

Board of Trustees
Executive, Audit, and Governance Committee Meeting
Friday, June 21, 2024
Minutes

Call to Order/Roll/Declaration of a Quorum

Chair Daniel Santos officially called the meeting to order at 9:30 a.m. He warmly welcomed and expressed his gratitude to the attendees and presenters. He noted his appreciation for the commencement ceremony and thanked Vice Chair Sheila Clough for her support and dedication while he chaired the April meeting remotely.

Call to Order/Roll/Declaration of a Quorum

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

Other trustees in attendance: President Rick Bailey and Trustee Hala Schepmann

Public Comment

No members of the public offered comments.

Consent Agenda (Action)

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

Internal Audit Report

Internal audit (IA) contractor, David Terry, presented the Internal Audit Report, which marked the close of the 2024 fiscal year. He noted that he meets periodically with the general counsel and the board chair for necessary updates and consulting on the IA scope of work. Summarizing the projects of fiscal year (FY) 2024, Mr. Terry explained that the financial aid process reviews for 2024 have been completed, and ongoing consultation with SOU's Information Technology (IT) Department continues regarding the Workday implementation, which poses substantial risk and complexity. He noted the benchmarking project in veterans' services, where turnover has been managed according to best practices.

There have been three reports to the fraud, waste, and abuse hotline since the last committee meeting, all of which are under review at this time, and he is communicating with the general counsel and human resources on the reports. Mr. Terry highlighted that these reports reflect the effective functioning of the hotline reporting structure. Chair Santos praised Mr. Terry and the administration for their efforts.

Draft Risk Assessment and Fiscal Year 2025 Internal Audit Plan and (Action)

David Terry then discussed the annual risk assessment and audit plan, outlining the major steps involved, such as evaluating key internal controls, compliance requirements, benchmarking against peer institutions, reviewing significant contracts, consideration of recent internal and external audits at SOU, and interviews of SOU executive management. He explained the risk scoring process, noting that the financial aid risk score slightly decreased; although, the department faces new risks from changes in the federal financial aid processes and licensure rules.

Other risk areas included environmental health and safety, particularly due to upcoming construction projects. Responding to Vice Chair Clough, Mr. Terry explained that the items not planned for fiscal year (FY) 25 were due to finite resources including time. A “no” answer does not mean there will be no coverage; some items will get coverage from other places such as the fiscal or single audits. Instead, the heatmap tool helps IA focus on the highest areas requiring mitigation.

In response to President Bailey, Mr. Terry said that nothing stood out as a significant concern compared to other institutions; however, he highlighted two major risks facing higher education: 1) Financial pressures from declining enrollments, which may lead to cuts in compliance functions and increasing institutional risk; and 2) IT security risks, such as hacking and ransomware. Strategic decision-making is crucial to manage this and Mr. Terry regularly collaborates with the university’s IT Department to share information and address threats.

The following IA projects are proposed for FY 2025: Workday implementation consulting review; STARS audit; athletics audit; hotline report, review, and assistance services; and ad hoc consulting projects. Discussion ensued regarding trustees’ agreement with the five projects, the strategic prioritization of the STARS audit, and various items appearing on the heat map of risks.

Significant discussion ensued regarding SOU’s new relationship with La Clinica and Vice Chair Cough suggested prioritizing that relationship as an ad hoc project due to their significance as a new partner. General Counsel Rob Patridge suggested an audit in 2026, as SOU is the first university to make this shift and there is now less risk, less data handling, and a third-party vendor for data storage. The issue currently is that SOU must be concerned with making sure students are receiving the same level of service as well as creating monitoring tools for the interface between SOU and La Clinica. Trustee Shelby recommended that this be added in the “other services” category so that this year, SOU can stay ahead of the curve before future issues arise. Chair Santos appreciated Trustee Shelby’s suggestion and Vice Chair Clough summarized the discussion concluding that assessment is something of value to the board and options include adding this as an ad hoc service or to the 2026 audit. Mr. Patridge said he could look into creating a more robust report in April of 2025 and would work with Mr. Terry.

Summarizing compliance, Mr. Terry mentioned the proposed audit and consulting projects will provide coverage over two high-risk, two moderate-risk, and one low-risk audit unit. The committee will also receive a peer review report as part of the Quality Assurance and Improvement Program (QAIP). The committee expressed appreciation for the thorough assessment by Mr. Terry and his team and for the robust discussion.

Trustee Shelby moved to approve the draft risk assessment and fiscal year 2025 Internal Audit Plan. Trustee Franks seconded the motion and it passed unanimously.

Action, Information and Discussion Items

Information Technology Risk Assessment [Executive Session Pursuant to ORS 192.660 (2)(f)]

David Raco, SOU Information Security Manager, presented a report highlighting the critical importance of information security. He began by sharing a story about Knox College in Illinois, which experienced a ransomware attack in December 2022. This led to a class action lawsuit, which Knox College eventually settled for \$500K. Mr. Raco noted that incidents like this have driven up cybersecurity insurance premiums and made maintaining coverage more challenging.

