Southern OREGON UNIVERSITY
OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

January 9, 2026

TO: Southern Oregon University Board of Trustees, Executive, Audit, and Governance Committee

FROM: Sabrina Prud'homme, University Board Secretary

RE: Notice of Regular Meeting of the Executive, Audit, and Governance Committee

The Executive, Audit, and Governance Committee of the Southern Oregon University Board of Trustees will hold a regular meeting on the date and at the location set forth below.

There will be an internal audit report, and the committee will act on an updated Internal Audit Charter.

Other information and discussion items include management's presentation on enterprise risk management, and a discussion of risk and compliance. The committee will also discuss a Fiscal Year 2025 external audit update. This update will be held in an executive session pursuant to ORS 192.660 (2)(f) and 192.345 (37).

Regarding board governance and operations, the committee will discuss the board's needs assessment and the ideal characteristics of trustees.

The meeting will occur as follows:

Friday, January 16, 2026
9:30 a.m. to 11:30 a.m. (or until business concludes)
SOU Ashland Campus, Hannon Library, DeBoer Room
1290 Ashland Street, Ashland, OR, 97520
Materials for the meeting are available at governance.sou.edu.
To view the proceedings remotely, visit https://sou.zoom.us/j/86278546348 at the time of the meeting.

If ADA accommodations are required for persons with disabilities, please contact Holly Frazier at (541) 552-8055 or email trustees@sou.edu. Accommodation requests should be made at least 48 hours in advance.

Public Comment
The Board of Trustees welcomes public comment. Members of the public who wish to provide live public comments in person or remotely during the meeting are invited to

sign up to speak at least 24 hours in advance of the meeting. Public commenters may sign up to speak or submit written comments via email to the Board of Trustees at trustees@sou.edu. To sign up by phone, commenters may also contact the Office of the Board of Trustees at (541) 552-8055 and provide their name, email address, phone number, relationship to SOU, and the subject of their public comments. Written public comments also may be delivered by hand or mailed to the SOU Board of Trustees, 1250 Siskiyou Boulevard, Churchill Hall, Room 107, Ashland, OR 97520.

Board of Trustees
Executive, Audit, and Governance Committee Meeting
January 16, 2026

Call to Order / Roll / Declaration of a Quorum

Board of Trustees
Executive, Audit, and Governance Committee Meeting

Friday, January 16, 2026
9:30 a.m. – 11:30 a.m. (or until business concludes)
DeBoer Room, Hannon Library, SOU Campus
Zoom: https://sou.zoom.us/j/86278546348

AGENDA

Persons wishing to provide live public comments in the meeting or in writing may sign up in advance at trustees@sou.edu.
Please note: times are approximate and items may be taken out of order.

9:30 a.m.	**1**	**Call to Order/Roll/Declaration of a Quorum**	Chair Sheila Clough
	1.1	Welcome and Opening Remarks	
	1.2	Roll and Declaration of a Quorum	Sabrina Prud'homme, SOU, Board Secretary
	1.3	Agenda Review	Chair Sheila Clough
9:35	**2**	**Public Comment**	
	3	**Reports**	
9:45	3.1	Internal Audit Report	Ryan Schnobrich, PSU, Internal Audit Contractor
10:00	3.2	Updated Internal Audit Charter (Action)	Ryan Schnobrich
	4	**Action, Information, and Discussion Items**	
10:15	4.1	Management's Presentation on Enterprise Risk Management, and Discussion of Risk and Compliance	Ryan Schnobrich; Dr. Carson Howell, SOU, Vice President for Finance and Administration
10:45	4.2	Board Governance and Operations	
		4.2.1 Board Needs Assessment and Ideal Characteristics of Trustees	Chair Sheila Clough
10:55	4.3	Fiscal Year 2025 External Audit Update [Executive Session Pursuant to ORS 192.660 (2)(f) and 192.345 (37)]	Bryan Simkanich, CliftonLarsonAllen, Signing Director
11:20	4.4	Future Meetings	Chair Sheila Clough
11:25 a.m.	**5**	**Adjournment**	Chair Sheila Clough

Public Comment

Internal Audit Update

Presented by
Ryan Schnobrich, CPA, CIA, CFE

January 16, 2026

Internal Audit Update

Objectives of Update

1. Internal Audit Services Update
2. EthicsPoint Hotline Update
3. Fiscal Year 2025 – Athletics Audit Report
4. Fiscal Year 2026 Internal Audit Plan Update
5. 2024 IIA *Standards* and Internal Audit Charter update
6. Questions and Open Discussion

Objective 1 – Internal Audit Services Update

- **Meetings with Management –**
  Periodic discussions with the General Counsel, VPF&A, and Board Secretary.

- **Periodic Update Meeting with Chair Clough –**
  Periodic discussions with the Chair helps to support internal audit *Standards* of independence and the dual reporting structure of internal audit to the Board and SOU President.

Objective 1 –
Internal Audit Services Update

Portland State University's Director of Internal Audit, David Terry, is now Oregon State University's Chief Executive of Audit, Risk and Compliance.

