, 2019, 4:59 p.m.

NEWS PROVIDED BY
2U, Inc. →
May 08, 2019, 09:00 ET

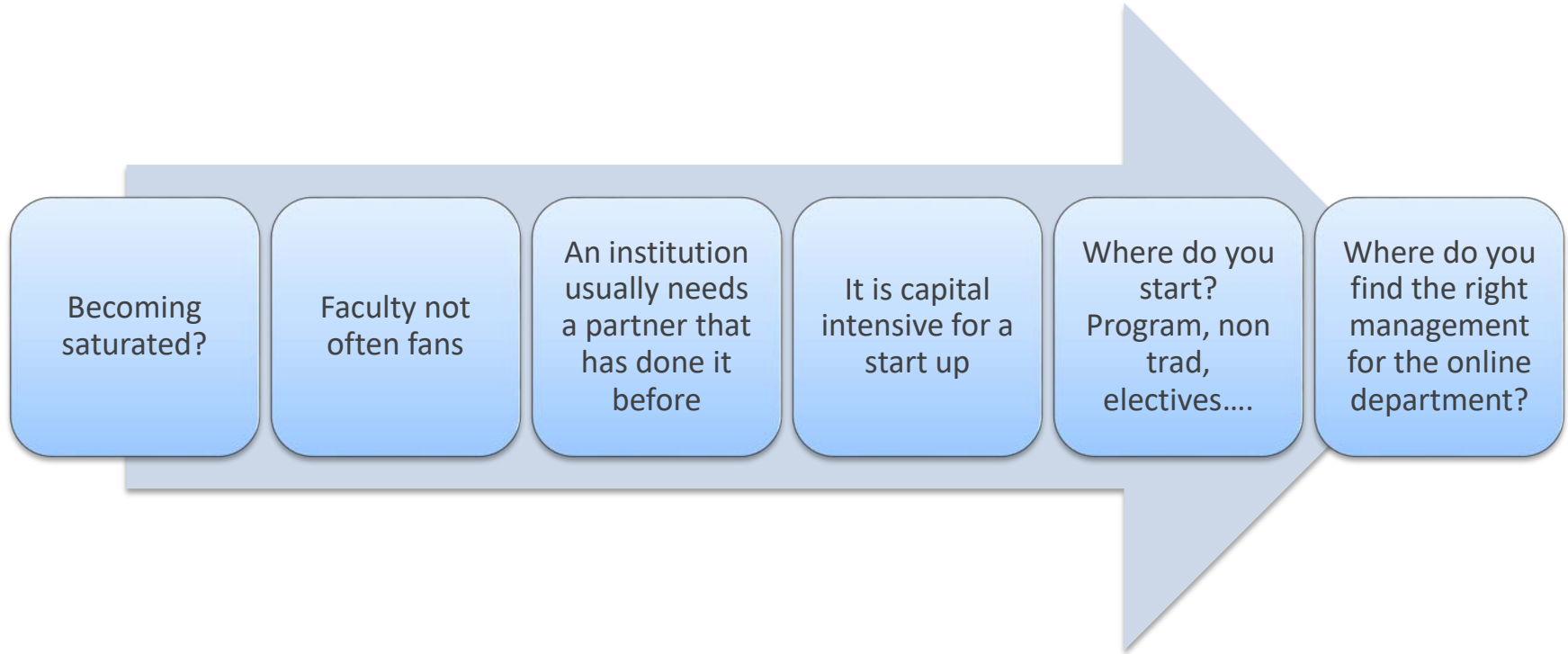# School of Law : Dayton Law Expanding Online-Based Courses

41

Why are Institutions Expanding or Entering into On-line Education

| Costs of delivery are reasonable | Content delivery is consistent | Non-traditional students find it easier to attend | Traditional students accustomed to technology influencing their learning | Institutions appear to be more "in tune" with the times |

