

**Board of Trustees  
Executive and Audit Committee Meeting  
Friday, January 21, 2022**

**MINUTES**

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

Committee Members:

Daniel Santos	Present	Jonathon Bullock	Present
Sheila Clough	Absent	Bill Thorndike	Present
Lyn Hennion	Present		

Chair Daniel Santos called the meeting to order at 9:30 a.m.

The secretary recorded the roll and a quorum was verified.

Other trustees in attendance: janelle wilson, President Rick Bailey, Paul Nicholson, and Deborah Rosenberg.

Other attendees and Zoom webinar panelists included: Greg Perkinson, Vice President for Finance and Administration; Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Dr. Susan Walsh, Provost; Janet Fratella, Vice President for University Advancement; Toya Cooper, Vice President for Equity, Diversity, and Inclusion; Jason Catz, General Counsel; Steve Larvick, Director of Business Services; David Terry, PSU, Internal Audit Contractor; Jean Bushong, CliftonLarsonAllen, Principal; Sabrina Prud'homme, Board Secretary; and Pamela Tomac, Office of the Board Secretary.

The committee welcomed President Bailey to the first meeting of the Executive and Audit Committee.

**Public Comment**

No public comments were received.

**Consent Agenda (Action)**

Trustee Hennion moved to approve the consent agenda as presented. Trustee Thorndike seconded the motion, and it passed unanimously.

Internal Audit Report

David Terry provided an overview of the initial steps that have been taken and what to expect next regarding the services he and his team will provide for SOU. He described the main service areas he is working on at this time: access setup; the annual risk assessment, and a draft of the audit plan, which would be ready for the April meeting. Mr. Terry also discussed a review of the assigned Hotline report project, and alerted external auditors who were also present at the meeting, about the implementation of the new internal audit service model.

**Action, Information and Discussion Items**

Review of Audited Financial Statements and Acceptance of Annual Financial Report for Fiscal Year 2020-2021 (Action)

The external auditor, Jean Bushong of CliftonLarsonAllen (CLA), presented the institution's

financial audit of the previous fiscal year. Ms. Bushong said that CLA is tasked with two jobs: auditing the financial statements, which is the main focus, and performing a single audit of the federal financial aid and the emergency relief programs, although the government was late in publishing the latter process so that report is delayed. She later said the March 31 deadline has been extended to September 30 and CLA would get the single audit done by then and communicate that to the board.

The auditors found no material weaknesses, significant deficiencies, or audit adjustments in the financial statement audit. Regarding the Management Discussion and Analysis (MD&A), CLA opines that SOU's financial statements can be relied upon, keeping in mind that these are management's financial statements, not CLA's.

Regarding liabilities, the increase was \$9.3M due mostly to the net pension liabilities. Taking total assets to liability, SOU's net position is fairly flat and up about only \$74K. Reviewing the statement of revenues, expenses, and changes in net position, the \$74K increase occurred as operating revenue went down due to pandemic decreases in enrollment and liability. Total operating revenues minus operating expenses give a total operating loss of \$49.5M, and this is common for universities. Ms. Bushong highlighted that this is because the government appropriations, financial aid monies, and the Higher Education Emergency Relief Fund (HEERF) are recorded in the non-operating revenues. This combination led to the overall \$74K increase in net position.

President Bailey shared his past memorable audit experience that contained 63 findings that eventually went down to 16 findings after five and a half years. To come to SOU where the numbers are shared instead of all the things that were done wrong, he offered gratitude and commendations to Mr. Perkinson, Mr. Larvick, and the teams for their work. Ms. Bushong agreed it is a testimony of what Mr. Larvick and Mr. Perkinson do with their departments.

Responding to Trustee Nicholson, Ms. Bushong replied that although CLA sees a spectrum of clients who they help, the SOU management takes complete ownership and does 100 percent of the work, from pictures and narratives, including the MD&A. CLA then performs a very thorough and detailed review.

Ms. Bushong went over the footnotes, highlighting HEERF receipts II & III during the year: \$1.7M went directly to students leaving \$5.5M. SOU spent \$4.5M for institutional purposes with \$5.4M for FY 22, making it a unique year as that revenue stream is not expected to continue. Ms. Bushong also shared that the balance of accounts receivables went up in student tuition and fees since collection efforts were not as stringent due to COVID.

