



MINUTES

Committee Members Present: Patty Bedient, Rani Borkar (*chair*), Darry Callahan (*vice chair*), Paul Kelly, Kirk Schueler, Ed Ray (*ex officio*)

Other Trustees Present: Mike Bailey, Michele Longo Eder, Preston Pulliams, and Mike Thorne

University Staff Present: Ron Adams, Jennifer Almquist, Steve Clark, Debbie Colbert, Ed Feser, Becca Gose, Mike Green, Julee Otter, Susana Rivera-Mills, Cindy Sagers, Clay Simmons, Patti Snopkowski, and Marcia Stuart

1. Call to Order/Roll /Declaration of a Quorum

Committee Chair Rani Borkar called the meeting to order at 8:02 a.m., asked the assistant board secretary to call the roll, and noted a quorum. Borkar also welcomed new committee member, Trustee Patty Bedient.

2. Consent Item

a. Minutes of the July 20, 2017 Executive & Audit Committee Meeting

A motion was made and seconded to approve the minutes of the July 20, 2017, Executive & Audit Committee Meeting. The motion carried.

3. Action Items

a. Board Chair's Report: FY2017 Presidential Assessment

Chair Borkar summarized the process for the Board's presidential performance assessment and thanked trustees for providing input on the president's accomplishments during the year, ways to strengthen his effectiveness, and his goals for the upcoming year. She also thanked Vice Chair Darry Callahan for his assistance in gathering input from a subset of the president's direct reports and university partners. Borkar then summarized the assessment feedback, which she noted was highly positive across all of the individuals interviewed. She said that President Ray provides a steady, thoughtful moral compass and strong vision that inspires others. Borkar said that the Board was pleased with the substantial progress the president made toward his goals over the past year and unanimously supported his agenda for the coming year.

Following her summary, Borkar opened the item to discussion. Several trustees spoke to Ray's accomplishments and to what the university had achieved under his leadership. Next, Callahan reminded the committee that their process was to complete the performance assessment in October and then to consider compensation in January. Trustee Paul Kelly offered the suggestion he had raised at the time of the last presidential compensation adjustment to consider moving the discussion to the spring, either when the Board sets tuition or adopts the budget. Board Secretary Debbie Colbert

noted that scheduling the conversation for January was intended to coincide with the university's timeframe for consideration of merit increases for unclassified employees. Callahan suggested leaving the conversation tentatively scheduled for January while continuing to explore the best timing for the decision. A motion was made and seconded to recommend to the Board acceptance of the Board Chair's report on the president's annual assessment. The motion carried.

b. Board Policy and Bylaw Review/Amendments

Borkar reminded trustees that, under its bylaws, the Board is responsible for ensuring the currency of its governance policies and practices. She then asked Secretary Colbert to provide an overview of the proposed changes included in TAB C. Colbert noted that in addition to the annual practice of reviewing the Board's bylaws, policies, and committee charters, the Board Office had also begun a review of the administrative rules, policies, and internal management directives of the State Board of Higher Education, which were transferred to the university when the transition in governance occurred in 2014. First, Colbert described proposed changes to Board bylaws to reflect Senate Bill 54, passed in the last legislative session, which changed the frequency of board meetings from "quarterly" to "four times a year." She also described a clarification to the language on quorum and voting. Based on advice from outside counsel, trustees "who are disqualified from voting" on a matter are those trustees who have an actual conflict of interest. She said moving to this conflict of interest language would give more clarity and would be consistent with best practices recommended by the Association of Governing Boards of Universities and Colleges. Lastly, Colbert noted minor punctuation edits.

Next, Colbert described proposed changes to the Board Officers policy to reflect the current practice of the Vice Chair acting as a liaison to the OSU Foundation Board through regular reports. She then presented the policies and directives proposed for repeal as described in Exhibit D of Attachment 1. She added that the Board Office would continue to work to identify policies and internal management directives that are outdated, no longer consistent with statute, or superseded by Board action.