42
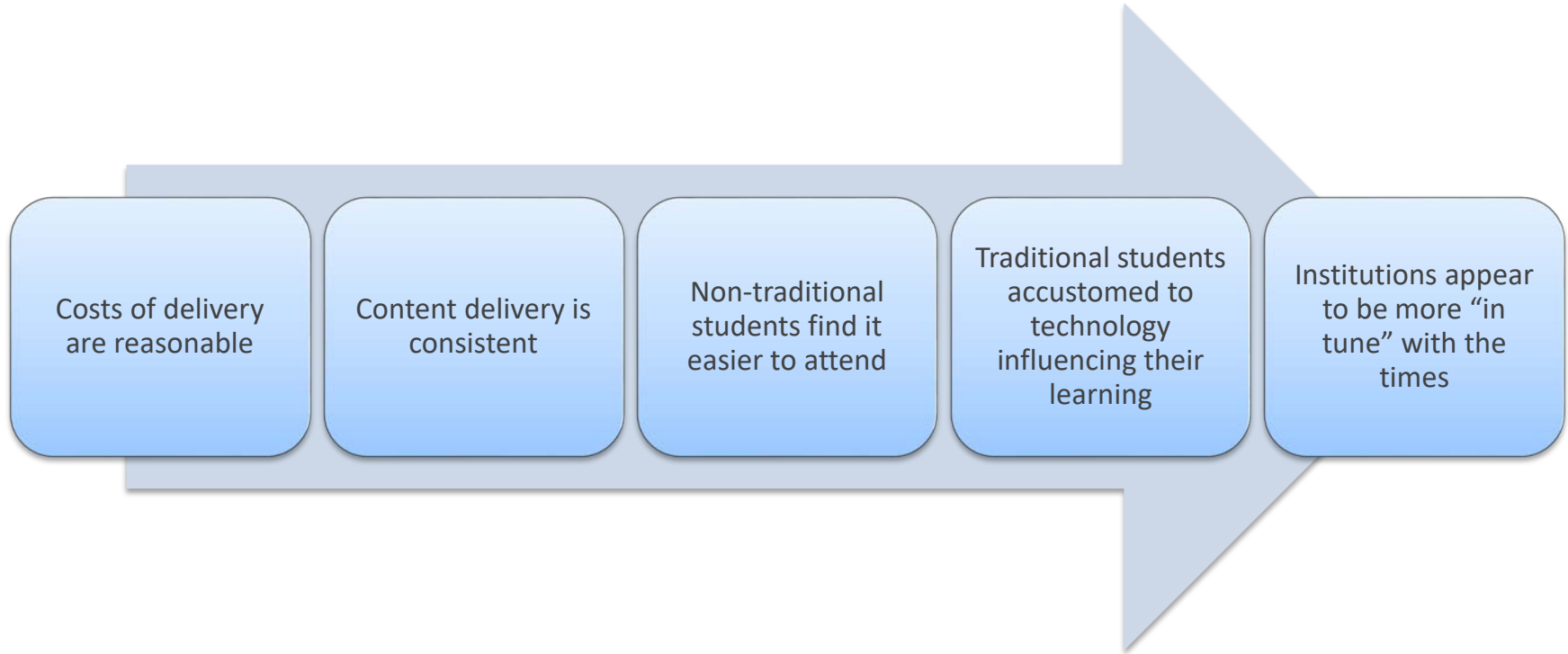
What are Barriers to Entering On-line Education?

Becoming saturated?

Faculty not often fans

An institution usually needs a partner that has done it before

It is capital intensive for a start up

Where do you start? Program, non trad, electives….

Where do you find the right management for the online department?

43

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

44

2020 Election – the Unknown

Free college

Universal debt forgiveness

Large investments in HBCUs

Students expected to be a more influential voting bloc

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

46

Standardized Testing and Admissions
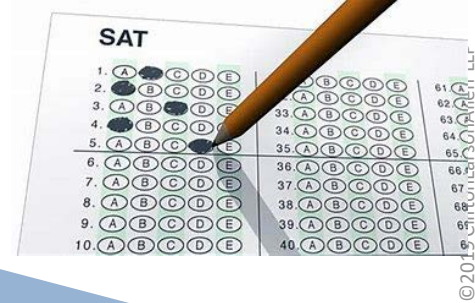
More institutions foregoing SAT and ACT scores

- University of Chicago

Opponents

- Minority and low-income can not afford same prep as more affluent peers
- Advocacy groups sued University of California system

Varsity Blues scandal

- Reviewing systems to ensure not vulnerable to exploitation
- Lawsuits – affirmative action

47

Information Technology

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Information Technology – Paperless Environment

Environmental stewardship	Efficient reporting	Online textbooks and testing tools

49

Why do Institutions Struggle with Information Technology?

- Resources to be effective and efficient is extremely high

- Difficult to hire given higher education pay scale; recruiting

- Always changing; obsolete the second you turn system on!

50

Why do is it important for the Investment in Information Technology?