Our previous Audit Intern, Mila Bekwinknoll, has graduated and is now an Internal Audit Associate.

We've selected two new Audit Interns.

Objective 2 – EthicsPoint Hotline Update

- 3 hotline reports received since the last committee meeting. Internal Audit debriefed with the President and General Counsel, then coordinated with management to address the concerns. Personnel action was taken.
- Internal Audit continues to work closely with the President, General Counsel, Director of Human Resources, and Provost on previously reported concerns.

Objective 3 –
FY25 Athletics Audit Report

Athletics Audit Results:

- Required coach training
- Facility use agreements
- Business process revised
- NAIA eligibility certification forms required coaches' signatures, but student athletes met the NAIA compliance requirements.
- Student athlete GPA requirements, and some students received a refund from remission awards

Objective 4 – Internal Audit Plan Update

Projects for Fiscal Year 2026:

1) Human Resources –Employment Eligibility
2) Human Resources – University Background Check Controls & Fair Credit Reporting Act Compliance
3) Internal Audit Charter Update
4) General Counsel – EthicsPoint hotline
5) VPF&A - Enterprise Risk Management, Risk Assessment Survey, and Policy Review
6) IT – PCI Compliance Advisory Services

Objective 5 – Internal Audit Plan Update

The 2024 update of the Institute of Internal Auditors Standards necessitates a change to the Internal Audit Charter.

B4x – Audit Committee Responsibilities

B5x – Standards Charter Memo

B6x – IIA GIAS Domain III & Three Lines of Defense Model

B7x – IIA PowerPoint Presentation Re: Board Engagement with Internal Audit

B8x – Draft Revised Internal Audit Charter

2024 Standards

Domain Name	Principle Name	Summary of the Standards that make up the Principle	
I Purpose of Internal Audit	Purpose of Internal Audit	Fund1-13 & Domain I	
II Ethics & Professionalism	Demonstrate Integrity	S 1.1	Honesty & Professional Courage
		S 1.2	Organization's Ethical Expectations
		S 1.3	Legal & Ethical Behavior
	Maintain Objectivity	S 2.1	Individual Objectivity
		S 2.2	Safeguarding Objectivity
		S 2.3	Disclosing Impairments to Objectivity
	Demonstrate Competency	S 3.1	Competency
		S 3.2	Continuing Professional Development
	Exercise Due Professional Care	S 4.1	Conformance with the Global Internal Audit Standards
		S 4.2	Due Professional Care
		S 4.3	Professional Skepticism
	Maintain Confidentiality	S 5.1	Use of Information
		S 5.2	Protection of Information
III Governing the Internal Audit Function	Authorized by the Board	S 6.1	Internal Audit Mandate
		S 6.2	Internal Audit Charter
		S 6.3	Board and Senior Management Support
	Positioned Independently	S 7.1	Organizational Independence
		S 7.2	Chief Audit Executive Qualifications
	Overseen by the Board	S 8.1	Board Interaction
		S 8.2	Resources
		S 8.3	Quality
		S 8.4	External Quality Assessment

This section replaced the definition of internal auditing and the code of ethics. There are Chief Audit Executive (CAE) and Internal Auditor responsibilities.

This is where the board and senior management can help a.k.a. “essential conditions”.

2024 Standards

IV Managing the Internal Audit Function	Understanding Governance, Risk Management, and Control Processes	S 9.1	Understanding Governance, Risk Management, and Control Processes
		S 9.2	Internal Audit Strategy
		S 9.3	Methodologies
		S 9.4	Internal Audit Plan
		S 9.5	Coordination and Reliance
	Manage Resources	S 10.1	Financial Resource Management
		S 10.2	Human Resources Management
		S 10.3	Technological Resources
	Communicate Effectively	S 11.1	Building Relationships and Communicating with Stakeholders
		S 11.2	Effective Communication
		S 11.3	Communicating Results
		S 11.4	Errors and Omissions
		S 11.5	Communicating the Acceptance of Risks
	Enhance Quality	S 12.1	Internal Quality Assessment
		S 12.2	Performance Measurement
		S 12.3	Oversee and Improve Engagement Performance

The Center for Internal Audit Management

2024 Standards

V Performing Internal Audit Services	Plan Engagements Effectively	S 13.1	Engagement Communication
		S 13.2	Engagement Risk Assessment
		S 13.3	Engagement Objectives and Scope
		S 13.4	Evaluation Criteria
		S 13.5	Engagement Resources
		S 13.6	Work Program
	Conduct Engagement Work	S 14.1	Gathering Information for Analyses and Evaluation
		S 14.2	Analyses and Potential Engagement Findings
		S 14.3	Evaluation of Findings
		S 14.4	Recommendations and Action Plans
		S 14.5	Engagement Conclusions
		S 14.6	Engagement Documentation
	Communicate Engagement Results and Monitor Action Plans	S 15.1	Final Engagement Communication
		S 15.2	Confirming the Implementation of Recommendations or Action Plans

The Center for Internal Audit Internal Auditors

Objective 5 – Internal Audit Plan Update

- There are Board responsibilities.
- There are Management responsibilities.
- There are some Chief Audit Executive responsibilities that cannot contracted to the Center for Internal Audit.
- SOU "should" have its own peer review every five years to demonstrate conformance with the *Standards*.