Following the presentation, Borkar thanked staff for working on continuous improvement. With no further discussion, a motion was made and seconded to recommend to the Board that it adopt the Resolution amending the Board Bylaws and Board Officers policy and repealing policies and directives as provided in Attachment 1. The motion carried.

c. 2018 Executive & Audit Committee Work Plan and 2017 Board Assessment Results

Borkar introduced this item by referencing the committee work plan and assessment results contained in TAB D as well as the questions she had asked trustees to consider in advance of their meeting. She said that she had worked with Colbert to consider trustee feedback and develop a work plan intended to maximize the engagement of committee members.

In the discussion that followed, trustees expressed support for the proposed work plan. Callahan added that he would like to discuss at a future meeting whether there are other strategic issues the committee should focus on. Trustee Kirk Schueler noted that the charter specifically outlined the committee's duties related to external and internal audit functions, which offered flexibility in considering how to address other topics within their areas of responsibility. Kelly said that while the results and feedback from the most recent Board Self-Assessment Survey were positive overall, there were two areas in which the 2017 average responses were lower than in previous years. He said it would

be important to continue to look at ways to actively engage committee members in discussions and to allow sufficient time for the exchange of ideas. With regard to the latter, Trustee Patty Bedient suggested building time into agendas for discussion without actions attached. Borkar added that, although some 2017 averages had decreased slightly, the ratings remained high overall, and she suggested that the committee continue to consider what optimal performance along each criterion would look like.

Following discussion, a motion was made and seconded to approve the 2018 Executive & Audit Committee work plan. The motion carried.

d. Executive & Audit Committee Charter Amendment

Borkar said the Board is responsible for ensuring the currency of its governance policies and practices including the upkeep of committee charters. She then asked Colbert and Chief Audit Executive Patti Snopkowski to present the proposed amendments to the charter. First, Colbert described changes in the charter to reflect additional duties that had been assigned to the committee. Next, Snopkowski discussed updates to reflect current practice. Schueler asked what body would receive reports from external audit agencies following the removal of the requirement that the committee separately review Oregon Secretary of State Audit Office reports. Snopkowski said this change was a result of the change to the OSU governance structure, which removed the state's obligation to audit the OSU financial statements and federal compliance, and that all external audit agency findings are included in the regular Office of Audit Services status reports. General Counsel Becca Gose added that the Office of General Counsel works closely with the OAS when there are potential outside investigations.

Following discussion, a motion was made and seconded to recommend to the Board that it approve the changes to the Executive & Audit Committee charter as provided in Attachment 1. The motion carried.

e. Office of Audit Services Progress Report

Borkar asked Snopkowski to summarize the Office of Audit Services (OAS) Progress Report. Snopkowski also introduced Senior Audit Manager Julee Otter. First, Snopkowski summarized the reports the OAS had issued, noting a particular focus on internal control assessments. She said the assessment of control, governance, and risk management strengths and opportunities for continual improvement provided support to senior leaders. Ray added that this effort to continually improve operations was an important practice to support newly hired leaders. Next, Snopkowski said the OAS also examined IT staffing and projects across the university as well as project management practices.

Snopkowski also provided an overview of recommendations due per action plans, adding that she had no concerns as actions are being taken to address all open recommendations. In response to a question by Borkar, Snopkowski clarified that "implemented" was used when a recommendation had been completed and "in progress" indicated that work had not been fully implemented and actions were in progress. Snopkowski then reported that, as a result of staff turnover, two audits will be removed from the 2017 plan, adding that the OAS's staff auditor position will be replaced with a senior auditor position to address the complexity of the work.

In the discussion that followed, Trustee Mike Bailey asked about the inclusion of the Music Program on the list of recommendations in progress. Snopkowski stated that the

university received information relative to the program's practices, which prompted an audit by the OAS.

Following discussion, a motion was made and seconded to approve the October 2017 Office of Audit Services Progress Report. The motion carried.

