

**Board of Trustees
Executive, Audit, and Governance Committee Meeting
Friday, April 19, 2024**

MINUTES

Chair Daniel Santos called the meeting to order at 9:31 a.m. He welcomed and thanked attendees and presenters.

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Chair Daniel Santos	Present	Liz Shelby	Present
Brent Barry	Present	Bill Thorndike	Present
Sheila Clough	Present	Shaun Franks	Present

Other trustees in attendance: Trustee Christina Medina

Public Comment

No members of the public offered comments.

Consent Agenda

Trustee Barry moved to approve the minutes of the January 19, 2024 meeting. Trustee Thorndike seconded the motion and it passed unanimously.

Internal Audit (IA) Report

Internal Audit Contractor, David Terry, updated trustees on services provided and hotline activity since the last committee meeting; progress of the annual risk assessment and project planning; and fielded additional discussion and questions. Mr. Terry meets periodically with management and with the board chair to support the independence and the dual reporting structure for internal audit. Of the four 2024 projects for 2024 the financial aid process review was completed; the Workday implementation continues after the departure of the chief information officer; consulting on Veterans services is moving forward, as are special projects as needed. There were four hotline reports shared with management, three of which were on collective bargaining pay increases against SOU forward, and heavy workloads impacting staff morale. The concerns were addressed with management.

Mr. Terry then provided an overview of the annual risk assessment process noting that at the next committee meeting, he will summarize the results and will recommend audits or consulting projects for fiscal year (FY) 2025 based on the assessment. At the next meeting, he will also request the committee's review and approval on the annual work plan for internal audit based on the annual risk assessment and planning process. Mr. Terry also provided an update; the Future Act impacts financial aid and the Internal Audit team ensured that data is properly controlled; a spot check and review for a new formal document that is required to be sent to the US Department of Education; met with Becks Walker and discussed tax rebate incentives that the Federal Government could offer SOU with the Solar Projects and other projects that SOU has planned.

Vice Chair Clough commented that risk has been rising with cybersecurity and due to the increase in attacks nationwide; this should be added to the next audit and an in-depth look into information technology (IT) at SOU in general. Mr. Terry assured trustees that IT risk is considered and taken seriously, as his team engages with IT.

Audited Financial Statements and Annual Financial Report for Fiscal Year 2022-23
(Action)

Jean Bushong from CliftonLarsonAllen (CLA), SOU's external auditor, explained the scope of what an external audit is and what it is not. The firm audits the financial statements to determine reliability and tests federal compliance for federal aid and COVID funds. They rely on Generally Accepted Auditing Standards (GAAS) to fulfill their responsibilities and tell readers if they can rely on numbers that are free from material misstatements. The auditors are not part of SOU's internal controls structure and as such, CLA opines on SOU's numbers but not the internal controls, as management is responsible for that.

There were two impacts to financial statements regarding public-private and public-public arrangements, and how they relate to assets and capital infrastructure. The Governmental Accounting Standards Board (GASB) 96 rule, transitioning from software to subscription-based applications, affects fiscal liabilities like Workday and alters accounting practices. Bryan Simkanich of CLA noted that GASB 94 changes the disclosure of public-private arrangements to asset and capital infrastructure inclusion on financial statements, reflecting their value at the end of 2023. While future revenue is not impacted, full depreciation and utilization assumption occurs when assets are returned to SOU. In response to President Bailey's question regarding contracts and accounting implications using La Clinica as an example, Agnes Maina explained that she receives the contracts and accounts for public-private arrangements.

The result of the audit was an unmodified opinion, the best and highest level of assurance that CLA can provide over SOU financial statements as a whole. Mr. Simkanich commended Agnes Maina and her team for the efforts that led to this result. He emphasized that there were some prior year statement changes, however, nothing was wrong. One adjustment was about correct lease income for long-term contracts that increased revenue by \$109K. There were no significant deficiencies or weaknesses, there were some transition issues affecting user access because of the Banner/Workday Transition, and an adequate segregation of duties is needed. The university also needs to evaluate resources to ensure timely reporting as Workday is implemented.

Moving to the financial statements, it was emphasized that all universities will have an operating loss because the government appropriations, financial aid, grants, and gifts must be reported as non-operating. Overall, the increase in net position was about \$5.3M due to increases in capital grants and gifts. After Agnes Maina mentioned her team's commitment to getting the reports out on time, Vice Chair Clough commended the financial controller and her team for working with through the difficulty of a system transition and preparing the reporting by April. President Bailey expressed his gratitude for everyone's hard work.

Devin Holmes of CLA informed the committee that on the single audit, CLA had an unmodified opinion. When looking at compliance in the financial aid cluster, the noncompliance items were simply administrative; there were findings on student reporting

information, outstanding refund checks, and third-party servicer contracts. Dr. Matt Stillman later commented that data flow from Workday is cleaner than from Banner, which will help with student reporting in the future. Auditors explained that outstanding refund checks must be remitted back to USDOE in 240 days, and 9 checks were not returned. The university also needs to provide contracts with third parties who process student refunds to the USDOE and one record was not provided. Chair Santos thanked the SOU and CLA teams for their work.

Trustee Shelby moved to approve the Audited Financial Statements and Annual Financial Report for Fiscal Year 2022-23, Vice Chair Clough seconded the motion, and it passed unanimously.

Board Statement on Social Justice, Anti-Racism and Non-Discrimination (Action)

Trustee Christina Medina, chair of the board's EDI Work Group, presented the statement for the committee's recommendation to the full board for adoption. Vice Chair Clough emphasized the importance of taking a stance on social justice, with an acknowledgment of the collaborative effort to craft a statement that is both inclusive and boldly assertive. The aspiration is for all stakeholders—students, faculty, and staff—to embrace the statement. There's recognition of Southern Oregon University's commitment to respecting everyone regardless of demographics, ensuring a safe space for open dialogue without alienating any community. President Bailey affirmed the statement's strength as a foundation for operationalizing and implementing equity, diversity, and inclusion initiatives.

Discussion ensued regarding the alignment of the board statement with campus-wide EDI efforts, emphasizing the need for visibility and integration across all levels of the institution. Suggestions were made to ensure partners are aligned with EDI principles, underscoring the commitment to fostering a culture of inclusivity and equity.

Update on Implementation of Senate Bill 273

Sabrina Prud'homme, board secretary updated the board on SOU's successful implementation of Senate Bill 273 and sought the committee's and the board's action on converting the board's Resolution on the Responsibilities of Individual Trustees to a Board Statement on the Responsibilities of Individual Trustees. Additionally, the Board Statement on Policies was updated. Minor amendments to the statements were made to add more explicit language to address the requirements of SB 273.

Trustee Shelby moved to approve the resolution to recommend these amendments and new board statements to the full board for adoption, Trustee Franks seconded the motion and it passed unanimously.

Future Meetings

Chair Santos announced that the next meeting of the committee would take place on June 21, 2024.

Adjournment

Chair Santos adjourned the meeting at 10: 57 a.m.

Date: June 25, 2024

Respectfully submitted by,

A handwritten signature in cursive script, reading "Sabrina Prud'homme". The signature is written in black ink and is positioned above a horizontal line.

Sabrina Prud'homme
University Board Secretary