Internal Audit Update

Questions and Other Discussion?

Updated Internal Audit Charter (Action)

Center for Internal Audit
Post Office Box 751 503-725-5916 tel
Portland, Oregon 97207-0751 503-725-5800 fax
1600 SW 4th Avenue, Suite 501

October 15, 2025

Southern Oregon University
Attn: Sabrina Prud'homme, University Board Secretary
1250 Siskiyou Blvd, Ashland, OR 97520

Via email to: prudhomms@sou.edu

Dear Sabrina,

In response to your and Rob's request, the following is some more information about the 2024 revised Institute for Internal Auditors (IIA) Global Internal Audit Standards ("GIAS" or "*Standards"*) effective January 9, 2025 (*Standards*).

The last major revision of the International Professional Practices Framework ("IPPF" or "*Standards")* was released October 1, 2016 and were effective January 1, 2017. The timing of this coincided with the dissolution of the Oregon University System and the creation of SOU's internal audit function in the spring of 2016. SOU was able to utilize the IIA's 2017 *Standards* internal audit charter template with the addition of two annual assessments similar to what is required for public companies by Sarbanes Oxley, and a small IIA revision in 2018, to create SOU's current internal audit charter.

The Center for Internal Audit (C4IA) has been presenting the change in *Standards* to our client boards for the last year or more because, while internal audit functions are required to implement the new *Standards*, the C4IA completed its quality assurance review and waited for the IIA and other national internal audit organizations to provide the new internal audit charter template, implementation guidance, templates for demonstrating conformance, updates to quality assurance improvement programs and the competency development framework, etc. Updating internal audit charters and coordinating audit committee charters is in every C4IA client's internal audit plan for this fiscal year. While there is an IIA

Guide to Customizing the Model Internal Audit Charter for Public Sector Use, **we recommend no deviations from the model internal audit charter template**. Please see attached:

- 2025 Draft Revised SOU Internal Audit Charter
- SOU Board Statement on Board Committees

What are the changes in *Standards*?
First, the changes are structural. IPPF 2017 included six major components: mission, core principles, definitions, standards, code of ethics, and implementation guidelines. All of these aspects are now integrated into a single entity known as GIAS in IPPF 2024. The GIAS is then divided into five domains:

- I Purpose of Internal Auditing,
- II Ethics and Professionalism,
- III Governing the Internal Audit Function,
- IV Managing the Internal Audit Function, and
- V Performing Internal Audit Services.

There are fifteen Principles, with these three from Domain III referred to as **“the essential conditions”**:

Principle 6 – Authorized by the Board
- The internal audit function receives its mandate from the board (or applicable law in certain public sector environments).
- The mandate specifies the authority, role, and responsibilities of the internal audit function and is documented in the internal audit charter.
- The mandate empowers the internal audit function to provide the board and senior management with objective assurance, advice, insight, and foresight.
- The internal audit function carries out the mandate by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes throughout the organization.

Principle 7 – Positioned Independently

- The board is responsible for enabling the independence of the internal audit function.
- Independence is defined as the freedom from conditions that impair the internal audit function's ability to carry out its responsibilities in an unbiased manner.
- The internal audit function is only able to fulfill the Purpose of Internal Auditing when the chief audit executive reports directly to the board, is qualified, and is positioned at a level within the organization that enables the internal audit function to discharge its services and responsibilities without interference.

Principle 8 – Overseen by the Board

- Board oversight is essential to enable the overall effectiveness of the internal audit function.
- Achieving this principle requires collaborative and interactive communication between the board and the chief audit executive as well as the board's support in ensuring the internal audit function obtains sufficient resources to fulfill the internal audit mandate.
- Additionally, the board receives assurance about the quality of the performance of the chief audit executive and the internal audit function through the quality assessment and improvement program, including the board's direct review of the results of the external quality assessment.

There are also:

- Requirements: Mandatory practices for internal audits.
- Implementation Considerations: General practices and options to consider when implementing requirements.
- Example of Proof of Conformity: A way to demonstrate that the requirements of the Standard have been implemented.
- Supplemental Guidance, which was previously part of IPPF 2017, is now a stand-alone Global Guidance.

Why does this matter to the governance function?

In our opinion, the Standards now model a shared governance perspective. There are requirements for the internal audit function, the audit committee, and senior management. Domain III outlines requirements for chief audit executives plus "essential conditions," which are activities of the board and senior management that enable the internal audit function's success. Please see attached:

- Exhibit A - Annual Standards Conformance Checklist – Audit Committee, and
- Exhibit B - Annual Standards Conformance Checklist – Senior Management

What are the "essential conditions"?
"The board, senior management, and the internal audit function have a unique partnership in driving organizational success. The three parties must support each other to enable that success." – The IIA

First and foremost, the internal audit function is part of the governance function. It must be independent from management in order to provide objective assurance and advise. Internal Audit is a strategic advisor that offers expertise in risk management and refers to best practices, frameworks, guidance, rules, etc. and, with the General Counsel's concurrence with interpretation, laws. Internal Audit may not make management decisions, design systems/processes or implement programs/initiatives. These are management responsibilities. This is referred to as the Three Lines of Defense Model.