Statements showing depreciation went up but were not substantial over the year. Responding to Trustee Nicholson, Ms. Bushong said the reason bad debt receivables went up 1 percent while student tuition and fees increased substantially was because of how the receivables are aged. Mr. Larvick added that with a lot of federal money still going out to students, the expectation was that many students would pay down debts, and only about 20 percent of the students used the money to help pay down the balances. This, therefore, is relatively newer debt, and the bad debt allowance is of older debt that does not include these balances.

Trustee Thorndike asked about any analysis of the costs of employee [retirement] tiers, to which Mr. Larvick replied that this is being closely monitored. Mr. Perkinson added that

because of a terminology challenge in the Department of Administrative Services that uses the Current Service Level to describe escalating costs and that creates confusion with legislators, Mr. Lovern is working with other budget directors, and the Oregon Council of Presidents to best calculate true base funding.

Discussing required communications, Ms. Bushong said the statements have a lot of numbers but there are qualitative aspects to these numbers. If there were any changes to the accounting policies adopted by management, CLA would have to let the board know about the impact on these numbers. Some numbers are estimated such as net pension liabilities. Difficulties encountered in performing the audit were none. There was one past adjustment about a small construction amount that was done before June 30 that should have been a payable. There were no corrected misstatements, no disagreements with management, and no material control deficiencies. Management did not consult with other independent accountants, and there were no other matters discussed with management that impacted the audit.

Responding to Chair Santos, Ms. Bushong said that CLA has the equity lens as a focus in its conversations. Ms. Bushong added that she would reach out to CLA's Diversity, Equity, and Inclusion department as it relates to the audit to see if there is more to share.

Ms. Bushong answered Trustee Thorndike saying that when it was one system, SOU's numbers were not very big compared to the others so the scrutiny was different being meshed in with other universities. Now the numbers are being scrubbed and can be relied on better.

Responding to Trustee Hennion, Ms. Bushong said there is no required [auditor] rotation policy, but some adopt a mandatory rotation, though doing so too frequently can open the university up to risk failure; it would be up to the audit committee. Mr. Simkanich provides a fresh set of eyes for this team, but SOU policies may be something to discuss as an audit committee. Trustee Nicholson added that as some of the board may be rotating off, this may be the last opportunity for some to thank Ms. Bushong. Trustee Nicholson recognized Ms. Bushong for the clarity of the presentations, the thoroughness of her presentations, and responsiveness to questions; it seems that Ms. Bushong has been a member of the SOU team and thanked her for that.

Trustee Bullock moved to approve the resolution. Trustee Hennion seconded the motion, and it passed unanimously.

#### Amendment to the Board Statement on Policies (Action)

Mr. Catz reviewed an amendment to the Board Statement on Policies to recognize and assimilate the newly-formed Staff Assembly into activities of the university simply by adding the Staff Assembly to the list of governing bodies. Additionally, the Staff Assembly will elect or appoint a representative to add that voice to the SOU Policy Council. Lastly, because the amendment is so small, this statement will appear as a consent item on the board agenda.

Trustee Hennion moved to approve the board statement on policies. Trustee Bullock seconded the motion, and it passed unanimously.

#### Governance Work Group Update

Vice Chair Bullock said the group was put together to determine if a standalone committee

should be formed to handle governance issues. In the meetings, some items discussed have been a board mentoring process and ways in which at-large board positions could be recruited. A major focus has been on the board election process, and members agree that January 2022 is the time for the board chair to initiate that process. The Governance Work Group suggests the board adopt this and give clarity on the process, with a modest change to the Bylaws that would also go before the board if adopted.

#### Amendments to Board Statement on the Process for Officer Elections

Vice Chair Bullock reviewed the amendments. There was formatting for consistency with other board statements; language asking for a diverse group of three to five trustees for the work group; and the proposed use of this process for term and off-term elections. Additionally, no officer would be eligible to serve for more than two consecutive full two-year terms. Vice Chair Bullock thanked Mr. Catz and Ms. Prud'homme for their contributions and insight to continue to honor the board culture among an inclusive, supportive work group. Mr. Catz added that currently, the Bylaws state the term is one year, so an adjustment would be needed in the Bylaws to make that a two-year term.

