



Oregon State University
Board of Trustees
Executive & Audit Committee
Regular Meeting, June 20, 2014
1:00 – 3:00 p.m.
President's Conference Room
OSU 650 Kerr Administration Building
Corvallis, Oregon



The Board of Trustees of Oregon State University

Meeting of the Executive & Audit Committee

June 20, 2014

1:00 p.m. – 3:00 p.m.

President's Conference Room, Kerr Administration Building

AGENDA

1. Call to Order

2. Approval of Minutes

February 19, 2014	1
March 28, 2014	3
April 22, 2014	4

3. Discussion Items

a. Committee Charter Review (Reeves).....	5
b. Committee Audit Roles and Responsibilities (Snopkowski).....	6
c. Office of Audit Services Charter (Snopkowski).....	7
d. Proposed University Fraud, Waste, and Abuse Policy (Snopkowski)	9
e. Proposed University Code of Ethics (Snopkowski).....	11
f. Presidential Contract for FY2015 and FY2016 (Reeves).....	Under separate cover
g. Framework for Presidential Assessment Policy (Summary of Considerations/Best Practices) (Reeves).....	12
h. Presidential Compensation (Reeves).....	Under separate cover

4. Adjournment



The Board of Trustees of Oregon State University

Executive and Audit Committee

**Regular Meeting of the Committee
February 19, 2014
President's Conference Room, Kerr Administration Building
Oregon State University
Corvallis, Oregon**

MINUTES

Committee Members Present: Rani Borkar, Darry Callahan (Vice Chair), Paul Kelly, Jr., Ed Ray, Pat Reser (Chair), and Kirk Schueler

Other Trustees Present: Orcilia Forbes

University Staff Present: Meg Reeves and Mark Huey

1. Call to Order

Committee Chair Pat Reser called the meeting to order at 3:05 p.m. and noted a quorum.

2. Action Items**Board Policies**

At the request of the Chair, Meg Reeves walked the committee through the proposed governance policies, including editorial changes to the standing committee charges that the Board adopted at its January 9, 2014, meeting. Discussion followed, and committee members requested a few additional changes for clarity.

OSU Mission Statement

President Ray led the discussion of the university's current mission statement. He noted that the mission statement was approved by the State Board of Higher Education and the university's accrediting body, the Northwest Commission on Colleges and Universities. President Ray will confirm the timeline for submitting the university's mission statement to the HECC.

3. Other Items

The committee noted the need to address the President's salary, perhaps at the July meeting. The Chair called committee members' attention to the frequently-asked-questions page on the Board's website (<http://oregonstate.edu/leadership/institutional-board-faq>) and commended staff in the University Relations and Marketing department on the page's usefulness. The Chair also commended the staff of the *OregonStater* for the quality of its writing and its information about the university.

4. Adjournment

There being no other business, the meeting was adjourned at 4:25 pm.

Respectfully submitted,

Mark Huey
Assistant Board Secretary



The Board of Trustees of Oregon State University

Executive and Audit Committee

Special Meeting of the Committee

March 28, 2014

**President's Conference Room, Kerr Administration Building
Oregon State University
Corvallis, Oregon**

MINUTES

Committee Members Present: Rani Borkar, Darry Callahan (Vice Chair), Paul Kelly, Kirk Schueler, and Ed Ray (ex officio).

University Staff Present: Sherm Bloomer, Glenn Ford, Mike Green, Jan Lewis, Kirk Pawlowski, Meg Reeves, and Patti Snopkowski.

1. Call to Order

Committee Vice Chair Darry Callahan called the meeting to order at 10:30 a.m., asked the Secretary to call the roll, and noted a quorum.

2. Discussion Item

Revised Oregon State University Legislative Funding Request for the 2015-17 Biennium

Vice President Glenn Ford provided an overview of the Administration's revisions to the University's 2015-2017 Legislative Funding Request, due to additional input from the Higher Education Coordinating Commission received after the Board of Trustees' March 13, 2014, meeting.

ACTION: Following a discussion of the revisions, a motion was made and seconded to approve the March 28, 2014, revised 2015-17 Legislative Funding Request for submittal to the Higher Education Coordinating Commission. The motion carried.