- Best means to become cost effective

- Student generation is demanding it

- A.I. is sweeping all industries

- Competition

- Cyber security is impossible to maintain without great systems
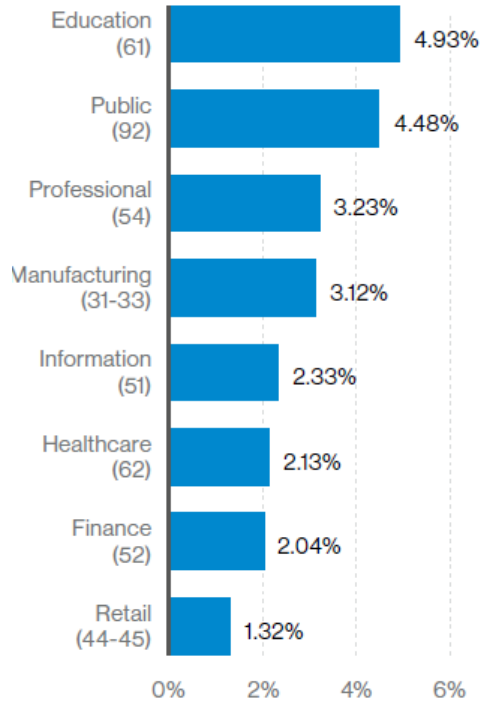
51

Information Technology - Cybersecurity

Figure 41. Click rate in phishing tests by industry

Education continues to be plagued by errors, social engineering and inadequately secured email credentials. With regard to incidents, DoS attacks account for over half of all incidents in Education.

Frequency	382 incidents, 99 with confirmed data disclosure
Top 3 patterns	Miscellaneous Errors, Web Application Attacks, and Everything Else represent 80% of breaches
Threat actors	External (57%), Internal (45%), Multiple parties (2%) (breaches)
Actor motives	Financial (80%), Espionage (11%), Fun (4%), Grudge (2%), Ideology (2%) (breaches)
Data compromised	Personal (55%), Credentials (53%), and Internal (35%) (breaches)

52

Jean Bushong, CPA
Principal
jean.bushong@CLAconnect.com
303-265-7884

Internal Audit Consulting Updates

Original Audit Date	Health	Title of Internal Audit Report	Summary Purpose (focus on Management Response)	Estimated Completion Date	Number of Open Findings/Total (Observations)	Remarks (Risks and Constraints // Discuss near-mid-long term actions)	In Progress
4/11/2017	G	Investigative Services Report for University Housing	Investigated and reported on lack of control in Housing that resulted in fraud	TBD	7 items identified	Low risk; progress continues; corrections underway	x
1/23/2018	G	Investigative Services Report on Student Life - Veterans Resource Center	Investigated the potential for fraud with regard to student-veterans' eligibility for financial aid resulting in discovery of inappropriate tuition remissions and assistance	Nearly complete		Low risk, one final memo underway; conclusion imminent	x
1/31/2018	G	Investigative Services Report on Student Life - Raider Recreation	Investigated, based on substantiated allegations, financial handling and other internal controls associated with Men's Lacrosse, Men's Rugby and the Rowing Club	Nearly complete		Low risk; should be completed by week of 1/13; report expected soon	x
2/8/2018	G	Investigative Services Report on Facilities Management and Planning - Waste	Based on an EthicsPoint hotline allegation of waste, investigated allegations until a clear understanding / root causes were determined	Nearly complete	2 items remaining	Low risk; close to completion	x
6/14/2018	G	Title IX Audit	Performed board-directed review of SOU's compliance with Title IX of the Education Amendments of 1972 and the effectiveness of its related compliance processes and key internal controls	Progress continues	9 items identified / several corrective actions underway or completed	Low risk; program continues now that the Senior Executive for Diversity and Inclusivity is on board	x
4/24/2018	G	FY19 Athletics Investigative Services Report	Performed a review of various functions to assess how best to assist the Director of Athletics	TBD	8 items identified	Low risk; scholarship process documented	x
11/27/2018	Y	FY 19 Assurance Engagement Report: Compliance Audit of Jeanne Clery Dislosure of Campus Security Policy and Campus Crime Statistics Act	Performed board-requested review of compliance with the Clery Act and any related guidance, rules or laws, including the Higher Education Opportunity Act as Amended (HEOA) and the Violence Against Women Act (VAWA).	TBD	9 items identified	Moderate risk; progress continues; corrections underway	x