4. Discussion Items

a. Annual Compliance & Ethics Program Report

Borkar asked Chief Compliance Officer Clay Simmons to present this item. Simmons stated that OSU's model followed the U.S. Federal Sentencing Guidelines' model for establishing an effective compliance and ethics program. He noted that the most recent compliance program evaluation guidelines issued by the Department of Justice signaled a move away from a focus primarily on education and toward greater emphasis on enforcement. Simmons said that to be effective, a compliance and ethics program must exercise due diligence to prevent and detect criminal conduct and promote an ethical organizational culture. To accomplish this goal, OSU's compliance and ethics program is structured as a joint venture across the offices of University Compliance, General Counsel, and Audit Services.

Next, Simmons described three elements of the university's compliance and ethics program in which the university has made significant progress. First, he noted that OSU's standards and policies and standards that had previously been State Board of Higher Education Oregon Administration Rules (OARs) and policies, as well as OSU policies and standards that had been promulgated through OARs, are now housed on a new website that is easier for employees to use. The long-term intent of this website is to house all university-wide policies and standards, and his office continues to gather additional policies beyond those mentioned above. He added that the next phase would be to continue to update and revise policies, with a focus on prioritizing areas of greatest risk. Simmons also noted the importance of Board oversight as a key element of an effective compliance and ethics program, ensuring that trustees understand the content and operation of the program. Simmons noted that this oversight also applies to executive leadership within the university, who should also be familiar with the function of the program. Lastly, Simmons spoke about the importance of education and training. He reminded trustees that critical employee training was a top risk identified through the University Risk Management program as one that may hinder the university's ability to achieve the objectives outlined in the strategic plan. He then reported that the university would be launching regulatory training for all employees in January 2018, adding that current employees will be required to complete the training by March 30, 2018. Callahan asked about requirements for new employees, and Simmons stated that they must complete required training within 60 days of their respective start dates. Gose reminded trustees that the new training will be offered in addition to a lab safety training program, which is already mandated and in place. Bailey asked about the delivery system, and Simmons said that new training would be offered via a platform called Bridge. Snopkowski also shared that what has been the fraud, waste, and abuse hotline is being rebranded as the accountability and integrity hotline.

b. Office of General Counsel Annual Report FY2017

Borkar asked General Counsel Becca Gose to present her annual report to the committee. Gose reminded trustees that the Office of General Counsel (OGC) serves as a key resource to the university, providing legal advice on a range of issues. She shared that, in providing legal advice, the philosophy of the office is to add value by being proactive and preventative. She noted that although the office operates with lean

staffing, they are able to be effective because of the emphasis by President Ray on the importance of OGC as a strategic partner.

Next, Gose described OGC's management of the public records process for OSU, noting that the number of requests has increased significantly over the past four years. Kelly asked whether requests were focused on a particular topic, and Gose stated that it was difficult to identify a trend by topic but that requests were increasingly high volume and/or high profile. Gose noted that the recent increase in volume and complexity has been sufficient to warrant adding another legal assistant in the office, which is necessary to avoid significant concerns regarding OSU's ability to provide prompt and transparent public records access. She indicated that the search for that position is open and that the goal is that it be filled by the end of the calendar year.

Gose then shared that OGC manages all litigation defense for OSU and works closely with outside litigation counsel at every stage. She said that OSU has very low litigation rates compared to similarly situated national peers; however, given the national trends, it is unlikely that the very low rate at OSU will remain unchanged. Gose added that OGC continues to work with colleagues across the university to address problems early and resolve concerns before they reach the litigation stage. She also reported that OGC engages the assistance of outside counsel in several types of situations, most commonly where the area of expertise sought is highly specialized, where the work needed and timeliness surpass the capacity of the office, and where it is advisable or required to have an independent review or opinion.

Bedient remarked on the importance of the tone set by President Ray in supporting the work of the OGC. Eder complimented Gose and her staff for their proactive philosophy and noted the remarkable range of work and commendable efforts to contain costs, particularly given the size of the staff. She also asked what was covered by outside counsel expenses for intellectual property work, and Gose said it included advising on patent, licensing, trademark, and copyright matters. She added that as the university grows in size and complexity, she will continue to evaluate whether and when it makes sense to develop particular capacity within her office.