Trustee Hennion said that there is one element she feels strongly about. At the end of paragraph 3.0 that discusses each candidate's experience, she suggested adding that the material would go out in the board materials packet ahead of the interview meeting. The other item, under paragraph 4.0, would be to mandate question and answer and discussion. Vice Chair Bullock believed the change at section 3.0 was not necessary because anything the group produces goes out in the packet to the board already. The understanding is that the elections work group vets the candidate for the board, and gives the summary to the board for review so there is no need to create an additional process under paragraph 3.0. He added that the hope was to create a more inclusive and sensitive process, not subjecting a volunteer to potentially embarrassing or divisive process, or put them on the spot in a public Q&A session. He suggested leaving it as is.

Chair Santos observed that the experience as a board is to have conversations about topics such as this. The bottom line comment is to hopefully have open and candid discussions with people who are nominated. Trustee Hennion decided to withdraw the second part with the understanding that there could be discussions with anyone who is going to be board chair or vice chair, and the volunteer should be willing to share why they want the job. If there are people who do not want this process, then that may not be the person the board would have wanted for the position.

Mr. Catz said it was intended that the board would be presented with the positive experience of each potential candidate, not reducing it to a schoolyard pick, but making sure the candidate qualifications are before the board for positive dialogue and discussion.

Trustee Bullock moved to approve the statement. Trustee Thorndike seconded the motion, and it passed unanimously.

#### Discussion of 2022 President's Annual Review Process

Not tied to his evaluation, but tied instead to President Bailey's success, the board also has discussed that the chair and vice chair could do a 60 or 90-day check-in with the president to find out what the board can do to support him, help his transition, and further set him up for success.

President Bailey said he recognizes that he serves at the pleasure of the board and will demonstrate his humility with the board, knowing that in service to the university he does not have all the answers, but will grow and learn. When trustees offer guidance, inputs, and critiques, those will help in service to SOU, the students, and the board.

This afternoon at the board meeting, President Bailey will share some initial thoughts. This has not been done lightly, and with a pretty good sense of what the board is asking for from him. The goals will be better refined after strategic listening with faculty, staff, students, community, and partners, but it is a work in progress and thanked the board for a clear indication of where the university is headed.

#### Discussion of Presidential Emeritus Status Designation

Mr. Catz discussed the former Oregon University System policy as a starting point to consider a presidential emeritus status designation for SOU. There is not a precise definition of who is eligible to be accorded the title of president emeritus, just broadly defining the role as having served a “significant” period sufficient to demonstrate a meaningful contribution to higher education in Oregon. It will be up to this board to determine what merits and standards quantify meaningful service in regards to length, quality, and nature of service. This is a good policy to have when presidential transitions occur.

Trustee Thorndike said he thinks this is important in the world of co-governance and hopes part of the research would include input from faculty, staff, and the student body groups to have ownership in the conferral of emeritus status to presidents in the future. Trustee janelle wilson later expressed a similar sentiment. Board Chair Santos thought this topic should be referred to the Governance Work Group for reflection and recommendation. Mr. Catz added a reminder of public board authority and decision-making, as it goes to the work group, a reminder that it is the board’s decision. The mechanism of collecting feedback is public. The output of discussion at the workgroup level should align with where the decision is made, but the input to campus is appropriately fulsome. Responding to Trustee Hennion, Mr. Catz said it is an honor for a past president to use this title as it honors the career of the president. If one were intended to be a consultant, the emeritus title speaks to the past service to the institution.

Dr. Walsh clarified that for faculty, it is a recognition of career, the body of work, and has a different set of expectations: when faculty retire there must be unanimous consent for consideration as it is quite an honor to hold emeritus status. Trustee Thorndike said that in having led the Saigo/Schott transition, there was embarrassment that Dr. Saigo could not even have SOU an email address. Mr. Catz said those types questions could go to the work group. Trustee Hennion added that a former inaugural trustee periodically calls and says they would like to use the library, and perhaps there is a way to recognize other people who have given great service to SOU. Chair Santos suggested that also would be a topic for the work group.

#### **Future Meetings**

The next regularly scheduled meeting of the committee will be held on April 22, 2022. If any trustee has agenda items to be included for a future meeting, trustees were invited to inform Chair Santos or the board secretary.

#### **Adjournment**

Chair Santos adjourned the meeting at 11:25 a.m.

Respectfully submitted by,



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Sabrina Prud'homme  
University Board Secretary

Date: April 22, 2022