Original Audit Date	Health	Title of Internal Audit Report	Summary Purpose (focus on Management Response)	Estimated Completion Date	Number of Open Findings/Total (Observations)	Remarks (Risks and Constraints // Discuss near-mid-long term actions)	In Progress
5/6/2019	Y	FY19 Assessment of Management Control of Fraud Risk	Performed third annual board-requested review measuring adequacy of fraud / risk control	TBD	8 items identified	Moderate risk; implementation of positive pay; request for fraud preventative check stock has gone as far as it can with the State Treasury	x
5/6/2019	Y	FY19 Assessment of Management Responsibilities	Performed third annual board-requested review measuring the university's processes for controlling activities, managing risks, providing governance and overseeing management	TBD	8 items identified	Moderate risk; fix low-hanging issues ASAP	x
7/18/2019	G	FY 19 Final Assurance Engagement Report: FMP AASHE and Annual STARS Reporting	Performed final board-requested assurance engagement report measuring FMP's efforts at annual sustainability tracking, assessment and rating system reporting (STARS) based on standards provided by the Association for the Advancement of Sustainability in HE (AASHE)	TBD	19 items identified; many corrections underway or completed	Low Risk	x
7/18/2019	G	Student Fee Process Audit	Initial audit underway and going well. Minor changes in progress.	TBD	Several items identified; corrections either underway or completed	Low Risk	x

CONSULTING SERVICES:

1. Purchase cards (Larvick) - significant progress made and ongoing

2. Vehicle use (Gilliland/ Lardizabal) - not started

3. Gramm-Leach-Billey Act Compliance - financial aid requirement re: data security & gov (Battaglia / Gast / Stillman / D Lovern / Perkinson) - significant progress near completion

4. Positive pay (Larvick - in process) - complete pending final testing

5. Fraud-resistant check stock (Larvick - in process) - decision lies with OR State Treasury; topic has been worked as much as feasible

6. Irregular Employment Agreements (Lardizabal / Larvick / D Lovern / Perkinson) - meetings underway

KEY POLICY REVISIONS FOR:

1. Standards of Ethical Conduct Policy (Catz) - work continues

COMPLIANCE ASSESSMENT FOR:

1. Compliance assessment for Violence Against Women Act (Appavoo / Fleischer) - work continues

ENTERPRISE RISK MANAGEMENT

Board Officer Election Process

Board of Trustees
Proposed Process for Election of Board Officers

Issue

The system used by the board for the last five years has been as follows:

1. Board Secretary reaches out to all members of the board to invite them to make recommendations or self-nominations for the positions of Chair and Vice-Chair.
2. Board Secretary contacts all those who have been identified to establish whether they would be willing to serve and discuss responsibilities, time commitments and requirements of the officer roles. Some potential nominees decide to withdraw at this stage.
3. At the June board meeting, the current Chair asks the board Secretary to identify those recommended and those who have withdrawn from consideration. The Chair then asks for a motion to nominate the Chair and Vice-Chair. Nominations are seconded.
4. After discussion (often somewhat awkward) the board votes for the Chair and then for the Vice-Chair.

Pros

1. Minimal time commitment from Staff and Board on process
2. Simple process and easy to administer
3. Transparent process

Cons

1. Awkward to publicly nominate oneself or others on the spot in real time
2. Doesn't allow for those nominated to thoroughly consider whether or not they have the capacity or bandwidth in advance of the election
3. Can feel like a popularity contest
4. Creates a reputational risk or possible embarrassment for those that are nominated and aren't elected

Proposal

We propose that the board consider a new approach to the election of officers, using an ad hoc committee to identify prospective candidates, review their qualifications, and make appropriate recommendations to the board.

The process would be as follows:

1. Board Chair establishes an ad hoc Nominating Work Group made up of a number of members that is less than the number that makes up a quorum. A past officer should be included if possible.
2. The Board Secretary will serve as a member of the Nominating Work Group.
3. No member of the Nominating Work Group shall self-nominate or be considered for Chair or Vice Chair positions.
4. The Chair of the Work Group invites board members to submit nominations for Chair and Vice-Chair.

5. The committee reviews all nominations and discusses with the nominees whether they would be willing to serve in the respective roles.
6. Those who are willing to serve are asked to submit a brief statement expressing their interest, and outlining what they would bring to the respective positions.
7. A designated member of the Work Group will seek the input of the President.
8. The committee reviews the statements, considers the past and current engagement of the nominees and determines who would be the strongest candidate for each position.
9. The unsuccessful candidates are advised that they have not been chosen.
10. At the June board meeting the committee makes a recommendation (by way of a motion) to elect the Chair and the Vice-Chair.
11. The board votes on the election.

Pros
1. Would remove the awkwardness experienced in the past when nominations are discussed in the full board meeting.
2. The qualifications and qualities of the nominees would be discussed in a confidential setting and weighed more carefully .than the present system allows.
3. The privacy of the unsuccessful candidates would be preserved.

Cons
1. The new approach could be seen as a way of reducing the board's ability to consider all candidates for the officer positions.
2. The new approach could be seen as a few Board members making the decision of who will serve as new officers for the whole.
3. Might feel less than transparent.

Governance Work Group Update

Future Meetings

Adjournment