3. Adjournment

There being no other business, the meeting was adjourned at 11:30 a.m.

Respectfully submitted,

Meg Reeves
Board Secretary



The Board of Trustees of Oregon State University

Executive and Audit Committee

Special Meeting of the Committee

April 22, 2014

**President's Conference Room, Kerr Administration Building
Oregon State University
Corvallis, Oregon**

MINUTES

Committee Members Present: Rani Borkar, Darry Callahan (Vice Chair), Paul Kelly, Pat Reser (Chair), Kirk Schueler, and Ed Ray (ex officio).

University Staff Present: Sherm Bloomer, Glenn Ford, Mike Green, Mark Huey, Jan Lewis, Kirk Pawlowski, Meg Reeves, Patti Snopkowski, and Marcia Stuart.

1. Call to Order

Committee Chair Pat Reser called the meeting to order at 3:02 p.m., asked the Assistant Secretary to call the roll, and noted a quorum.

2. Discussion Item

Revised Oregon State University Legislative Funding Request for the 2015-17 Biennium for Capital Construction Projects

Vice President Glenn Ford provided an overview of the Administration's revisions to the University's 2015-2017 capital construction funding request, due to additional input from the Higher Education Coordinating Commission received after the Board of Trustees' March 13, 2014, meeting.

ACTION: Following a discussion of the revisions, Mr. Schueler made a motion to approve the April 22, 2014, revised 2015-17 Legislative Funding Request for Capital Construction Projects for submittal to the Higher Education Coordinating Commission, and Mr. Callahan seconded the motion. The motion was unanimously approved.

3. Adjournment

There being no other business, the meeting was adjourned at 3:29 p.m.

Respectfully submitted,

Mark Huey
Assistant Board Secretary

Executive and Audit Committee Charter

The Executive and Audit Committee is established. The Committee is empowered to act for the Board in the case of emergency between regular Board meetings and to assist the University in its oversight of the University's financial practices and standards of conduct, as provided in this policy.

The Committee shall have the following five voting members: the Chair of the Board, the Vice Chair of the Board, the Chair of the Academic Strategies Committee, the Chair of the Finance and Administration Committee, and one at-large member appointed from among the remaining trustees. The President is an ex-officio, non-voting member of the Executive and Audit Committee. The Chair of the Board is the Chair of the Executive and Audit Committee.

The Committee is empowered to act for the Board if the Committee determines an emergency exists between regular Board meetings on any matter except the following, which shall be reserved for the Board: (1) presidential hiring, evaluation and removal; (2) election of Board officers; (3) changes in the mission and purposes of the University; (4) amendments to the bylaws; (5) sale or purchase of real property; (6) condemnation of real property; (7) determination of tuition and mandatory enrollment fees; and (8) adoption of the University budget.

The Committee's areas of responsibility are to assist the Board in: (1) oversight of the institution's standards of conduct; (2) overseeing audit activities, including internal and external audits; and (3) monitoring the University's internal control structure to ensure key risk, compliance, and regulatory requirements are met. In addition, the Committee is responsible for such other matters as may be referred to it by the Board.

The Committee has the authority, through its Chair or a majority vote of its voting members, to ask management to address specific issues within the mandate of the Committee, as well as the authority to engage independent legal counsel and other professional advisers to carry out its duties.

The Committee is responsible for making nominations to the Board for Board officers.

The Offices of the Secretary to the Board and the Chief Audit Executive are responsible for providing staff support to the Committee.

Adopted by the Board of Trustees January 9, 2014; amended March 13, 2014

Executive and Audit Committee Roles and Responsibilities

The Executive and Audit Committee is a standing committee of the Oregon State University Board of Trustees. To assist the OSU Board of Trustees to achieve its statewide objectives and responsibilities, the Committee shall perform the following duties as it relates to audit services for Oregon State University:

External Audit

- Review and approve the selection of the external audit firm hired to perform the annual financial statement and federal compliance audit
- Review and approve the annual external audit of the OSU financial statements and A-133 federal compliance procedures
- Review the audit reports issued by the Oregon Secretary of State Audits Division

Internal Audit

- Annually review and approve the internal audit charter and organizational structure confirming the organizational independence
- Participate in the annual audit planning risk assessment process and approve the annual audit plan
- Review and approve quarterly audit reports detailing the results of recommendations and follow-up procedures and receive periodic reports as deemed necessary
- Approve the appointment or removal of the Chief Audit Executive of the Office of Audit Services, as recommended by the President or Executive and Audit Committee

Devote, as necessary, a portion of the Committee meetings to an executive session with the internal or external auditors to discuss matters exempt from public disclosure under Oregon Revised Statute Chapter 192—Public Records Policy.