Mr. Raco emphasized that in the interest of good governance, SOU's Information Security must provide strategic direction, manage risks, use resources responsibly, ensure compliance with regulations such as HIPAA, as well as provide data security for financial transactions and personal information. SOU has already taken numerous security measures including conducting ongoing phishing training to help staff recognize potential threats.

Looking ahead, Mr. Raco outlined plans to formalize the information security program further by updating policies, improving auditing and monitoring capabilities, and enhancing data governance across campus. He also stressed the need for additional training on topics like computer safety, incident response, and the evolving role of artificial intelligence in security. However, efforts to enhance cybersecurity require more dedicated personnel, a separate cybersecurity budget, and investment in upgrading the university's aging network infrastructure. Mr. Raco noted that advocacy for state funding and pursuing grants for cybersecurity projects are ongoing.

Trustee Thorndike reflected on his experience serving on the Federal Reserve, where access to computer systems was a key focus. He suggested that SOU explore collective cybersecurity initiatives with other institutions, potentially benefiting from discounts on services and state support. He referenced past efforts to secure large-scale funding for higher education cybersecurity, indicating a potential path forward for SOU and its peers.

Following this public discussion, the committee entered into an executive session, pursuant to ORS 192.660 (2)(f) to consider information or records that are exempt by law from public inspection. Chair Santos announced that no final action would be taken or final decision made in the executive session. In addition to SOU board members, the following persons were permitted to remain for the executive session: David Raco, Rob Patridge, Casey Shillam, Janet Fratella, Peter Angstadt, and Sabrina Prud'homme. The meeting was reopened to the public following the executive session, which lasted approximately 10 minutes.

Review of Board Needs Assessment

Secretary Sabrina Prud'homme provided an extensive overview of the Board's needs assessment, focusing on trustees' knowledge, skills abilities, and demographics. She emphasized the board's achievements in diversity, particularly in having a majority of women and diverse members, which is the result of the board's intentional efforts. This positions SOU as a leader demonstrating the best practice of having a board that reflects the growing diversity of its constituents.

Identifying the ideal characteristics of any individual chosen to fill a vacancy on the board as noted in the assessment, the SOU Board may benefit most from the future recruitment of trustees with relationship capital and connections in other geographic regions, national field/industry networks, and especially in the governmental/legislative sector. Strong statewide political capital, especially among lawmakers, would benefit the board and the university greatly. The SOU Board may also benefit from the future recruitment of a trustee with expertise in environmental sustainability, compliance, and enterprise management; these match most closely with the university's expected priorities over the next several years. Recruiting prospective trustees with a high capacity for board service also will benefit the board.

The committee discussed opportunities to recruit new members who can offer diverse perspectives and serve as advocates and liaisons to stakeholders. Chair Santos encouraged trustees to consider how they could continue to fit in regional and local perspectives moving forward. Additionally, Trustee Thorndike shared his recent experience testifying to the legislature about “the Chaichi bill” and offered to provide an update on legislators' thoughts regarding the state of higher education. Chair Santos echoed Trustee Thorndike’s comments and asked the board to “put their thinking caps on” to recruit new board members and keep this needs assessment of the board in mind. Chair Santos invited members of the public university community to submit recommendations on the board’s website about their ideas of ideal characteristics for trustees.

President’s 2024 Performance Evaluation Process

Vice Chair Clough discussed the President's 2024 performance evaluation process, which is outlined in the Board's Statement on Evaluation of the University President. This summer, input from trustees will be solicited. Additionally, the board chair and vice chair will conduct anonymous campus consultations with key constituents, including shared governance leaders, union leaders, members of the campus, and the cabinet. It was emphasized that these consultations are not about the president and are intended to gather input on how the campus is doing. President Bailey will submit a self-evaluation, including a summary of his accomplishments over the past year and his goals for the upcoming year. The board chair will prepare a board evaluation based on trustees’ input and the final evaluation will be reviewed by this committee and the board in the fall. Board Secretary Prud’homme also reminded the committee that President Bailey’s three-year contract is set to expire on June 30, 2025.

Chair Santos expressed his appreciation for the evaluation process, noting that it is an excellent learning opportunity to gain insights from others. He acknowledged the complexity of conducting the evaluation but affirmed its value to the board and the president. He expressed gratitude for the work being done to complete this process.

Future Meetings

Chair Santos announced that the next meeting of the committee would take place on October 18, 2024, and if any trustee had any requests for agenda items, to send them to the board secretary.

Adjournment

Chair Santos adjourned the meeting at 11:40 a.m.

Date: October 22, 2024

Respectfully submitted by,



Sabrina Prud’homme
University Board Secretary