Please see attached:

- IIA GIAS Domain III and Three Lines of Defense Model
- IIA The Essential Relationship Between the Board and Internal Audit

Sincerely,

Ryan Schnobrich

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LinkedIn Profile

Portland State UNIVERSITY

Exhibit A

Annual *Standards* Conformance Checklist – Audit Committee

Standard	Conformance Requirement	Conformance Demonstration
Purpose of Internal Audit	The 2024 Global Internal Audit Standards (*Standards*) apply to any individual or function that provides internal audit services, whether an organization employs internal auditors directly, contracts them through an external service provider, or both.	
6.1	• Discuss with the Chief Audit Executive (CAE) and senior management the appropriate authority, role, and responsibilities of the internal audit function. • Approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services.	
6.3	Support the CAE through regular, direct communications - demonstrated by: •Specifying that the chief audit executive reports to a level within the organization that allows the internal audit function to fulfill the internal audit mandate. •Approving the internal audit charter, internal audit plan, budget, and resource plan. •Making appropriate inquiries of senior management and the CAE to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively. •Meeting periodically with the chief audit executive in sessions without senior management present. •Champion the internal audit function to enable it to fulfill the Purpose of Internal Auditing and pursue its strategy and objectives.	
7.1	• Establish a direct reporting relationship with the CAE and the internal audit function to enable the internal audit function to fulfill its mandate. • Authorize the appointment and removal of the CAE. • Provide input to senior management to support the performance evaluation and remuneration of the CAE. • Provide the CAE with opportunities to discuss significant and sensitive matters with the board, including meetings without senior management present. •Require that the CAE be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the board when necessary. • Acknowledge the actual or potential impairments to the internal audit function's independence when approving roles or responsibilities for the CAE that are beyond the scope of internal auditing. • Engage with senior management and the CAE to establish appropriate	

	safeguards if CAE roles and responsibilities impair or appear to impair the internal audit function's independence. • Engage with senior management to ensure that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results.	
7.2	•Review the requirements necessary for the CAE to manage the internal audit function, as described in Domain IV: Managing the Internal Audit Function. •Approve the CAE's roles and responsibilities and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities. •Engage with senior management to appoint a CAE with the qualifications and competencies necessary to manage the internal audit function effectively and ensure the quality performance of internal audit services.	
8.1	• Communicate with the CAE to understand how the internal audit function is fulfilling its mandate. • Communicate the board's perspective on the organization's strategies, objectives, and risks to assist the CAE with determining internal audit priorities. • Set expectations with the CAE for: – The frequency with which the board wants to receive communications from the chief audit executive. – The criteria for determining which issues should be escalated to the board, such as significant risks that exceed the board's risk tolerance. – The process for escalating matters of importance to the board. • Gain an understanding of the effectiveness of the organization's governance, risk management, and control processes based on the results of internal audit engagements and discussions with senior management. • Discuss with the CAE disagreements with senior management or other stakeholders and provide support as necessary to enable the CAE to perform the responsibilities outlined in the internal audit mandate.	
8.2	•Collaborate with senior management to provide the internal audit function with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan. •Discuss with the CAE, at least annually, the sufficiency, both in numbers and capabilities, of internal audit resources to fulfill the internal audit mandate and achieve the internal audit plan. •Consider the impact of insufficient resources on the internal audit mandate and plan. •Engage with senior management and the CAE on remedying the situation if the resources are determined to be insufficient.	

8.3	• Discuss with the CAE the quality assurance and improvement program, as outlined in Domain IV: Managing the Internal Audit Function. • Approve the internal audit function's performance objectives at least annually. (See also Standard 12.2 Performance Measurement.) • Assess the effectiveness and efficiency of the internal audit function. Such an assessment includes: – Reviewing the internal audit function's performance objectives, including its conformance with the *Standards*, laws, and regulations; ability to meet the internal audit mandate; and progress toward completion of the internal audit plan. – Considering the results of the internal audit function's quality assurance and improvement program. – Determining the extent to which the internal audit function's performance objectives are being met.	
8.4	• Discuss with the CAE the plans to have an external quality assessment of the internal audit function conducted by an independent, qualified assessor or assessment team. • Collaborate with senior management and the CAE to determine the scope and frequency of the external quality assessment • Consider the responsibilities and regulatory requirements of the internal audit function and the CAE, as described in the internal audit charter, when defining the scope of the external quality assessment. • Review and approve the CAE's plan for the performance of an external quality assessment. Such approval should cover, at a minimum: – The scope and frequency of assessments. – The competencies and independence of the external assessor or assessment team. – The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment. • Require receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor. • Review and approve the CAE's action plans to address identified deficiencies and opportunities for improvement, if applicable. • Approve a timeline for completion of the action plans and monitor the CAE's progress.	