Office of Audit Services Proposed Charter

Purpose

The authority and responsibilities of the Oregon State University Office of Audit Services (OAS) are defined in this charter, which is approved by the President and OSU Board of Trustees' Executive and Audit Committee.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The OAS shall uphold the principles of integrity, objectivity, confidentiality and competency as defined in the Institute of Internal Auditors' Code of Ethics and shall adhere to the *International Standards for the Professional Practice of Internal Auditing* (Standards). The OAS is to utilize the Committee of Sponsoring Organizations (COSO) as the model for evaluating the adequacy of internal controls within Oregon State University.

Authority

The Chief Audit Executive of Internal Audit reports administratively to the President and functionally to the Executive and Audit Committee of the OSU Board of Trustees.

Authorization is granted for full and complete access to any of the organization's records (either manual or electronic), physical properties and personnel relevant to an audit engagement. Documents and information given to internal auditors during a periodic review will be handled in a confidential and prudent manner, as required by the Institute of Internal Auditors' Code of Ethics.

University management is responsible for the risk management and internal control structure over the areas audited. Internal auditors have no direct responsibility or any authority over any of the activities or operations that they review. They should not develop and install procedures, prepare records or engage in activities that would normally be reviewed by the OAS.

Responsibility

The OAS is responsible for developing and implementing an annual internal audit plan that outlines the engagements to be performed using an appropriate risk-based methodology. The annual plan is to include the consideration of any risks or control concerns identified by management and is reviewed and approved by the President and the Executive and Audit Committee. OAS performs five types of engagements:

1. Assurance Services—Assurance services are objective examinations of evidence for the purpose of providing an independent assessment. This includes assessing and reporting on the adequacy and effectiveness of the internal controls and the quality of performance in carrying out assigned responsibilities. The scope includes reviewing and evaluating:
 - internal controls established to ensure compliance with applicable policies, plans, procedures, laws, regulations and contracts
 - the means with which assets are safeguarded
 - the reliability and integrity of financial and operating information

- the economy, efficiency and effectiveness with which resources are employed
 - IT systems to determine if they are appropriately managed, controlled and protected
2. Consulting Services—Advisory and related client service activities, the nature and scope of which are agreed upon with the client, are intended to add value and improve an organization's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.
 3. Investigative Engagements—Investigations evaluate allegations of unethical business practices and/or financial and operational misconduct to determine whether allegations are substantiated and to prevent future occurrences. OAS maintains the OSU Fraud, Waste and Abuse Hotline and coordinates investigations with university management and the Oregon Secretary of State Audits Division.
 4. Follow-up Engagements—Follow-up engagements evaluate plans and actions taken to correct reported conditions.
 5. External Audit—OAS coordinates with external auditors to ensure efficient and economical utilization of audit resources and is responsible for overseeing all external audits. OAS meets with the external auditors to discuss audit plans, risks and coordination. OAS attends external audit entrance and exit conferences and may perform follow-up activity on external audit recommendations.

A written report will be prepared and issued by the Chief Audit Executive following the conclusion of each engagement and will be distributed appropriately. University management shall respond in a timely manner. This response will indicate what actions were taken or are planned and an anticipated completion date in regard to the specific recommendations. Copies of final reports will be distributed to the President as well as appropriate university personnel.

The Chief Audit Executive will provide quarterly progress reports to the Executive and Audit Committee summarizing the results of engagement activities and reports. In addition, the Chief Audit Executive will keep the President, campus executives and the Executive and Audit Committee apprised of high-risk engagement issues.

Proposed University Fraud, Waste, and Abuse Reporting Policy

This policy sets forth guidelines for reporting known or suspected fraud, waste and abuse within Oregon State University (OSU).

