

**Board of Trustees  
Executive and Audit Committee Meeting  
Friday, June 16, 2023**

**MINUTES**

Chair Daniel Santos called the meeting to order at 9:32 a.m. He welcomed everyone to the last meeting of the academic year. He thanked everyone for attending, including internal auditors, David Terry and Amy Smith.

**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	Present	Shaun Franks	Present

Other trustees in attendance: President Rick Bailey

**Public Comment**

No members of the public offered comments.

**Consent Agenda**

Trustee Shelby moved to approve the minutes of the April 21, 2023 meeting. Trustee Franks seconded the motion and it passed unanimously.

**Reports**

Internal Audit Report, Draft Risk Assessment and Fiscal Year 2024 Internal Audit Plan

David Terry reviewed the three objectives of the report he discussed: services provided since last committee meeting; hotline activity; and the annual risk assessment and proposed audit plan for fiscal year 2024. Mr. Terry held periodic meetings with the general counsel, Rob Patridge, who is his primary point of contact for providing status updates on internal audit projects; he also setup Mr. Patridge in the EthicsPoint Hotline system. To promote independence and comply with audit standards, he continues to meet with Chair Santos to discuss internal audit functions. Mr. Terry and Amy Smith completed and issued the residency benchmarking audit and they continue to work on the financial aid a equity, diversity, and inclusion procurement projects.

Regarding the benchmarking process and the comparison of SOU with other Oregon Public Universities (OPUs), Chair Santos expressed his interest in ensuring that SOU is taking advantage of its residency potential. Mr. Terry highlighted three observations which included: how community college students transfer to OPUs and how residency is assessed differently; there are different versions of residency standards; and some have stop-out policies which are unique to each institution. Chair Santos suggested that more on the topic might be presented in the fall. In response to Trustee Shelby, Mr. Terry stated this was the first-time SOU has performed a benchmarking study and that the time period was FY 2020-22. He also mentioned that per audit standards, a follow-up audit is required.

Of other topics, the financial aid process review was in progress and estimated at 75 percent complete, and the team also completes special projects and reviews as needed. Mr. Terry also provided an update on hotline activity, which included one new report since the April meeting; the issue was thoroughly reviewed and addressed.

Mr. Terry indicated that SOU's risk has been assessed and used to guide the upcoming year's audit plan. These assessments were based on significant contracts, recent internal and external audits, recent financial transactions, key internal controls, key compliance requirements, benchmarking against peer institutions, and interviews with executive management. This is used to create a heat map to assess risk based on auditable units and he presented the annual risk assessment chart. Mr. Terry indicated that when an area is considered high risk, it does not necessarily mean it is out of compliance. It means the potential for risk is high because the entity or unit processes a lot of financial transactions, has a lot of compliance requirements, manages major contracts or systems, or has a significant impact on SOU's main customer: students. Based on the risk assessment, his office recommended the two main projects for the upcoming year as the Workday Implementation and a review of Veterans Services. He and Ms. Smith will continue to monitor and assist with hotline activity and ad hoc consulting throughout the year.

Regarding Vice Chair Clough's question about information technology's (IT) ranking as the highest risk and whether Workday was the major factor, Mr. Terry summarized FY 2024 risk factors, scoring criteria, and audit plan process. He also shared his professional opinion that IT is always high risk because of the external threats such as hacking, ransomware, malware, etc. Further discussion ensued regarding cybersecurity and ensuring processes and good internal controls are put in place when implementing Workday. Mr. Terry assured the committee that access and user controls are on the radar but that the external auditor provides assurances on financial reporting [internal] controls. His team engages with the IT department and commended management for its preparedness activities, specifically, a cyber incident tabletop exercise.

Mr. Terry clarified that audit standards require the internal auditor to make formal disclosures to the board. The first item is of organizational independence, as the auditor must be independent of what they are auditing. There are no independence impairments for the planned audit projects for fiscal year 2024. The internal audit has a quality assurance and improvement program in place, which they do. An external consultant verified this two years ago; they are due to peer review every 5 years and will share those results. The communication and approval requirements are happening at this meeting of the Executive, Audit, and Governance Committee. The standards also require reporting to senior management as well as the board to ensure a dual reporting structure, and there were no scope limitations in the past year.