Exhibit B

Annual Standards Conformance Checklist – Senior Management

Standard	Conformance Requirement	Conformance Demonstration
6.1	• Participate in discussions with the board and CAE and provide input on expectations for the internal audit function that the board should consider when establishing the internal audit mandate. • Support the internal audit mandate throughout the organization and promote the authority granted to the internal audit function.	
6.3	• Work with the board and management throughout the organization to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate. • The CAE must coordinate the internal audit function's board communications with senior management to support the board's ability to fulfill its requirements.	
7.1	• Position the internal audit function at a level within the organization that enables it to perform its services and responsibilities without interference, as directed by the board. • Recognize the CAE's direct reporting relationship with the board. • Engage with the board and the CAE to understand any potential impairments to the internal audit function's independence caused by non-audit roles or other circumstances and support the implementation of appropriate safeguards to manage such impairments. • Provide input to the board on the appointment and removal of the CAE. • Solicit input from the board on the performance evaluation and remuneration of the CAE.	
7.2	• Engage with the board to determine the CAE's qualifications, experience, and competencies. • Enable the appointment, development, and remuneration of the chief audit executive through the organization's human resources processes.	
8.1	• Communicate senior management's perspective on the organization's strategies, objectives, and risks to assist the chief audit executive with determining internal audit priorities. • Assist the board in understanding the effectiveness of the organization's governance, risk management, and control processes. • Work with the board and the chief audit executive on the process for escalating matters of importance to the board.	
8.2	Engage with the board to provide the internal audit function with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan. Engage with the board and the CAE on any issues of insufficient resources and how to remedy any issues of insufficient resources and how to remedy any issues of insufficient resources and how to remedy	
8.3	• Provide input on the internal audit function's performance objectives. • Participate with the board in an annual assessment of the CAE and internal audit function.	

8.4	• Collaborate with the board and the CAE to determine the scope and frequency of the external quality assessment. • Review the results of the external quality assessment, collaborate with the CAE and board to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans.	

Domain III: Governing the Internal Audit Function

In an organization, governance structures and processes facilitate the achievement of organizational objectives. These structures and processes also enable the internal audit function to be effective, enhancing:

- *The board's ability to exercise its oversight responsibilities.*
- *Senior management's ability to make decisions and manage risks effectively, enabling the achievement of organizational objectives.*
- *The organization's ability to create, protect, and sustain value.*

In the Global Internal Audit Standards™, Domain III outlines requirements for chief audit executives plus "essential conditions," which are activities of the board and senior management that enable the internal audit function's success.

Domain III requires the chief audit executive to meet with the board and senior management to discuss the responsibilities and essential conditions of the Standards and how the parties can collaborate to establish and maintain an effective internal audit function.

The discussion includes informing the board of its role and responsibilities for authorizing the internal audit function, establishing and protecting the function's independence, and overseeing the function's performance. Domain III also outlines senior management's responsibilities to implement the board's decisions to support and promote governance structures and processes that enable an effective internal audit function.

The table below depicts the three principles and nine standards of Domain III.

6. Authorized by the Board

The board establishes, approves, and supports the mandate of the internal audit function.

- **6.1** Internal Audit Mandate
- **6.2** Internal Audit Charter
- **6.3** Board and Senior Management Support

7. Positioned Independently

The board establishes and protects the internal audit function's independence and qualifications.

- **7.1** Organizational Independence
- **7.2** Chief Audit Executive Qualifications