OSU has a stewardship responsibility over all resources entrusted to it.

AUTHORITY

Oregon Revised Statutes (ORS)

- [ORS 244, Government Ethics](#)
- [ORS 297, Audits of Public Funds and Financial Records](#)
- [ORS 351, Higher Education Generally](#)
- [ORS 659, Miscellaneous Prohibitions Relating to Employment and Discrimination](#)

DEFINITIONS

Suspected fraud, waste or abuse is a reasonable belief or actual knowledge that fraud, waste and/or abuse is occurring or has occurred. Concerns may include but are not limited to the following functional categories:

- Academic & Student Affairs
- Accounting & Financial
- Athletics
- Human Resources
- Information Technology
- Research
- Risk and Safety
- University Health Centers
- Other

Campus management and the President's Office includes the president, vice presidents, provost, vice provosts, deans, directors and division/departments heads, as well as other managers authorized to determine and assign duties to university employees.

RESPONSIBILITIES

All employees of Oregon State University shall report known or suspected instances of fraud, waste and/or abuse. Matters can be reported to campus management, the OSU Office of Audit Services (OAS) or through the OSU hotline. Campus managers who receive notice of suspected or known fraud, waste and/or abuse are required by this policy to report such matters to the OAS. When employees do not feel comfortable discussing these matters directly with the OAS or campus management, reporting can be made through the OSU hotline:

OSU Hotline: 1.XXXXXX or https://_____

OSU contracts with NAVEX Global, an independent, third-party vendor, to provide this confidential and anonymous telephone and Internet system for reporting concerns.

NAVEX Global reports concerns received on the hotline to OAS, which coordinates investigation efforts of reported concerns in conjunction with necessary campus and external parties as deemed appropriate.

Employees who identify themselves and make a good faith report of suspected fraud, waste or abuse are protected from retaliation, in accordance with ORS 659A. OSU will maintain confidentiality for employees reporting suspected irregularities, misconduct, safety issues or other concerns to the extent possible under the law.

In accordance with [ORS 297](#), the Secretary of State Audits Division is notified of all complaints and confirmed losses that are in excess of \$100 (<http://www.sos.state.or.us/audits/>).

CONTACT INFORMATION

Direct questions about this policy to the following office:

Oregon State University Office of Audit Services

Phone: (541) 737-2193

<http://oregonstate.edu/leadership/audit/home>

Proposed University Code of Ethics

Oregon State University (OSU) has a duty to educate students to be responsible citizens and a duty to provide instruction, research and public service programs that contribute to the maintenance and growth of a healthy state, national and world economy. All employees, officers, students and volunteers acting on behalf of OSU have a responsibility to work towards the fulfillment of our mission and conduct themselves ethically, with the highest integrity and in compliance with all applicable laws, regulations and policies.

OSU is committed to conducting its affairs in ways that promote mutual trust and public confidence. We strive for excellence in our pursuit of knowledge and maintain high standards in all activities and duties. OSU upholds the following standards as the foundation for a civil, respectful and nurturing environment when engaging in teaching, research, public service and administrative activities:

Honesty and Integrity – We demonstrate honesty in our communication and conduct while managing ourselves with integrity. We uphold the values of this code and make decisions based upon the greater good, conducting ourselves free of personal conflicts, self-dealing, using resources for personal benefit or gain or appearances of impropriety.

Respect – We demonstrate respect towards the rights and dignity of others; show concern for the welfare of others; expect equality, impartiality, openness and due process by demonstrating equity and fairness without reference to individual bias; and refrain from discriminating against, harassing or threatening others.

Stewardship and Compliance – We utilize resources and information entrusted to our care in a wise, ethical and prudent manner in order to achieve our educational mission and strategic objectives. We uphold civic virtues and duties by obeying laws and policies.

Accountability and Responsibility – We take responsibility for our choices and actions by showing accountability and not assigning or shifting blame or taking improper credit. We act with responsibility by reporting unethical and illegal conduct to the appropriate authorities, including supervisors, management or responsible university offices, including the OSU Office of Audit Services, and, when appropriate, external authorities, including law enforcement.