In conclusion, Gose provided an overview of the major areas of focus for 2016-17, which were free speech issues, federal policy changes, governance changes, compliance issues, and issues associated with the university's expansion in Bend and Newport.

c. All Hazard Planning (including Risk Management Report)

In introducing this item, Borkar reminded the committee that all hazard planning had been identified as a top risk for the university, and that the Executive & Audit Committee provides oversight of the university's action plan for mitigating this risk. She then asked Vice President for Finance and Administration Mike Green and Director of Public Safety Suzy Tannenbaum to present this item.

Green noted that a full summary of the university's actions and performance was included in TAB I, adding that he and Tannenbaum would highlight key actions over the past year to mitigate this risk and discuss the focus areas for the coming year. Green reported that the university had developed a baseline training curriculum consisting of FEMA incident Command System modules intended to meet the requirement to comply with National Incident Management System standards. He added that all hazard planning is a shared responsibility and that Emergency Management had established a schedule of drills designed to prepare for major disaster events, including tabletop and

live action exercises to continue to prepare people to respond effectively. Green said a central support team was also in place to assist people with emergency response. Callahan asked about preparation both for major disaster events and their aftermath, and Green confirmed that the university's all hazard planning included preparation for both.

Next, Green introduced Tannenbaum, who most recently served as a public safety lieutenant at the Oregon Health & Science University. He said she brings more than 24 years of law enforcement and public safety experience and is a third-generation Oregon law enforcement officer. Green said that part of the university's all hazard planning includes following and preparing for emerging issues, citing an active shooter incident as an example. Tannenbaum provided additional detail about the delivery and components of the university's active shooter survivor training sessions, which follow the national "run, hide, fight" model. She concluded by stating that Emergency Management and the Department of Public Safety continue to provide training to help equip individuals with the knowledge and skills they need to respond effectively.

5. Other Business

Borkar asked Ray to provide an update on the university's efforts to engage with the Corvallis Multicultural Literacy Center (CMLC). Ray reminded trustees that the CMLC currently leases the university-owned Sunflower House at a rate of \$1 per month. In order to meet a growing need for upper division and graduate student housing, the university sought the Board's authorization of \$30M in OSU revenue bonds to proceed with a project plan, which includes removal of the Sunflower House. The Board approved the capital request in June 2017, and asked staff to continue working with the CMLC. Ray reported that over the past three months, members of the CMLC board, the CMLC center coordinator, and OSU leaders have engaged in numerous meetings and that he and other university leaders have toured the CMLC on many occasions. He said the university evaluated leaving in place the Sunflower House but concluded that doing so would result in a loss of approximately 18,000 square feet within the planned residence hall and would reduce the number of bed spaces available. Because residence halls are self-supporting, fewer beds over the building's 30 year bonding would result in \$24-31M less anticipated revenue. This impact would need to be covered by increasing rents by \$1.7-2.2K per year for the remaining renters. Recently, the CMLC board, center leaders, and OSU reached an agreement to provide the CMLC a long-term facility lease in a new OSU campus location and to provide the CMLC new operational support. Ray then asked Vice President for University Relations and Marketing Steve Clark to provide additional details.

Clark said the newly agreed upon plan makes it possible for the CMLC to operate within an expanded and refurbished home owned by OSU along the campus boundary near Northwest Monroe. He said the new lease continues OSU's 12-year practice of providing the CMLC rent at a rate of \$1 per month. Additional \$1,200 in monthly operating support will help the CMLC provide multicultural services for students and employees and their family members, as well as community residents. Clark added that OSU remains open to someone buying the house through an anticipated public bid process. In the conversation that followed, trustees remarked on the complexity of the situation and thanked staff for reporting back on their efforts to continue to engage the CMLC.

6. Adjournment

With no further business proposed, Chair Borkar adjourned the meeting at 10:39 a.m.

Respectfully submitted,



Jennifer M. Almquist
Assistant Board Secretary