Mr. Terry referred to the draft risk assessment and FY 2024 internal audit plan as presented in the meeting materials. The audit plan, prioritized potential audits, risk factor definitions and scoring criteria, and audit entities, or auditable units were defined in the plan. Having already discussed major components of the plan during the internal audit report, he recommended that the committee adopt the resolution with the change of

“Jackson” to “Jefferson” in reference to Jefferson Public Radio (JPR), as suggested by Trustee Shelby. Chair Santos suggested the board’s consideration of a fourth category of risk, if desired. Trustee Thorndike commented on the major transitions in organizational structure and staffing due to *SOU Forward* and urged paying close attention to the changes in functionality that the president and management are implementing.

Trustee Bullock moved to approve the resolution to recommend the Fiscal Year 2024 Internal Audit Plan to the full board. Vice Chair Clough seconded the motion and it passed unanimously.

#### Amendments to Governing Documents

Vice Chair Clough acknowledged fellow Trustees Bullock and Lee for their commitment, dedication to “doing the homework,” and outstanding preparation as members of the Policy Work Group. She also thanked Sabrina Prud’homme and Rob Patridge for supporting the work group. The group’s process was to review the proposed amendments; submit changes; gather as a group; discuss the rounds of changes; question practices; obtain insight into other universities’ practices; and solicit other stakeholders as needed such as Faculty Senate.

Vice Chair Clough started with the Board Statement on Honorary Degrees which is a new statement for the SOU Board. She stated that other institutions were researched and Ms. Prud’homme and Mr. Patridge provided examples of policies and documents from other universities. The committee picked and chose what was in best keeping for SOU and put together a draft of the statement. It was then presented to campus stakeholders who were agreeable to the draft. Comments were made regarding the value of the honor and it was confirmed that there is no compensation or benefit from the honor.

Vice Chair Clough then reviewed the Resolution on the Responsibilities of Individual Trustees. She said most changes were grammatical. She highlighted the most significant change as [the reorganization of] the statement regarding a trustee who is unable to uphold their responsibilities. The next document Vice Chair Clough reviewed was the Board Statement on Evaluation of the University President. She stated the edits were minor and were shoring up language. She gave examples of the committee’s name to include “governance” and removing references to specific laws.

The Board Statements on the Performance of Official Business, the Process for Officer Elections, and the Process for Officer Elections also underwent mostly minor edits. Vice Clough commented that Trustee Bullock did the majority of the heavy lifting when he chaired the workgroup last year; and therefore, not much work needed to be done on these recently reviewed policies. Vice Chair Clough further commented that, although there were a lot of redlines in the Board Statement on Presidential Searches and Appointments, most of them were formatting and grammar. She noted a major change under the “acting president” section to add clarity on the role. Trustee Shelby asked if there was discussion regarding how to incorporate campus input on the appointment of an interim president. Discussion ensued on that history and if additional language would impede future boards.

Chair Santos provided an update on the Statement of Black Lives Matter. He indicated that the statement is being reviewed by the Equity, Diversity, and Inclusion Work Group to expand its focus.

Vice Chair Clough moved to approve the resolution to approve and recommend these amendments to the full board for adoption. Trustee Bullock seconded the motion and the motion passed unanimously.

#### President's 2023 Performance Evaluation Process

Chair Santos reminded trustees that the process for the annual presidential evaluation would take place in the summer. There was discussion of the surveys being conducted with numerous campus constituents. During the summer, Chair Santos and Vice Chair Clough will receive feedback from trustees and others. Chair Santos stated that the process includes a self-evaluation from the president.

#### **Future Meetings**

Chair Santos announced that the next meeting of the committee would take place on October 20, 2023, and asked that if any trustee had any topics they would like to see on that agenda, to please send them to the board secretary. He also asked the committee to consider how they want to implement the internal audit and other things they might be interested in focusing on.

#### **Adjournment**

Chair Santos adjourned the meeting at 10:40 a.m.

Date: October 20, 2023

Respectfully submitted by,



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Sabrina Prud'homme, University Board Secretary