OSU expects incidences of fraud, waste and/or abuse to be reported. Hotlines are available to make reports of fraud, waste and abuse: OSU hotline: 1-XXX-XXX-XXXX or the State of Oregon hotline: 1-800-336-8218. The OSU Office of Audit Services and the Oregon Audits Division review and investigate, as appropriate, all reports and, when warranted by the facts, require corrective action and discipline in accordance with policy and law. Employees who make a good faith report of suspected fraud, waste or abuse are protected from retaliation, in accordance with the Oregon Revised Statute 659.

Framework for Presidential Assessment Policy (Summary of Considerations/Best Practices)

This outline is a synthesis of content taken in its entirety, in many cases verbatim, from the AGB publication, "Assessing Presidential Effectiveness: A Guide for College & University Boards," by Richard L. Morrill.

Best practice – annual and periodic comprehensive reviews under established board policy:

1. Evaluation should be accomplished under systematic and formal methods established by board policy that is developed in consultation with the president.
2. The policy should provide for annual and periodic comprehensive assessment of the president.
3. Evaluation of presidential leadership in this way contributes to the continuous improvement of the president's leadership, the board's engagement and the organization's performance.
4. The basic purposes of the two types of evaluation are the same. They differ in the frequency, emphases, duration, sources and criteria for evaluation.
5. Comprehensive assessments are typically every three to four years. The annual process will typically take up to a month to complete; the comprehensive process will take up to four months.
6. A comprehensive review involves evaluations from a variety of participants at different levels of the organization, while annual reviews typically are limited primarily to the board's and the president's perspectives.
7. Although they may use many of the same criteria, a comprehensive review explores a larger set of contexts and sources more systematically and deeply. As a result, a comprehensive assessment also makes for a fuller exploration of possibilities for leadership development.

Purposes of annual and comprehensive presidential assessment:

1. Basic board responsibility
2. Provides an appraisal of the president's leadership within the larger goal of contributing to the development of the president's effectiveness and the institution's success
3. Deepens the communication and relationship between the board and president and makes the board's expectations explicit
4. Deepens the president's self-understanding and enlarges the president's and the board's awareness of the president's impact on others
5. Expands the board's knowledge of the work of the president and provides a powerful means of monitoring the institution's progress in meeting its strategic goals, which in turn renews the board's sense of engagement and purposefulness
6. Fulfills requirements for institutional accreditation and satisfies regulations and expectations for accountability

7. Synthesizes important institutional documents, statements and commitments, and contributes to the continuing work of strategic and integral leadership by anticipating emerging issues
8. Provides the board with insights concerning the effectiveness of the institution's methods of governance and systems of decision-making, including its own, and thereby contributes to the board's goal of high performance
9. Demonstrates the board's and the president's commitment to the assessment and development of talent at all levels of the organization
10. Although not its primary purpose, provides the governing board with relevant information useful in compensation decisions
11. The process affords the opportunity for the president and the board to consider the effectiveness of the president's service, actions that might strengthen it, how long both parties believe it should continue and the steps to be followed should it be drawing to a close.

Annual Assessment

1. Establish a board policy for the review in consultation with the president.
2. Base assessment on agreed-upon strategic goals and benchmarks.
3. Make the president's written self-assessment statement the central element in the process.
4. Seek legal counsel on confidentiality and open-meeting/open-record laws to clarify confidentiality in the process.
5. Complete the process in as short a time as possible (about one month).
6. Schedule a private meeting with the president, the chair and other board members (as permissible under Oregon law) to discuss the review. Include a synthesis of board feedback on performance.
7. Use the review process to agree on goals for the coming year.
8. Follow up with appropriate recommendations about compensation adjustments.
9. Review the assessment process each year and make needed changes.
10. Make annual assessments part of a cycle that includes periodic board self-assessments and comprehensive assessment of the president or comprehensive joint assessment of the president and board.
11. Broad criteria to consider for assessment include academic management and leadership, administrative management and leadership, budget and finance, fundraising, external relations and personal characteristics. Criteria should be assessed through the lens of strategic priorities, measurable goals, annual priorities and goals, critical university processes, key relationships, personal fulfillment and personal issues. A good practice is for the president to propose topics to cover in his annual assessment, with the assigned board committee having an opportunity to review and respond to the proposal.