

**Southern Oregon University
Board of Trustees
Executive, Audit, and Governance Committee Meeting
January 20, 2023**

MINUTES

Chair Daniel Santos called the meeting to order at 9:31 a.m. He welcomed everyone to the first meeting of the new year. He also welcomed Jean Bushong, SOU's external auditor, and David Terry, SOU's contracted internal auditor.

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Chair Daniel Santos	Present	Liz Shelby	Present
Jonathon Bullock	Present	Bill Thorndike	Present
Sheila Clough	Absent	Shaun Franks	Present

Other trustee in attendance: President Rick Bailey

Public Comment

No members of the public offered comments.

Consent Agenda

Trustee Thorndike moved to approve the minutes of the June 17, 2022 and October 21, 2022 meetings. Trustee Franks seconded the motion and it passed unanimously.

Reports

Internal Audit Report

David Terry reviewed two Internal Audit objectives: services provided to SOU and the status update on hotline activity since the last committee meeting. Mr. Terry held bi-weekly meetings with the Vice President for Finance and Administration to provide status updates on internal audit projects and consulting on other SOU topics. He also held an introductory meeting with the new general counsel. He continues to meet with Chair Santos periodically to discuss function and projects.

Mr. Terry and his team updated the Internal Audit website and met with SOU's information technology security staff to review specific cybersecurity controls and key takeaways from the Oregon Cyber Resilience Summit. He reviewed the 2023 projects: residency benchmarking, which is about 75 percent complete; equity, diversity, and inclusion in procurement, which is on hold due to the Workday implementation; and the process review of financial aid, which has started with quick response from the financial aid office. Finally, he reported that he is working with SOU management to help communicate about the EthicsPoint Hotline to university stakeholders.

In response to Trustee Franks' question regarding auditing SOU's budgeting and financial process, Mr. Terry said that each spring there is a risk assessment that

determines the projects for his review. He said this should be a discussion in an upcoming meeting with Chair Santos and/or SOU management to establish the path and timeline for such a project. In response to Trustee Thorndike's question on Workday, Mr. Terry said that although Workday is not a specific project, it is a topic of discussion during his bi-weekly meetings with Vice President Perkinson and it is on his radar for a future project.

Action, Information and Discussion Items

Review of Audited Financial Statements and Acceptance of Annual Financial Report for Fiscal Year 2021-22 (Action)

Jean Bushong from CliftonLarsonAllen (CLA), SOU's external auditor, explained the scope of what an external audit is and what it is not. CLA audits the financial statements to determine reliability and tests federal compliance for federal aid and COVID funds. The responsibility with Generally Accepted Auditing Standards (GAAS) is to tell readers if they can rely on numbers and disclosures free from material misstatements. CLA is not part of SOU's internal control system and as such, CLA opines on SOU's numbers but not the internal controls, as management is responsible for that. Unique items were a new suite of auditing standards, GASB 87 leases, and continued Higher Education Emergency Relief Funds (HEERF).

CLA issued an unmodified opinion that SOU's financial statements are free from material misstatements. There were no audit adjustments needed for CLA to provide their opinion. Management identified two past adjustments and all agreed that they didn't impact statements in a material manner. The first was \$1.5M in prior year operating expense flowing through current year to correct prior years' Public Employees Benefit Board expense. The second was year-end accruals understated by a range of \$200K to \$525K. CLA's recommendation was to review holding accounts and make sure they were cleared out at end of the year.

Ms. Bushong walked the committee through SOU's 2022 Annual Financial Report and commented that SOU management takes great pride and responsibility in the process. Regarding Management's Discussion and Analysis, CLA opines that SOU's financial statements can be relied upon, keeping in mind that these are management's financial statements, not CLA's. She reviewed the Independent Auditors' Report, which has changed due to new standards and looks more like a public company audit report. She highlighted the implementation of the GASB 87 standard.