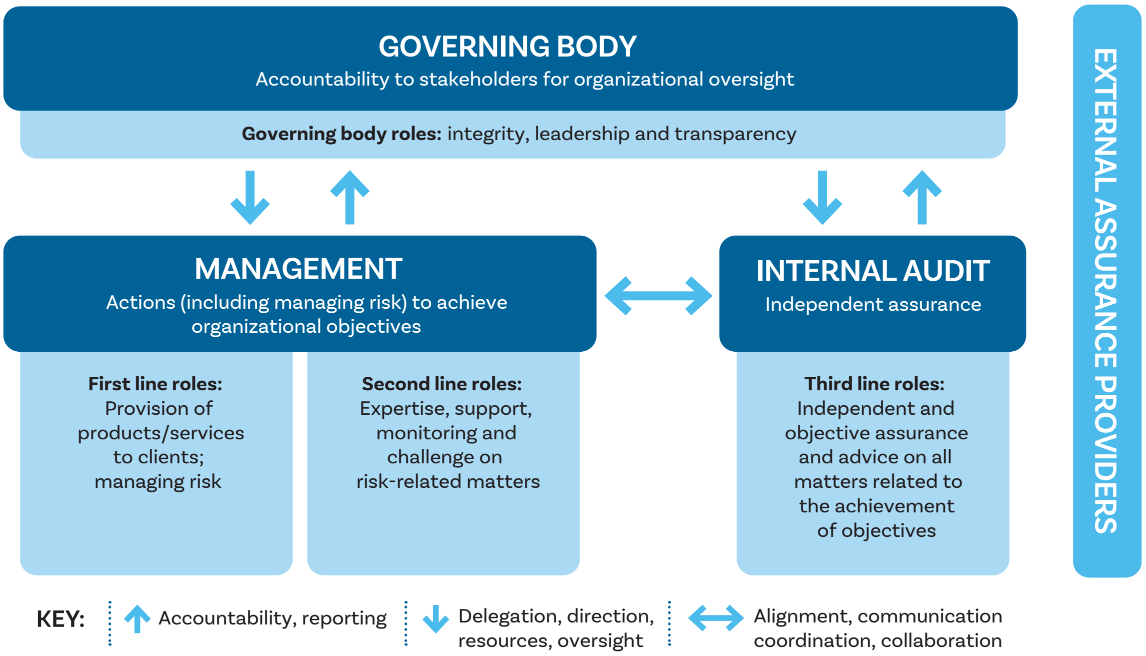
8. Overseen by the Board

The board oversees the internal audit function to ensure the function's effectiveness.

- **8.1** Board Interaction
- **8.2** Resources
- **8.3** Quality
- **8.4** External Quality Assessment

The Three Lines Model and the Global Internal Audit Standards

The globally recognized Three Lines Model illustrates the governance structures and processes that best enable organizations to achieve their objectives. Similarly, Domain III in the Global Internal Audit Standards™ describes the unique partnership between the board, senior management, and the internal audit function that drives organizational success.



In the Three Lines Model, the governing body, referred to as the "board" in the Standards, ensures organizational objectives and activities align with the interests of stakeholders and that the organization's structures and processes enable accountability, actions, and independent assurance and advice. Management, which includes senior and line management, implements actions to achieve the organization's objectives. The internal audit function is independently positioned to provide objective assurance and advice on the adequacy and effectiveness of governance, risk management, and control processes.

Domain III in the Global Internal Audit Standards outlines the requirements and essential conditions necessary for a successful partnership between the board, senior management, and internal audit function.

- In ***Principle 6***, the board, senior management, and chief audit executive agree on the authority, roles, and responsibilities of the internal audit function (Standard 6.1 Internal Audit Mandate). The chief audit executive commits to providing the board and senior management with the information they need to support, promote, and oversee the function.
- ***Principle 7*** calls for the internal audit function's independence from the responsibilities of management, which is critical to internal audit objectivity, authority, and credibility. The function's independence is enhanced when the board appoints and retains a qualified chief audit executive who reports at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management.
- ***Principle 8*** embodies the notion that board oversight is essential to enable the overall effectiveness of the internal audit function. This requires interactive communication between the board and the chief audit executive as well as the board's support to ensure the internal audit function obtains sufficient resources to fulfill the internal audit mandate. Additionally, the board receives assurance about the quality of the performance of the chief audit executive and the internal audit function through its oversight of the quality assurance and improvement program and direct review of the external quality assessment results.

Global Internal Audit Standards

The Essential Relationship Between the Board and the Internal Audit Function:

Opportunities for Board Engagement

The Institute of Internal Auditors®

The Importance of Internal Auditing

An effective internal audit function will enhance:

The board's ability to exercise its oversight responsibilities.

Senior management's ability to achieve organizational objectives.

The organization's ability to create, protect, and sustain value.

Thus, the board, senior management, and internal audit have a unique partnership in driving ***organizational success***.

All three parties must support each other to enable that success.

Enabling Effective Internal Auditing

Key to successful achievement of organizational objectives.

Appropriate governance arrangements enable internal audit to fulfill expectations.

The board and senior management are essential to the internal audit function’s success.

“Essential conditions” build an effective partnership between the board, senior management, and the CAE.

Governing the Internal Audit Function

Principle 6 – Authorized by the Board

The board establishes, approves, and supports the mandate of the internal audit function.

Principle 7 – Positioned Independently

The board establishes and protects the internal audit function’s independence and qualifications.

Principle 8 – Overseen by the Board

The board oversees the internal audit function to ensure the function’s effectiveness.

What We Need from You –
Principle 6 Authorized by the Board

- Determine the appropriate authority, role, and responsibilities of the internal audit function (internal audit mandate).
- Approve charter, plan, budget, and resource plan.
- Ensure the CAE reports to a level that allows internal audit to fulfill its mandate.
- Specify that internal audit should have unrestricted access to data, records, information, personnel, and physical properties.
- Inquire whether any restrictions exist that limit the internal audit function’s ability to carry out its responsibilities.
- Meet periodically with the CAE in private.

The Institute of Internal Auditors

What We Need from You –

Principle 7 – Positioned Independently

- A direct reporting relationship with the CAE and the internal audit function.
- Authorize the appointment and removal of the CAE.
- Engage with senior management to appoint a qualified, competent CAE to manage the internal audit function.
- Provide input to support the CAE's performance evaluation and remuneration.
- Approve CAE roles or responsibilities beyond the scope of internal auditing.
- Establish appropriate safeguards if CAE roles and responsibilities impair the internal audit function's independence.

The Institute of Internal Auditors

What We Need from You

Principle 8 – Overseen by the Board

- The board's perspective on organizational strategies, objectives, and risks to assist the CAE with determining internal audit priorities.
- Set expectations with the CAE for:
  - The frequency with which the board wants to receive communications from the CAE.
  - The criteria for determining which issues should be escalated to the board.
  - The process for escalating matters of importance to the board.

The Institute of Internal Auditors

What We Need from You

Principle 8 – Overseen by the Board *(continued)*

- Discuss any disagreements with senior management or other stakeholders.
- Collaborate with senior management to ensure internal audit has sufficient resources.
  - Consider the impact of insufficient resources on the internal audit mandate and plan.
  - Engage with senior management and the CAE on a solution if resources are determined to be insufficient.

What We Need from You

Principle 8 – Overseen by the Board *(continued)*

- Discuss the QAIP with the CAE.
- Approve internal audit's performance objectives at least annually.
- Assess the effectiveness and efficiency of the internal audit function.
- Discuss an EQA of the internal audit function conducted by an independent, qualified assessor or assessment team.
- Collaborate with the CAE to determine the scope and frequency of the EQA.
- Review and approve the CAE's plan for an EQA.
- Receive EQA results from the assessor.
- Review and approve the CAE's plans to address deficiencies and opportunities for improvement.
- Approve a timeline for action plan completion and monitor progress.

The Institute of Internal Auditors

Summary

An effective internal audit function enables good corporate governance and the organization's ability to create, protect, and sustain value.

A partnership among the board, senior management, and the CAE is critical to achieving effective internal auditing.

The Global Internal Audit Standards require much from the CAE that, if achieved, will result in an effective internal audit function.

The board and senior management provide necessary support to the CAE and enable effective internal auditing.

Q&A

The Institute of Internal Auditors®

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Internal Audit Charter
Board of Trustees of Southern Oregon University

Purpose

The purpose of the internal audit function is to strengthen Southern Oregon University's (SOU) ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances SOU's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

SOU's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

SOU's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards (*Standards*) and Topical Requirements. The chief audit executive will report periodically to the board and senior management regarding the internal audit function's conformance with the *Standards*, which will be assessed through a quality assurance and improvement program.

Authority

The Board of Trustees of Southern Oregon Univeristy grants the internal audit function the mandate to provide the board and senior management with objective assurance, advice, insight, and foresight.
The internal audit function's authority is created by its direct reporting relationship to the board. Such authority allows for unrestricted access to the board.

The board authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of SOU and other specialized services from within or outside SOU to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section.) The chief audit executive will report functionally to the board and administratively (for example, day-to-day operations) to the University President. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the board, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, board, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the chief audit executive, board, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Board Oversight

To establish, maintain, and ensure that SOU's internal audit function has sufficient authority to fulfill its duties, the board will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the chief audit executive has unrestricted access to and communicates and interacts directly with the board, including in private meetings without senior management present, in accordance with laws and/or regulations applicable to public meetings.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function’s charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter periodically with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter periodically.
- Approve the risk-based internal audit plan.
- Approve the internal audit function’s human resources administration and budgets.
- Approve the internal audit function’s expenses.
- Collaborate with senior management to determine the qualifications and competencies the organization expects in a chief audit executive, as described in the Global Internal Audit Standards.
- Authorize the appointment and removal of the chief audit executive.
- Approve the remuneration of the chief audit executive.
- Review the chief audit executive’s performance.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

Chief Audit Executive Roles and Responsibilities

<u>Ethics and Professionalism</u>

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.

- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for SOU or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any SOU employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, board, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the board and senior management. Discuss the plan with the board and senior management and submit the plan to the board for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the board and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in SOU's business, risks, operations, programs, systems, and controls.
- Communicate with the board and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards, and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact SOU and communicate to the board and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to SOU's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the board and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the board.

Communication with the Board and Senior Management

The chief audit executive will report periodically to the board and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.

- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the board that could interfere with the achievement of SOU's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond SOU's risk appetite, recognizing that risk acceptance could be a result of funding restrictions impacting management's ability to respond to risks toward strategic objectives.

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the board and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside SOU; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all of SOU's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the board and management on the adequacy and effectiveness of governance, risk management, and control processes for SOU.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements.

These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of SOU's strategic objectives are appropriately identified and managed.
- The actions of SOU's officers, directors, management, employees, and contractors or other relevant parties comply with SOU's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact SOU.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Acknowledgments/Signatures

This Southern Oregon University Internal Audit Charter has been reviewed and approved by the SOU Board of Trustees at its meeting on this day,

January, 16, 2026.

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Sabrina Prud'homme,
University Board Secretary

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Sheila Clough,
Chair, Board of Trustees

Enterprise Risk Management, and Discussion Regarding Risk and Compliance

Enterprise Risk Management

Presented by
Dr. Carson Howell
with
Ryan Schnobrich, CPA, CIA, CFE

January 16, 2026

Enterprise Risk Management

Risk – An event or condition that may result in damage, injury, or loss to the University or persons associated with or represented by the University or that could impede Southern Oregon University from meeting its mission or strategic goals.