In reviewing SOU's financial statements, Ms. Bushong commented on the statements of net position and pointed out that SOU's total assets increased slightly; there is a new asset, Leases Receivable, which is a direct result of GASB 87; and that liabilities decreased due to PERS liability as a result of the market in the previous year. She cautioned that this was only because the market performance was amazing and SOU should expect this liability to increase significantly. She then talked about net position which reflects capital assets. SOU's total equity increased to about \$3M.

Ms. Bushong reviewed SOU's Statement of Revenues, Expenses, and Changes in Net Position. She pointed out that operating revenues remained relatively unchanged although tuition revenue was down. Operating expenses increased and led to a \$50M loss. Public University statements do not have an income, and a large portion of revenues are nonoperating revenues.

Ms. Bushong explained that the SOU Foundation must be included in the Statement of Financial Position but CLA does not audit the SOU Foundation. They verify independence and determine if they can rely on the data from the foundation's auditors. In answering Chair Santos' later question, Ms. Bushong said that Jefferson Public Radio is a related party and not a component unit; and therefore, is not required to be included. She highlighted the cash flow and pointed out SOU line items of government appropriations, financial aid grants, gifts, and COVID funding.

Turning to footnotes, Ms. Bushong pointed out the implementation of GASB 87, HEERF, and notes of key line items such a cash and investments, receivables, and capital assets. She referred to the footnote on expenses and said that of the \$95M in expenses, \$61M was spent on personnel. She also highlighted the pension liability and subsequent events, which relates to Workday.

Ms. Bushong reiterated that there were no difficulties encountered in performing the audit. Regarding uncorrected misstatements—the holding account and year end accruals previously mentioned—financial statements were not materially impacted. There were no corrected misstatements. There were no disagreements with management.

Ms. Bushong provided an update on the federal awards audit. In reference to the COVID monies SOU received, she explained that the federal government did not publish the standards until December 2021/January 2022 and therefore, the audit was not completed until August/September of 2022. CLA tested HEERF and student financial aid. Under HEERF, it is required to have four quarterly reports and these were not maintained on student website. Some of the supporting documents in the annual report were not supporting the report. In student financial aid, there were students whose status was not updated in a timely manner and a handful who were not certified within 60 days. Return of Title IV is complicated and errors were found in calculations based on withdrawal and attendance dates. Ms. Bushong reported that the Federal Awards Audit for 2022 is in progress and it is estimated to be completed by March 31, 2023.

Trustee Shelby moved to approve the Annual Financial Report for Fiscal Year 2021-22. Trustee Thorndike seconded the motion and it passed unanimously.

Amendments to SOU Board of Trustees Governing Documents (Action)

A workgroup was appointed in the fall to review board policies and suggest amendments to these documents as appropriate. In the absence of the workgroup chair, Trustee Bullock presented the item and acknowledged other members Vice Chair Clough, Trustee Lee, Sabrina Prud'homme, and Rob Patridge. The documents presented for consideration were the University Bylaws, Board Statement on Delegation of Authority, Board Statement on Board Committees, and Board Statement on the Conduct of Public Meetings. He reviewed the amendments redlined on the documents noting that most were stylistic. Across the statements, the significant changes were regarding the retention and delegation of capital project budgets; the addition of "governance" to this committee's name throughout the documents; and the further codification of the delegation of authority to the Academic and Student Affairs Committee to approve new curriculum.

Trustee Thorndike moved to approve the resolution to recommend the amendments to the governing documents to the board for approval. Trustee Shelby seconded the motion and it passed unanimously.

Secretary Prud'homme provided an update on an Honorary Degree Policy, noting that it is in draft stages.

Future Meetings

Chair Santos said the committee's next meeting would be on April 21, 2023 and asked that if any trustee on the committee has any ideas for agenda, to please send them to him or the board secretary.

Adjournment

Chair Santos adjourned the meeting at 11:01 a.m.

Date: April 21, 2023

Respectfully submitted by,



Sabrina Prud'homme University Board Secretary