Enterprise Risk Management

Strategic university-wide approach

Purpose – Be informed about risk. May include:

- Financial
- Reputational
- Physical
- Compliance and Legal
- Information Security

Partner with Internal Audit and the Executive, Audit, and Governance Committee

Enterprise Risk Management

A risk survey is an efficient means of compiling risk factors such as:

- Management’s Risk Appetite
- Maturity of Policies/Procedures/Compliance/ Reporting
- Management Engagement/Resource Concerns/ Employee Turnover
- Purchasing/Payments/Receipts/Grants
- Internal Controls/Fraud Risk Management

Enterprise Risk Management

- There have been 13 responses so far to the newly improved risk assessment survey. They have been summarized and provided to management.
- We will now identify and discuss high risk areas, discuss how internal audit and management can collaborate, and discuss possible assurance and advisory topics for next year's internal audit plan.
- The final survey results will be included as a component of internal audit's risk assessment and proposed internal audit plan for the April 17th board meeting.

Enterprise Risk Management

Questions and Other Discussion?

Fiscal Year 2024-2025 External Audit Update

[Executive Session Pursuant to ORS 192.660 (2)(f) and 192.345 (37)]

Board Needs Assessment and Ideal Characteristics of Trustees

Southern OREGON UNIVERSITY

Board Member Vacancies: Current through July 1, 2026

	Member Type	Trustee
1.	Undergraduate Student	Michelle Fuentes
2.	Undergraduate Student	Current Vacancy
3.	Graduate Student	Rose Harwood
4.	Faculty	Dr. Hala Schepmann (Applied for Reappointment)
5.	Non-faculty Staff	Ashley King
6.	University President	Dr. Rick Bailey
7.	At-Large/Community	Iris Maria Chavez (Applied for Reappointment)
8.	At-Large/Community	Brent Barry (Applied for Reappointment)
9.	At-Large/Community	Sheila Clough (Term ends June 30)
10.	At-Large/Community	Dee Anne Everson
11.	At-Large/Community	Debra Lee (Applied for Reappointment)
12.	At-Large/Community	Christina Medina (Kruger) (Applied for Reappointment)
13.	At-Large/Community	Danny Santos
14.	At-Large/Community	Liz Shelby (Applied for Reappointment)
15.	At-Large/Community	Matt Stephenson
16.	At-Large/Community	Barry Thalden (Term ends June 30)
17.	At-Large/Community	Current Vacancy

Board of Trustees
Needs Assessment Survey Results

Summary

The Board of Trustees of Southern Oregon University is made up of a rich diversity of individuals, considering both trustees' expertise as well as their self-identified demographic backgrounds. A survey was conducted to gather information on desirable trustee expertise, qualities, and demographic characteristics. The objective of the survey was to identify current board strengths and opportunities to address gaps in future trustee recruitment.

All 15 trustees serving as of December 1, 2025, were invited to complete the 19-question Qualtrics survey in 2024 or 2025, achieving a 100% response rate. A brief summary follows

Expertise

STRENGTHS

- Strategic planning
- Government relations
- Social justice, equity, diversity, and inclusion (EDI)
- Financial management (new!)

OPPORTUNITIES

- Research
- Environmental sustainability (new!)
- Student Affairs (new!)

Relationships / Connections

STRENGTHS

- Community building/leadership
- Connection to the region
- Education/nonprofit sector

OPPORTUNITIES

- Workforce development (new!)
- Public fundraising/access to resources (new!)
- Business sector

A consistent high need for the board is always relationship capital/connections with the government sector or specifically, the state's executive and legislative branches.

Service Strengths

- The board's combined responses indicated strengths in all areas of service: availability, capacity to do board work, connection to mission/SOU, advocacy, etc.

Demographics/Characteristics

- Gender identity: The Board includes 5 men, 8 women, and 2 nonbinary trustees.
- Race and ethnicity: Trustees identify as White (9), Hispanic or Latin-X (3), Asian or Asian American (1), Mesoamerican Indian (1), and Egyptian, Coptic (1).

- Career stage and experience: The Board is composed of 1 early-career professional, 3 young professionals, 5 established professionals, and 3 retirees or late-career professionals.
- Alumni affiliation: The Board includes 4 alumni and 3 pre-alumni members, strengthening institutional continuity and stakeholder representation.
- Veteran Status: One trustee is a veteran

Recommendations

The SOU Board may benefit most from the future recruitment of trustees with the following expertise or qualities:

- Business/corporate sector
- Connections to other geographic regions, especially within state or federal government/legislature
- Enterprise management
- Environmental sustainability
- High capacity for board service
- Public fundraising/access to resources
- Student affairs
- Workforce development

Other criteria beyond the survey may also be important in identifying future trustees. Such criteria include specific connections to the university priorities, balanced diversity consistent with student demographics, geographic location, or others deemed essential by the board, board chair, or university president at any time a recruitment may occur.

Future Meetings

Adjournment